



Proposed regulations on qualified opportunity fund information reporting and certification procedures

KPMG analysis and observations

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On September 11, 2026, the U.S. Treasury Department and the IRS released [proposed regulations](#) (REG-116506-25) that would implement new information reporting requirements for qualified opportunity funds (QOFs) and qualified opportunity zone businesses (QOZBs) (the “QOZ Proposed Regulations”). The regulations would also make changes to the QOF self-certification requirements as well as establish procedures for revoking inadvertent certifications and voluntarily decertifying as a QOF. Such rules are proposed to be applicable to tax years ending (and filing or reporting deadlines that occur) on or after the date the QOZ Proposed Regulations are published as final.

Background

Enacted by the Tax Cuts and Jobs Act (TCJA) as Subchapter Z (sections 1400Z-1 and 1400Z-2), the Qualified Opportunity Zone (QOZ) regime was designed to incentivize economic development and long-term investments in areas designated as “Qualified Opportunity Zones” by allowing eligible taxpayers to defer eligible capital gains through qualifying investments in a qualified opportunity fund (QOF) within 180 days of the sale or exchange giving rise to such gain. Gain deferred under the original TCJA QOZ program was deferred until the earlier of (1) December 31, 2026, or (2) the sale or exchange of the eligible taxpayer’s QOF interest.¹ In addition to this deferral benefit, under the TCJA QOZ program, a taxpayer with a qualifying investment in a QOF may be entitled to the potential elimination of up to 15% of that original deferred gain depending on when the investment was made,² and the potential elimination of gain on any appreciation in the investment if the investment is held for at least 10 years.³

Final regulations under section 1400Z-2 were published in January 2020, effective for tax years beginning after March 13, 2020 (the “QOZ Regulations”).⁴

The QOZ regime was made permanent by the One Big Beautiful Bill Act of 2025 (OBBBA).⁵ In addition to making the regime permanent, OBBBA modified the benefits for investors in the program. Under the OBBBA QOZ program, an eligible taxpayer’s gain is deferred until the earlier of (1) five years from the date on which the taxpayer made the corresponding investment in a QOF or (2) the sale or exchange of the eligible taxpayer’s QOF interest.⁶ Therefore, under the OBBBA QOZ regime, each investor has its own deferral period measured by the dates of that investor’s QOF investments—a rolling deferral period. If the investor holds its QOF interest for the entire five-year deferral period, the investor may reduce the amount of deferred gain taken into income by 10%.⁷ Finally, investors in the OBBBA QOZ regime are still entitled to the potential elimination of gain on any appreciation in the QOF investment if the investment is held for at least 10 years.⁸

As originally enacted in the TCJA, neither QOFs nor QOZBs were subject to specific mandatory reporting requirements—instead, authority was delegated to the Treasury Department and IRS to determine the appropriate reporting requirements. The IRS issued Form 8996, which imposed information reporting obligations on a QOF, but no penalty applied to a QOF that failed to file the form. A QOZB was required under the forms and instructions to provide QOFs with the underlying data necessary for the QOFs to complete Form 8996—however, no penalty applied to a QOZB that failed to supply the QOF with the underlying data.

¹ Section 1400Z-2(b)(1).

² Section 1400Z-2(b)(2)(B).

³ Section 1400Z-2(c).

⁴ T.D. 9889, 85 F.R. 1866, as corrected on Apr. 6, 2020, at 85 F.R. 19082 and Aug. 5, 2021, at 86 F.R. 42715.

⁵ Pub. L. No. 119-21 (July 4, 2025).

⁶ Section 1400Z-2(b)(1), as modified by section 70421(c)(2) of OBBBA.

⁷ Id.

⁸ Section 1400Z-2(c), as modified by section 70421(c)(3) of OBBBA.



In making the QOZ regime permanent, the OBBBA added new reporting requirements, including section 6039K (annual QOF information return and investor statements), section 6039L (QOZB statements furnished to QOFs), and section 6726 (a daily penalty for QOF reporting failures)—with penalties for noncompliance.⁹

QOZ proposed regulations

The QOZ Proposed Regulations provide specificity regarding the new QOZ reporting requirements from OBBBA, as well as new procedures for QOF self-certification, limited certification revocation, and voluntary decertification.

The QOZ Proposed Regulations regarding QOF certification, decertification, revocation, and QOZB testing (described in sections 1 through 4 below) are proposed to be applicable to tax years ending on or after the date of publication of a Treasury decision finalizing such proposed rules. The proposed rules regarding the additional reporting requirements (described in section 5 below) are proposed to apply to such returns or statements which are required to be filed or furnished on or after the date that the proposed regulations are finalized.

