

# Proposed regulations address expanded Opportunity Zone reporting and updated QOF certification procedures

September 18, 2026

## In brief

### What happened?

Treasury and the IRS on September 11, 2026 published proposed regulations to implement new Qualified Opportunity Zone (QOZ) information-reporting requirements enacted by the One Big Beautiful Bill Act (OBBBA). The proposal would require qualified opportunity funds (QOFs) to file expanded annual information returns and furnish statements to investors that experience disposition events. It also would require applicable qualified opportunity zone businesses (QOZBs) to provide annual information statements to their QOF investors.

The proposed regulations also would clarify QOF self-certification, create procedures for revoking an inadvertent certification and voluntarily decertifying, coordinate broker reporting for certain QOF disposition events, and address penalties for incomplete, incorrect, or late reporting.

The proposed regulations focus on reporting, certification, and decertification, and do not address the broader post-2026 transition rules or other substantive changes to the QOZ regime enacted by the OBBBA.

### Why is it relevant?

If finalized, the rules would materially increase reporting requirements for QOFs and QOZBs by significantly expanding the scope of information that QOZBs must provide to QOFs, and that QOFs must

provide to their investors and the IRS. The proposed reporting extends beyond asset values and census tract data to include employee and residential-unit information, NAICS codes, property acquisition and improvement dates, working capital safe harbor information, QOZB compliance attestations, and detailed investor acquisition and disposition data. Once the regulations become applicable, the new requirements would apply to both existing and future QOFs and QOZBs.

## **Actions to consider**

QOF sponsors and QOZBs should begin assessing whether current governance, accounting, investor-recordkeeping, payroll, property, and compliance systems can produce the proposed information on the required testing dates and deadlines. Sponsors also should identify data owners, establish annual QOZB-to-QOF reporting protocols, review investor and broker reporting processes, and consider whether fund and QOZB agreements provide sufficient information rights and remedies. Entities considering QOF decertification should evaluate the proposed documentation, filing, and investor-notification rules before taking action.

## **In detail**

### **Overview**

The OBBBA made the Opportunity Zone tax incentive permanent and enacted Sections 6039K and 6039L, which require annual information reporting by QOFs and annual statements from applicable QOZBs. The proposed regulations would implement those requirements through an updated Form 8996 and related statements. The information would facilitate IRS administration and enforcement of the Opportunity Zone tax incentive and support the statutorily required public reporting on QOZ investment, employment, housing, industry sectors, and geographic distribution. The proposed regulations reserve rules specific to qualified rural opportunity funds and rural QOZBs for future guidance.

### **Expanded annual reporting for QOFs**

Every QOF would file an annual information return on an updated Form 8996 by the due date, including extensions, of its federal tax return. Although Form 8996 would be attached to the QOF's federal tax return, it would be treated as a separate information return and generally would have to be filed electronically. The filing would report information about the QOF, each applicable QOZB in which it owns an interest, and each reportable investor that experiences a disposition event during the relevant calendar year.

QOF-level reporting would include the information currently used to calculate the 90% investment standard, together with the QOF's entity type, employee counts, valuation method, and tract-by-tract reporting for directly held or leased QOZ business property. Tract-level information would include the physical business address, NAICS code, owned and leased property values, real property values, number of residential units, employees, acquisition or lease dates, and substantial improvement activity. QOFs also would be required to report similar information for QOZ business property held by any QOZBs the QOF owns, along with their ownership percentage and certain other QOZB-specific items such as the use and expected expiration date of any working capital safe harbor plans.

**Observation:** The proposed rules would convert Form 8996 from a principally compliance-oriented attachment into a broader information return to support IRS administration and enforcement and address critiques that insufficient data existed to measure the success of the Opportunity Zone tax incentive.

Sponsors may need to reconcile tax reporting data with property, payroll, asset management, and investor administration systems that historically have operated on different reporting cycles.

**Observation:** The proposed regulations would not only significantly expand historical Opportunity Zone reporting requirements, but also require substantially more information than Congress expressly required in the OBBBA. Sections 6039K and 6039L do not expressly require reporting of the physical address of underlying business activities; the date on which QOZ business property was purchased or leased; details regarding satisfaction of the substantial improvement requirement; or the use or expected expiration of a working capital safe harbor. Treasury and the IRS proposed these additional requirements under authority granted to Treasury by the statute. Unlike the other proposed information-reporting items, which generally implement requirements specified in the statute, these elements appear to be new reporting requirements introduced by the proposed regulations.

