

Qualified Small Business Stock (QSBS)

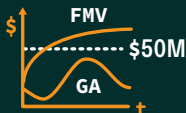
IRC 1202 CAPITAL GAIN EXCLUSION

Greater of: \$10,000,000 or 10x Basis

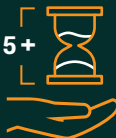
PRIMARY QUALIFICATIONS



C-Corp Stock



Gross Assets <\$50M



Held 5+ Years

Other Qualifications

Qualified Trade or Business | Stock Received at Original Issuance

EXCLUSION AMOUNT

Stock Acquisition Date

50%

8/11/93 - 2/17/09

75%

2/18/09 - 9/27/10

100%

After 9/27/10

PLANNING OPPORTUNITIES



Gift QSBS to Spouse for \$20M Exclusion



Non-Grantor Trusts for Multiple Exclusions



Sell Stock in a Zero Tax State



Convert LLC to C-Corp for 10x Basis



Multi-Year Liquidation
\$10M in Yr 1
+10x Basis in Yr 2



IRC 1045 Rollover Fund a New Company



IRC 368 Merger or IRC 351 Exchange



Carried Interest & Stock Distributions

FREQUENTLY ASKED QUESTIONS



What are Gross Assets?

Defined as cash and the adjusted tax basis of other property held by a corporation



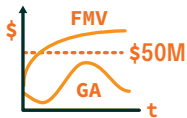
Does S-Corp Stock Qualify?

No, unless there was an invalid S-election (i.e. the S-Corp has two classes of stock)



Do Stock Options and Convertible Notes Qualify?

No, options and notes must be exchanged for shares of stock



What if the Company's Value Exceeds \$50M?

QSBS status is determined by the Gross Assets Test at the time stock is acquired



Is QSBS Taxable in my State?

CA = taxable, for other states see map below



Can I Deduct QSBS Losses?

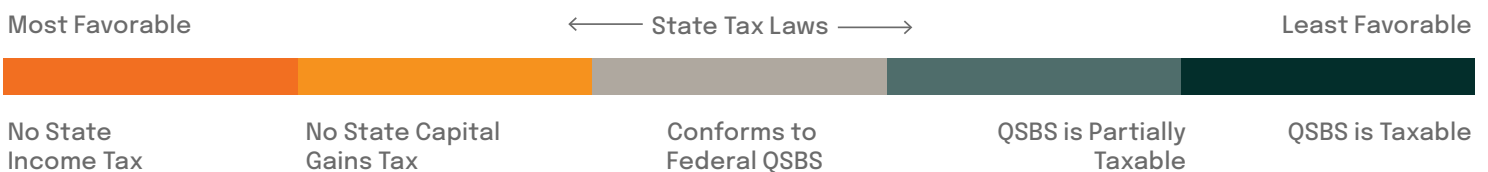
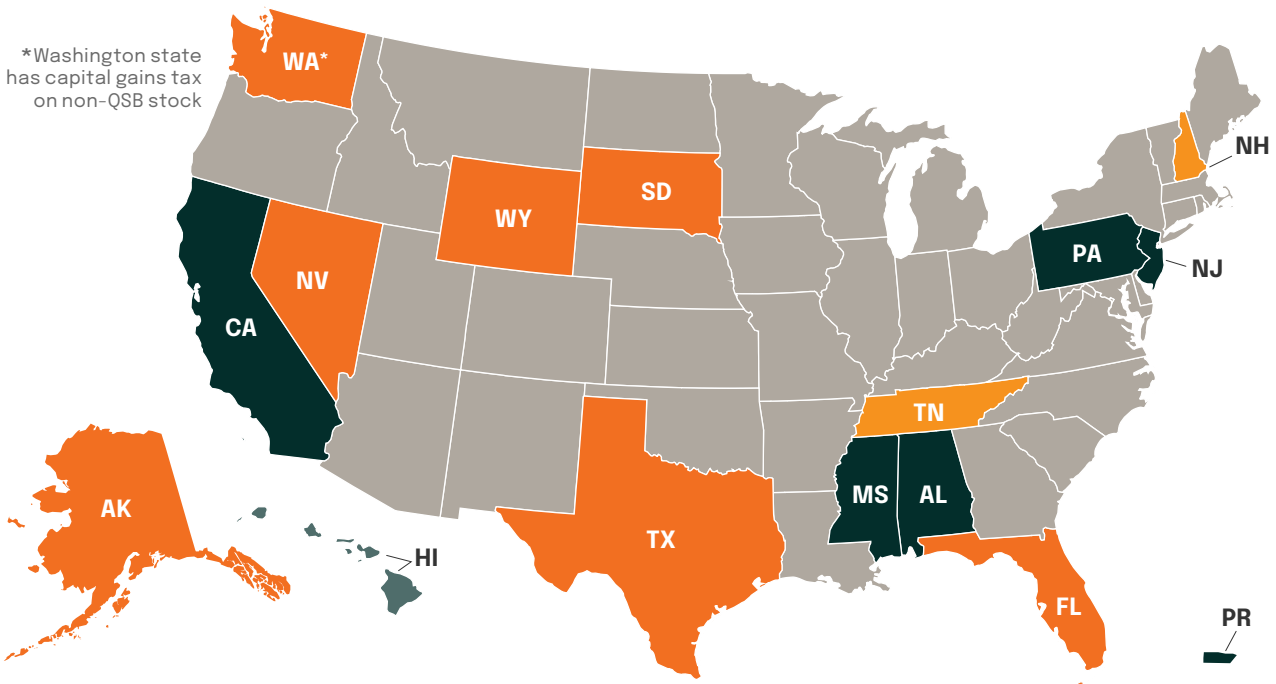
Yes, and IRC 1244 Stock can be deducted as an ordinary loss



Do SAFEs Start the QSBS Holding Period?

Unclear, these hybrid instruments may qualify as QSBS from issuance

STATE TAX TREATMENT OF QSBS



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