1. QOF self-certification

In order to be treated as a QOF, an eligible entity must “self-certify on an annual basis” that it satisfies the QOF requirements provided in the current QOZ Regulations.¹⁰ Such self-certification of an eligible entity as a valid QOF “must be timely-filed and effected annually.”¹¹ Form 8996 provides the instructions for entities to complete this QOF self-certification.

The QOZ Proposed Regulations would modify this language to provide that an eligible entity that satisfies the initial requirements to self-certify as a QOF would be treated as a QOF from the date the self-certification is effective.¹² Self-certification would not be valid unless it is timely filed and effected in the entity’s first tax year by filing Form 8996,¹³ along with an affirmative statement that the entity is organized for the purpose of investing in QOZ property.¹⁴

After this initial self-certification, the QOF would be subject to annual reporting requirements in subsequent tax years, including Form 8996, but would *not* be required to file additional annual self-certifications (as the current QOZ Regulations suggest).¹⁵

KPMG observation

Given the directive in the current QOZ regulations for a QOF to effect its self-certification annually, arguably a QOF could decertify for a given tax year by simply failing to file Form 8996 to effect the self-certification for that year. In addition, because the current QOZ regulations require an annual self-

⁹ Section 70421(d) of OBBBA.

¹⁰ See Treas. Reg. § 1.1400Z2(d)-1(a)(1)(i).

¹¹ See Treas. Reg. § 1.1400Z2(d)-1(a)(2)(i).

¹² See Prop. Treas. Reg. § 1.1400Z2(d)-1(a)(2)(i).

¹³ See Prop. Treas. Reg. § 1.1400Z2(d)-1(a)(2)(ii)(A).

¹⁴ See Prop. Treas. Reg. § 1.1400Z2(d)-1(a)(2)(ii)(D).

¹⁵ See Prop. Treas. Reg. § 1.1400Z2(d)-1(a)(2)(iii); Preamble to QOZ Proposed Regulations, Explanation of Provisions, Part I.A.3.b.



certification, the potential consequences to a QOF that inadvertently fails to attach Form 8996 to its tax return for a year (other than its initial year as a QOF) are unclear. By removing this requirement to effect a self-certification on an annual basis and making it clear that a QOF will be treated as a QOF from the date its self-certification is effective, the QOZ Proposed Regulations would remove the ambiguity around the potential adverse consequences of a subsequent failure to include a Form 8996 with a QOF return. After the initial year (when the self-certification on Form 8996 becomes effective), the failure to file Form 8996 in a subsequent year would not automatically decertify the QOF. However, it also means that under the QOZ Proposed Regulations, a QOF would no longer be able to voluntarily decertify simply by failing to include Form 8996 on its return for a particular year.

2. Limited QOF revocation

The QOZ Proposed Regulations would also add a new revocation process for inadvertent QOF self-certifications made by entities with no qualifying investments. Under the QOZ Proposed Regulations, however, the ability of a QOF to revoke its self-certification would only be available in the limited circumstances described in the regulations. Specifically, Prop. Treas. Reg. § 1.1400Z2(d)-1(a)(2)(iv)(B) would permit an entity that had inadvertently self-certified as a QOF to revoke its election to self-certify as a QOF only if no qualifying investment in the QOF was made by an investor between the self-certification date and the date on which the QOF is seeking to revoke the certification—that is, throughout the entire period in which the entity was certified as a QOF. Under such circumstances, the election could only be revoked with the consent of the Commissioner in accordance with forms and instructions or in publications or guidance published in the Internal Revenue Bulletin (IRB).¹⁶ Once revoked, the entity may never self-certify as a QOF again at any future date and the taxpayer identification number (TIN) assigned to that entity may not be used by any other entity to self-certify as a QOF.¹⁷

3. QOF voluntary decertification

Separate from the ability to *revoke* an inadvertent election, the QOZ Proposed Regulations also provide new, exclusive procedures by which a QOF could voluntarily *decertify* as a QOF. To prevent inappropriate hindsight in making a decertification decision, the QOZ Proposed Regulations would require a QOF seeking to decertify to maintain in its books and records contemporaneous written documentation of its intent to decertify as of the QOF's identified decertification date. This contemporaneous documentation (e.g., meeting minutes) must memorialize the QOF's intent to terminate its certification and identify the final month for which self-certification as a QOF is effective.