## New direct reporting obligations for QOZBs

Each applicable QOZB would be required to furnish a written statement, signed under penalties of perjury, to every relevant QOF that holds QOZ stock or a QOZ partnership interest in the QOZB. The statement would provide the information the QOF needs for its annual filing, including ownership, tangible property values, census tract, NAICS, property, residential-unit, employee, substantial improvement, and working capital safe harbor information.

The QOZB also would provide an attestation that it satisfies the 70% tangible property standard, gross income requirement, intangible property requirement, nonqualified financial property limitation, and prohibited business restriction. A QOZB unable to make that attestation would be required to state that it is using the regulatory cure period and identify the month in which its stock or partnership interest lost qualification.

**Observation:** QOZBs were not previously required to provide QOFs with information regarding their satisfaction of the applicable QOZB testing requirements. Sections 6039K and 6039L do not expressly impose such a requirement. Accordingly, the proposed compliance attestation appears to be a new reporting obligation introduced by the proposed regulations under authority granted to Treasury by the statute.

Statements from QOZBs to their QOF owners would be due on the first day of the second month after the end of the QOZB's tax year (February 1 for a calendar-year QOZB). Electronic delivery would be permitted with the relevant QOF's written consent.

**Observation:** The proposed February 1 deadline would create a compressed year-end reporting cycle. QOZBs may need procedures to close property, payroll, and compliance data promptly and to coordinate information for QOF investors with different tax years. Sponsors should consider whether governing agreements should explicitly require timely reporting, certifications, corrections, and access to supporting records.

## Investor reporting for disposition events

The proposal would define a disposition event by reference to the existing inclusion event rules. Accordingly, reporting would extend beyond a taxable sale or exchange and may include certain distributions, redemptions, liquidations, worthlessness events, corporate transactions, voluntary decertification, and other losses of QOF status.

For each reportable investor, the QOF would be required to report and furnish identifying information, acquisition and disposition dates, the amount originally contributed for the relevant interest, the percentage of investment for partnership interests or the number of shares of stock held and disposed, and whether the event resulted from voluntary decertification. Investor statements generally would be due March 1 of the following calendar year. If a broker is the record holder and the QOF does not know the underlying investor, the statement would be due to the broker by January 15 so the broker can complete its reporting.

**Observation:** QOF administrators may need to track tax-relevant investor events that do not correspond to ordinary transfer records. Publicly traded or broker-held QOFs also may need new communication protocols for decertification and other inclusion-event information to reach brokers in time for downstream reporting.

## QOF certification, revocation, and voluntary decertification

The proposed regulations would clarify that initial self-certification is effective from the date identified on a timely filed Form 8996 and must affirm that the entity is organized to invest in QOZ property. For each subsequent tax year, the QOF would file the annual information return but would not renew its certification annually.

The proposed regulations would permit an entity to revoke an inadvertent election to self-certify as a QOF so long as no investor made a qualifying investment in the entity at any time during the period for which it was certified. Revocation would require IRS consent and must be requested in accordance with procedures to be prescribed in forms, instructions, or other published guidance. An entity that validly revokes its election could not self-certify as a QOF at any future date, and its taxpayer identification number could not be used by another entity to self-certify as a QOF.

**Observation:** In the early years of the QOZ program, uncertainty regarding the filing obligations of QOZBs led some entities to file Form 8996 even though they intended to operate as QOZBs rather than QOFs. Because the existing regulations do not provide a formal process for revoking an inadvertent self-certification, these entities generally have sought to address the error by amending the affected filing, an administratively burdensome process for both taxpayers and the IRS. The proposed consent-based revocation procedure would provide a formal path to resolve these historical filing errors where no qualifying investment was made. Because eligibility depends on the absence of any qualifying investment throughout the certification period, an entity seeking relief would need to confirm its investor history before requesting IRS consent. The permanent bar on future self-certification also makes revocation consequential and may require the entity to weigh certainty regarding its historical status and relief from existing QOF obligations against the loss of any future ability to operate as a QOF.

