QSB stock offers 2 valuable tax benefits

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By investing in qualified small business ("QSB") stock, you can diversify your portfolio and enjoy 2 valuable tax benefits:

1. **Tax-free gain rollovers.** If within 60 days of selling QSB stock you buy other QSB stock with the proceeds, you can defer the tax on your gain until you dispose of the new stock. The rolled-over gain reduces your basis in the new stock. For determining long-term capital gains treatment, the new stock's holding period includes the holding period of the stock you sold.
2. **Exclusion of gain.** Generally, taxpayers selling QSB stock are allowed to exclude up to 50% of their gain if they've held the stock for more than five years. But, depending on the acquisition date, the exclusion may be greater: The exclusion is 75% for stock acquired after Feb. 17, 2009, and before Sept. 28, 2010, and 100% for stock acquired on or after Sept. 28, 2010. The acquisition deadline for the 100% gain exclusion had been Dec. 31, 2014, but Congress has made this exclusion permanent.

The taxable portion of any QSB gain will be subject to the lesser of your ordinary-income rate or 28%, rather than the normal long-term gains rate. Accordingly, if the 28% rate and the 50% exclusion apply, the effective rate on the QSB gain will be 14% (28% × 50%).

Keep in mind that these tax benefits are subject to additional requirements and limits. For example, to be a QSB, a business must be engaged in an active trade or business and must not have assets that exceed $50 million.

Consult us for more details before buying or selling QSB stock. Be sure to consider the nontax factors as well, such as your risk tolerance, time horizon and overall investment goals.

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