

# Qualified Small Business Stock (QSBS)

IRC 1202 Capital Gain Exclusion: **\$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

Stock Acquired: 8/11/93 – 2/17/09      2/18/09 – 9/27/10      After 9/27/2010

Exclusion Amount: **50%** → **75%** → **100%**

Planning Opportunities: **Non-Grantor Trusts for Multiple Exclusions** | **Gift to Spouse**

Convert LLC to C-Corp | \$10M in Year 1 + 10x Basis in Year 2

Carried Interest | **IRC 1045 Rollover** | IRC 351 Exchange

Stock Distributions from Entities | **Gift Trust in Zero Tax State**

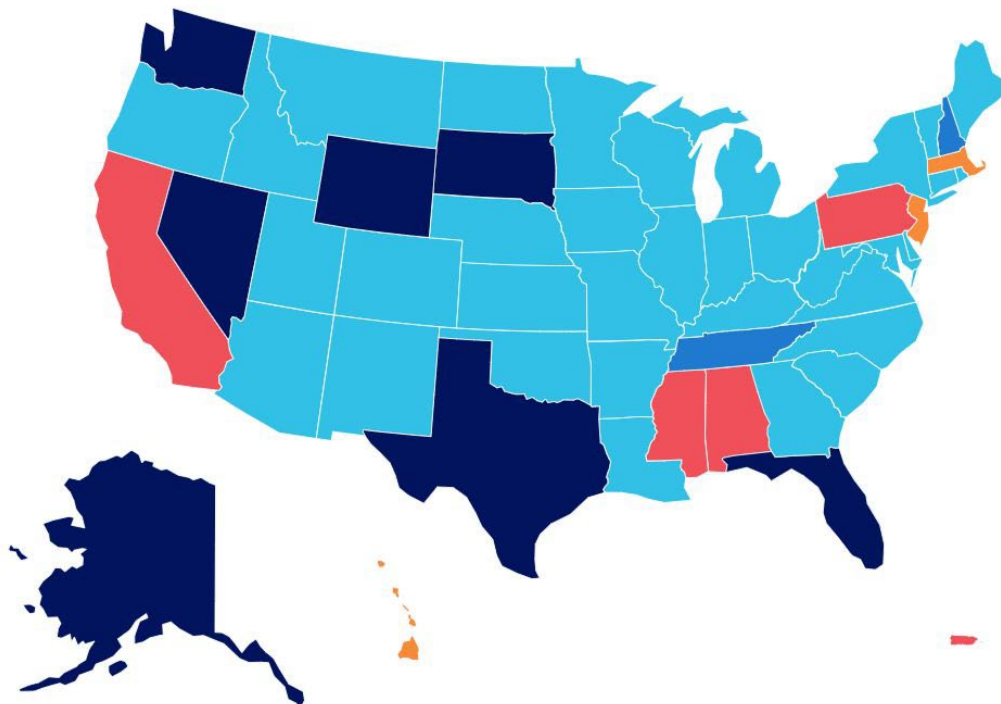
**Stock Options, Convertible Notes or SAFEs** – Must be exercised or converted to stock

**S-Corp Stock** – Not eligible unless there was an invalid S-election, i.e. two classes of stock

**Gross Assets** – Defined as the cash & adjusted tax basis of property in the corporation

**Valuation exceeds \$50M** – If gross assets remain below \$50M, QSBS may still be available

**State Taxation** – CA does not conform to Federal QSBS. See below for other state tax laws



Least Favorable

← State Tax Laws →

Most Favorable

Does not conform to Federal QSBS

Partially conforms to Federal QSBS

Conforms to Federal QSBS

No state capital gains tax

No state income tax

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