

INVESTMENT IN QUALIFIED SMALL BUSINESS STOCK SUMMARY (updated 4/28/2016)

- QSBS Defined:
- (1) Stock issued by a C corporation with =< \$50 MM of gross assets at time of issuance
 - (2) Corporation gross asset immediately after stock issuance =< \$50 MM
 - (3) Corporation use at least 80% of asset value in active trade or business, other than in the fields of personal services, finance, farming, restaurants or hotels, and so on
 - (4) Acquired by taxpayer on original issuance (limited exceptions to this rule)
 - (5) Stock issued after 8/10/1993
 - (6) Held by a non-corporate taxpayer
 - (7) Held for > 6 months (to be eligible for tax free rollover) and > 5 years (to qualify for gain exclusion)
 - (8) Maximum eligible gain is higher of \$10 MM or 10 times basis

- Tax Benefits:
- (1) Partial/full gain exclusion (see below)
 - (2) Gain deferral if proceeds rollover to another QSBS within 60 days

	#1 Acq. Date 8/11/1993 - 2/17/2009	#2 Acq. Date 2/18/2009 - 9/27/2010	#3 *** Acq. Date After 9/27/2010
Exclusion Percentage	50%	75%	100%
Tax Rate on Non-Excludable Portion	28%	28%	N/A
AMT Preference on Excludable Portion	7%	7%	N/A
Effective Tax Rate on 1st \$10 MM of QSBS Gain	14.98%	8.47%	-
Effective Tax Rate on Eligible QSBS Gain Including 3.8% Medicare Surtax on Investment Income	16.88%	9.42%	-
Tax Rate Savings Compared to Other Long Term Capital Gain Rate (23.8%)	6.92%	14.38%	23.80%

*** **Protecting Americans from Tax Hikes Act of 2015 (the PATH ACT) signed by President Obama on 12/18/2015 permanently extends the 100% capital gain exclusion for QSBS acquired after 9/27/2010.**

- California:
- (1) Effective October 4, 2013, QSBS deferral and 50 percent gain exclusion for tax years 2008 to 2012 are retroactively allowed.
 - (2) 80 percent of California-based payroll at the time of acquisition requirement is still required.
 - (3) Taxpayers have until June 30, 2014 to file a QSBS claim for refund for tax year 2008.
 - (4) California QSBS treatment does not apply after 2012 unless California makes further tax law revisions.
 - (5) 2012 California tax benefit:

California Reg. & Mental Health Svcs. Tax	13.3%
Effective Tax Rate w/ 50% Exclusion	6.65%
Tax Rate Saving Compared to No Exclusion	6.65%