Introducing the QSBS Guidebook for Family Offices and Private Equity Firms

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Advanced QSBS Planning
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The combination of the 21% corporate income tax rate and the possibility of qualifying for Section 1202's gain exclusion has made operating a business through a C corporation an attractive choice. [1] This blog post is a "heads up" that we have just issued the official *Qualified Small Business Stock (QSBS) Guidebook for Family Offices and Private Equity Firms*. In addition to the digital version, the QSBS Guidebook is available for download here.

The Guidebook's purpose is to focus the attention of family offices and PE firms on the potential benefits of minority or majority investments in QSBS. The Guidebook provides an introduction to the benefits of selling QSBS and an introduction to the workings of Sections 1202 and 1045. From there, the Guidebook focuses on:

- planning to maximize Section 1202's gain exclusion (dealing with the cap);
- best practices for family offices making minority investments in QSBS (i.e., best practices for maintaining QSBS status through the stock sale);
- best practices for structuring the acquisition of a majority interest in a qualified small business (i.e., issuer of QSBS);
- using Section 1045's nonrecognition exchange of original QSBS for replacement QSBS as a tool for deferring taxes;
- can a stock purchase be structured to hold QSBS;
- how QSBS affects the compensation arrangements at family offices and PE firms;
- whether holders of carried interests benefit when a partnership's QSBS is sold;
- whether it is possible for an issuer of QSBS to acquire a corporation's stock that whose value exceeds $50 million;
- dealing with target stockholders when QSBS is acquired; and
- structuring rollover arrangements where QSBS is involved

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Despite the potential for extraordinary tax savings, many business owners and otherwise experienced tax advisors are unfamiliar with Sections 1202 and 1045. Given the challenges associated with structuring investments in QSBS and documenting Section 1202 or Section 1045 eligibility, we recommend that family offices and PE Firms learn the basics necessary for making informed business decisions regarding QSBS issues and identify tax advisors who have extensive experience working with QSBS.

Business owners and professionals interested in learning more about QSBS planning opportunities are directed to the Frost Brown Todd's **QSBS & Tax Planning Services page**

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[1] References to "Section" are to sections of the Internal Revenue Code of 1986, as amended.