A decertifying QOF must also file Form 8996 by the due date of its original U.S. federal income tax (USFIT) return (including extensions) for the tax year including the last month in which the entity seeks to be certified as a QOF.¹⁸ Voluntary decertification is effective on the last day of the month that the entity identifies in such contemporaneous written documentation as the last month for which the entity is certified as a QOF.¹⁹

A QOF's decertification is binding on its investors and is an "inclusion event" under Treas. Reg. § 1.1400Z2(b)-1(c)(15). Accordingly, any investor with gains that are still deferred under the QOZ regime on the date of decertification must take those gains into income as of the date of decertification.²⁰ Additionally,

¹⁶ See Prop. Treas. Reg. § 1.1400Z2(d)-1(a)(2)(iv)(C).

¹⁷ See Prop. Treas. Reg. § 1.1400Z2(d)-1(a)(2)(iv)(D).

¹⁸ See Prop. Treas. Reg. § 1.1400Z2(d)-1(a)(3)(ii).

¹⁹ See Prop. Treas. Reg. § 1.1400Z2(d)-1(a)(3)(vi)(A).

²⁰ See Prop. Treas. Reg. § 1.1400Z2(d)-1(a)(3)(vi)(B).



the investors are no longer able to make the gain exclusion election in section 1400Z-2(c) for any disposition of the QOF interest on or after the decertification date.²¹

Though decertification is an inclusion event for the investors, gain that is otherwise required to be included in gross income by a QOF shareholder or partner is eligible for continued deferral if such gain is reinvested in a QOF with a different TIN and all other relevant requirements for a qualifying investment are met.²² To facilitate this potential reinvestment in other QOFs, the QOZ Proposed Regulations would require a decertifying QOF to notify all of its investors who hold an investment in the QOF (both qualifying and non-qualifying investments²³) in writing of its decertification date by the earlier of 15 days after the QOF's effective date of voluntary decertification or the date contracted upon by the parties for receipt of such notification.²⁴ Such notification must contain (1) a statement informing each investor that the election under section 1400Z-2(c) is no longer available with respect to their qualifying investment because the entity's QOF certification has terminated, and (2) information sufficient for investors to report an inclusion event on the QOF's voluntary decertification date, if applicable.²⁵

Further, the QOZ Proposed Regulations provide proposed rules under section 6039K (discussed further below) that would separately require the entity to provide a timely notification of the voluntary decertification to its investors on or before March 1 of the calendar year following the calendar year during which the voluntary decertification occurred.

KPMG observation

Over the last few years, QOFs that wished to decertify have undertaken various steps to notify the IRS of their intention to decertify and exit the program. The inclusion of a straightforward, consistent process for voluntary decertification in the QOZ Proposed Regulations is welcome guidance.

4. QOZB property testing

To qualify as a valid QOF, the QOF must hold at least 90% of its assets in qualified opportunity zone property (QOZP), which is either tangible property used in a trade or business in a QOZ (such assets, Qualified Opportunity Zone Business Property or QOZBP), or equity interests in a corporation or partnership that is a QOZB.²⁶ The QOF's compliance with these requirements is measured by averaging the percentage of its assets comprised of QOZP on semiannual testing dates during the relevant tax year—the last day of the first six-month period of the QOF's tax year and the last day of its tax year.²⁷

If a QOF invests in a QOZB, that QOZB is subject to a separate series of tests to ensure that it actively conducts a trade or business in a QOZ. Under the current QOZ Regulations, an entity is treated as a QOZB if, at the end of its tax year, at least 70% of its tangible property is QOZBP (the "Tangible Property Test")²⁸ and the QOZB's trade or business is not described in section 144(c)(6)(B)²⁹ and satisfies the requirements

²¹ See Prop. Treas. Reg. § 1.1400Z2(d)-1(a)(3)(vi)(C).

²² See Prop. Treas. Reg. § 1.1400Z2(d)-1(a)(3)(vi)(B)(2).

²³ In the preamble to the QOZ Proposed Regulations, Treasury indicated this requirement was in response to the difficulty that entities may face in determining which, if any, of their investors has an investment that is a qualifying investment in the entity. See Preamble to QOZ Proposed Regulations, Explanation of Provisions, Part I.C.4.

²⁴ See Prop. Treas. Reg. § 1.1400Z2(d)-1(a)(3)(iv).

²⁵ See Prop. Treas. Reg. § 1.1400Z2(d)-1(a)(3)(iv)(A)(1)-(2).