Existing Reg. 1.1400Z2(d)-1(a)(3) permits a QOF to self-decertify but does not provide detailed procedures for doing so. The proposed regulations would replace the phrase “self-decertification” with “voluntary decertification” and require contemporaneous written documentation of the intent to decertify and the last month of QOF status. The QOF also would file a final Form 8996 and furnish written notice to all qualifying and nonqualifying investors generally no later than 15 days after the effective date to facilitate timely reinvestment of eligible gain in another QOF. Decertification would be effective on the last day of the identified month and would constitute an inclusion event for investors holding qualifying investments. Those investors generally would lose the ability to make the 10-year election for the affected investment, although gain otherwise required to be included may be eligible for reinvestment in a different QOF if the statutory requirements are met.

**Observation:** The proposed voluntary decertification rules would provide welcome procedural clarity and appropriately require a QOF to establish its intent and effective date through contemporaneous written documentation. Preventing a QOF from backdating or determining its decertification after the fact is an important safeguard because QOF status directly affects the timing of investor inclusion events, eligibility for the 10-year election, and the period available to reinvest eligible gain. A fixed, contemporaneously documented date should provide greater certainty to investors and the IRS, reduce the potential for results-driven timing based on subsequent events, and create a clearer record for administering the QOF's final filing and investor-notification obligations. QOFs considering a wind-down, restructuring, conversion, or other transaction that could affect QOF status should therefore document the decision contemporaneously and assess investor notice and reinvestment timing before the intended effective date.

**Observation:** The proposal replaces the existing regulation's reference to "self-decertification" with "voluntary decertification." Although the proposed regulations do not explicitly address the point, the change in terminology may imply the possibility of "involuntary decertification." QOFs and sponsors should monitor future guidance and enforcement developments addressing when involuntary decertification may occur and what consequences may follow.

## Penalties and reasonable cause

A QOF that fails to file a complete and correct Section 6039K return (that is, Form 8996 or any successor form) on time generally would be subject to a penalty of \$500 per day, capped at \$10,000 per return. For a QOF with gross assets exceeding \$10 million at year-end, the cap would be \$50,000. Intentional disregard would increase the daily penalty to \$2,500 and the caps to \$50,000 or \$250,000 for a large QOF. These amounts are subject to inflation adjustments.

A failure to file in the required electronic format or an error that prevents IRS processing could be treated as a filing failure. The per-day penalty would stop when a complete and correct return is filed. Failures to furnish correct investor or QOZB statements would be subject to the generally applicable payee-statement penalties. Reasonable cause relief would remain available where the failure is not due to willful neglect.

**Observation:** Because the Section 6039K penalty applies to incomplete and incorrect returns as well as late filings, QOFs may need documented controls for validating information received from QOZBs and investor administrators. Prompt correction procedures also may be important to limit per-day exposure and support a reasonable cause position.

## Applicability dates and comments

The proposed certification, decertification, and QOZ business property rules generally would apply to tax years ending on or after the date the final regulations are published. The information return, investor statement, QOZB statement, broker reporting, and related penalty rules generally would apply to returns or statements required to be filed or furnished on or after publication of the final regulations, as specified in the proposal.

**Observation:** The statutory information-reporting obligations enacted by the OBBBA apply to tax years beginning after July 4, 2025, which generally means the 2026 tax year for calendar-year QOFs. Because those statutory requirements may apply before the proposed regulations are finalized and their regulatory applicability provisions take effect, QOF sponsors will need to assess their obligations under Sections 6039K and 6039L in light of the statute, the proposed regulations, any interim forms and instructions, and the final regulations as that guidance develops.

Comments on the proposed regulations are due by October 26, 2026. A telephonic public hearing is scheduled for November 5, 2026. Treasury and the IRS requested comments on numerous implementation issues, including employee calculations, calendar-year reporting dates, deadlines, information available to QOFs, burdens on fiscal-year entities and brokers, and the economic impact on small entities.

## See also

PwC Insight: [\*IRS provides transitional guidance on Opportunity Zone changes\*](#) (June 25, 2026)

## Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

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