



# TaxNewsFlash

United States



No. 2021-162  
April 12, 2021

## Proposed regulations: Requirements under section 1400Z-2 for foreign persons, partnerships investing in qualified opportunity funds (text of regulations)

The U.S. Treasury Department and IRS this afternoon released for publication in the Federal Register proposed regulations (REG-121095-19) addressing the requirements for certain foreign persons and foreign-owned partnerships investing in qualified opportunity funds (QOFs) and also providing flexibility with regard to working capital safe harbor plans.

The [proposed regulations](#) [PDF 438 KB] (15 pages as published in the Federal Register on April 14, 2021) include requirements that eligible foreign persons and foreign-owned partnerships must satisfy to elect the federal income tax benefits provided by section 1400Z-2.

- The proposed regulations also allow, under certain circumstances, for the reduction or elimination of withholding tax under section 1445, 1446(a) or 1446(f) on transfers that give rise to gain that is deferred under section 1400Z-2(a).
- The proposed regulations also provide guidance regarding the 24-month extension of the working capital safe harbor in the case of federally declared disasters.

The 2017 tax law that is often referred to as the “Tax Cuts and Jobs Act” (TCJA) added sections 1400Z-1 and 1400Z-2 to the Code to provide specified federal income tax benefits to owners of qualified opportunity funds (QOFs) to encourage the making of longer-term investments, through QOFs and qualified opportunity zone businesses, of new capital in one or more qualified opportunity zones designated under section 1400Z-1 and to increase economic growth in such qualified opportunity zones.

The purpose of this report is to provide text of the proposed regulations that are scheduled to be published in the Federal Register on April 14, 2021.

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