²⁶ Section 1400Z-2(d)(1).

²⁷ Section 1400Z-2(d)(1).

²⁸ Section 1400Z-2(d)(3)(A)(i); Treas. Reg. § 1.1400Z2(d)-1(d)(1)(i).

²⁹ Section 1400Z-2(d)(3)(A)(iii); Treas. Reg. § 1.1400Z2(d)-1(d)(1)(iii).



of section 1397C(b)(2), (4), and (8).³⁰ The QOZ Proposed Regulations make changes to the QOZB rules regarding the Tangible Property Test to reconcile the disconnect in the stated testing dates for a QOF and a QOZB.³¹

Under the QOZ Proposed Regulations, a QOZB must determine its compliance with the Tangible Property Test on two semiannual testing dates—the last day of the first six-month period of the QOZB’s tax year and the last day of the QOZB’s tax year.³² The QOZB measures compliance with the section 1397C(b) and section 144(c)(6)(B) requirements on the last day of its tax year.³³ In the preamble to the QOZ Proposed Regulations, Treasury noted that these modifications would “alleviate the administrability concerns of applicable QOZBs that have multiple relevant QOFs”—an apparent acknowledgment of the uncertainty that the existing “eligible entity” language creates regarding which entity’s testing dates must be used.³⁴

5. New QOF and QOZB reporting

The QOZ Proposed Regulations would provide new regulations under sections 6039K, 6039L, and 6726 regarding reporting requirements (and related penalties) by QOFs and QOZBs.

a. QOF information return

The new proposed regulations under section 6039K would require QOFs to file an annual information return on Form 8996 reporting certain information related to both the QOF itself as well as any QOZB in which it owns an interest (a “QOF Information Return”). While it is still expected that the forms and instructions will continue to require the QOF to file Form 8996 with its USFIT return, the IRS indicated in the QOZ Proposed Regulations that this updated and expanded Form 8996 will be considered a “return” of information separate from the QOF’s regular USFIT return.³⁵

KPMG observation

The indication that Form 8996 would be considered a separate “return” of information appears to permit a QOF that inadvertently fails to include Form 8996 on its USFIT return or that files Form 8996 with incomplete or inaccurate information to file the original Form 8996 (or a corrected Form 8996) in the manner set forth in the instructions to Form 8996 for a late or corrected filing. This change would be welcome relief for QOFs as it suggests that the QOF would not need to amend its entire USFIT return to correct an error or omission of Form 8996. However, we note that if a QOF fails to timely file Form 8996 for the initial year of its self-certification election, the QOF still needs to seek late election relief under Treas. Reg. § 301.9100-1.

³⁰ Section 1400Z-2(d)(3)(A)(ii); Treas. Reg. § 1.1400Z2(d)-1(d)(1)(ii).

³¹ See Preamble to QOZ Proposed Regulations, Background, Part I.B.4.

³² See Prop. Treas. Reg. § 1.1400Z2(d)-2(d)(3).

³³ See Preamble to QOZ Proposed Regulations, Background, Part I.B.4.

³⁴ See Preamble to QOZ Proposed Regulations, Explanation of Provisions, Part III.B.1.

³⁵ See Preamble to QOZ Proposed Regulations, Explanation of Provisions, Part II.B.4; section 6039K(a).



Under the QOZ Proposed Regulations, a QOF would be required to provide, in addition to the information currently required on Form 8996, certain additional information with respect to the QOF itself, including:

- The approximate average monthly number of total full-time equivalent employees of the QOF working in all locations for the calendar year in which the QOF's tax year began;
- Whether the QOF used the applicable financial statement valuation method or the alternative valuation method (each as defined in the QOZ Regulations) to value its property;
- For a QOF voluntarily decertifying during the tax year, an indication that the entity is voluntarily decertifying and the last month for which the entity was certified as a QOF; and
- Additional information by census tract number(s) in which the QOF is operating its trade or business, including:
 - The address and NAICS code of the QOF's business activity;
 - The total value of QOZBP directly owned and directly leased by the QOF that is real property;
 - The total number of residential units (if any), each as of December 31 of the year ending within the QOF's tax year;
 - The approximate average monthly number of full-time equivalent employees of the QOF whose primary work location is within such census tract for the calendar year ending with or within the QOF's tax year;
 - The first date that any QOZBP was acquired by purchase or leased by the QOF; and
 - Whether there is any QOZBP that the QOF is substantially improving, as provided in section 1400Z-2(d)(2)(D)(ii), and the date on which that improvement began (such items, collectively, the "Census Tract-Level Information").³⁶

The QOF Information Return must also include information with respect to each applicable QOZB in which the QOF owns an interest. QOZBs would generally be required to provide such information to the QOF on the QOZB Information Statement (defined and discussed below).³⁷

Importantly, certain of this QOZB-level information is reported as of the QOZB's semiannual testing dates on the QOZB Information Statement, but is relevant for the QOF (e.g., for determination of its 90-percent investment standard) as of the QOF's semiannual testing dates—which could be different. Treasury acknowledged this issue in the preamble, but declined to standardize such reporting to June 30 and December 31—instead citing the existing safe harbor under Treas. Reg. § 1.1400Z2(d)-1(b)(2)(i)(C) permitting a QOF to determine whether equity in an entity with a tax year that is different from its own is QOZ property for purposes of the 90-percent investment standard.³⁸ As such, it appears Treasury considers this safe harbor sufficient for resolving any such timing-related issues.

b. QOF investor reporting

The QOZ Proposed Regulations also require new investor-level information to be reported both on the QOF Information Return (Form 8996) and to the investors themselves. For each "reportable investor" (including a broker where the QOF does not know the beneficial owner's identity) that has a "disposition event" (*i.e.*, an inclusion event) during the calendar year in which the QOF's tax year began, the QOF would be required to report the following information on the QOF Information Return for such investor and such event:

³⁶ See generally Prop. Treas. Reg. § 1.6039K-1(c).

³⁷ See generally Prop. Treas. Reg. § 1.6039K-1(d).

³⁸ See Preamble to QOZ Proposed Regulations, Explanation of Provisions, Part III.B.1.



- The investor's name, address, and TIN;
- The date of the disposition event and the date the interest was acquired;
- The amount of cash plus the fair market value of property received by the QOF when the interest was first acquired;
- The number of interests held immediately before the event and the number of interests disposed of in the event; and
- Whether the event results from a voluntary decertification.³⁹

Such information would also be required to be reported to each reportable investor by the QOF, along with QOF contact information, a legend regarding IRS reporting, and, if applicable, a statement that the entity has voluntarily decertified and that the section 1400Z-2(c) basis step-up election is no longer available.⁴⁰

Except for investor reports provided to brokers (as discussed above), such investor statements would be required to be furnished to each applicable reportable investor on or before March 1 of the calendar year after the calendar year in which the reported disposition occurred.⁴¹ For brokers that are record holders of interests in the QOF, the QOF would need to furnish such broker the investor statement on or before January 15 of the calendar year following the calendar year of the disposition event.⁴²

c. QOZB information statement

Section 6039L(a) generally requires applicable QOZBs to furnish a QOZB information statement (a "QOZB Information Statement") to each QOF that holds an interest in such QOZB, and the QOZ Proposed Regulations provide, for the first time, rules for the time and manner of providing such statements as well as the required information.

The QOZ Proposed Regulations provide that an "applicable QOZB" is any entity that meets, intends to meet, or was organized to meet the QOZB requirements in section 1400Z-2(d)(3)(A) and Treas. Reg. § 1.1400Z2(d)-1(d) and that is either (1) a corporation in which a QOF holds QOZ stock, or (2) a partnership in which a QOF holds a QOZ partnership interest.⁴³ Applicable QOZBs must furnish QOZB statements to every "relevant QOF," which is any QOF that owns stock or a partnership interest in the QOZB (as applicable).⁴⁴

The QOZB-specific information required to be furnished on the QOZB Information Statement generally mirrors the QOF-level information described above required to be reported on the QOF Information Return, including:

- The name, address, and taxpayer identification number of each applicable QOZB;
- The percentage of equity ownership or (if applicable) capital or profits interest in the applicable QOZB held by the QOF as of December 31 of the calendar year ending within the QOZB's tax year;
- The total value of tangible property of the applicable QOZB (both QOZBP and non-QOZBP) held by each applicable QOZB as of the applicable QOZB's testing dates;
- The population census tract number(s) in which the QOZBP directly owned or leased by the applicable QOZB is used, and for each such tract, the same Census Tract-Level Information requested of the QOF (as described above);

³⁹ See generally Prop. Treas. Reg. § 1.6039K-1(f).

⁴⁰ See Prop. Treas. Reg. § 1.6039K-1(h)(1).

⁴¹ See Prop. Treas. Reg. § 1.6039K-1(h)(2)(i).

⁴² See Prop. Treas. Reg. § 1.6039K-1(h)(2)(ii).

⁴³ See Prop. Treas. Reg. § 1.6039L-1(a)(3).

⁴⁴ See Prop. Treas. Reg. § 1.6039L-1(a)(12).



- For each such census tract, whether the QOZB is utilizing a working capital safe harbor (as provided in Treas. Reg. § 1.1400Z2(d)-1(d)(3)(v)), and (if applicable) the date that the working capital safe harbor is expected to end;
- Whether the QOZB used the applicable financial statement valuation method or the alternative valuation method (each as defined in the QOZ Regulations) to value its property; and
- An attestation that the QOZB meets all the requirements of section 1400Z-2(d)(3) or, if not met, an attestation that the QOZB is utilizing the “cure period” to correct its failure, along with the month in which the stock or partnership interest of the QOZB lost its qualification as a QOZ stock or a QOZ partnership interest, respectively (the “QOZB Attestation”).⁴⁵

QOZB Information Statements would be required to be furnished to each relevant QOF on or before the first day of the second month following the close of the applicable QOZB’s tax year.⁴⁶

KPMG observation

Under the QOZ Proposed Regulations, a QOZB would be required to provide specific information that QOZBs are not currently providing to QOFs. Currently, a QOZB must provide to the QOF sufficient information for the QOF to rely on in completing its Form 8996. In practice, many QOZBs have simply confirmed for the QOF whether the QOZB was in compliance with each of the QOZB requirements and the census tract and property information required for Form 8996. The QOZ Proposed Regulations would require a QOZB to provide certain operational details and very specific dates to the QOF that may not be currently shared with the QOF, including:

- Whether the QOZB is utilizing a working capital safe harbor and the date that safe harbor is expected to end;
- Whether the QOZB is substantially improving property and when those improvements began;
- The first date on which the QOZB acquired QOZBP;
- A specific attestation that the QOZB satisfied each of the requirements for QOZB classification or whether the QOZB utilized the cure period to correct a failure to meet the requirements (and the month in which interests in the QOZB lost their status as QOZ stock or QOZ partnership interests); and
- Whether the QOZB is using the applicable financial statement or alternative valuation methodology.

This is a significant increase in the information required to be shared by a QOZB with the QOF, and it is not clear, for some of these items, the best way to respond to the request. For example, under the QOZ Proposed Regulations, a QOZB would be required to report the expected end date for its working capital safe harbor plan. To the extent the QOZB has received multiple infusions of capital over time, the QOZB may have several applications of the working capital safe harbor and each application of the safe harbor has a different end date—generally 31 months from the date of receipt of the capital by the QOZB. Moreover, the multiple infusions may be part of an integrated plan for which a QOZB with a start-up business is relying on a potentially 62-month overall plan window. It is also possible that the expected end date could be extended because of a federally declared disaster or governmental delay. Given the number of variables regarding any particular QOZB’s working capital safe harbor plans, it is unclear what level of detail the IRS will expect from the QOZB.

⁴⁵ See Prop. Treas. Reg. § 1.6039L-1(b).

⁴⁶ See Prop. Treas. Reg. § 1.6039L-1(d).



d. Reporting penalties

The QOZ Proposed Regulations' proposed rules under section 6726 for QOFs that fail to meet their information reporting requirements generally follow the statutory amendments made by the OBBBA. Such penalties include a \$500 penalty for every day that a QOF fails to file its QOF Information Return prior to the filing date or fails to provide all required information (though limited to one such penalty per return even though there may be more than one failure for such return)⁴⁷—up to a maximum of \$10,000 or \$50,000 for a “large” QOF with gross assets in excess of \$10 million on the last day of its tax year.⁴⁸ If a failure is due to intentional disregard, the daily penalty increases to \$2,500 and the caps increase to \$50,000 or \$250,000, respectively.⁴⁹ All amounts are subject to inflation adjustment,⁵⁰ and the reasonable cause waiver under section 6724 applies to these section 6726 penalties.⁵¹

⁴⁷ See Prop. Treas. Reg. § 301.6726-1(a).

⁴⁸ See Prop. Treas. Reg. § 301.6726-1(b).

⁴⁹ See Prop. Treas. Reg. § 301.6726-1(c).

⁵⁰ See Prop. Treas. Reg. § 301.6726-1(d).

⁵¹ See Prop. Treas. Reg. § 301.6724-1(g)(1)(i)(D).



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