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**Q: Are there any advantages to being a C Corporation shareholder as opposed to a pass-through entity member/shareholder?**

A: Determining the optimal business structures is a multifaceted issue that requires a keen understanding of individual(s) needs. There are many factors that go into this decision. An often-overlooked factor is the disposition of a business interest. Disposing of or exchanging small C Corporation stock can potentially be quite beneficial due to an exclusion of the gain on the disposition under §1202 of the Internal Revenue Code.

**Q: Wait, so I can exclude a gain on the sale of my C Corporation stock?**

A: Yes, provided you meet the requirements. First and foremost, your C corporation must meet the definition of a qualified small business. Fortunately, the definition is quite broad, as it is limited to businesses with gross assets of \$50mm immediately after stock issuance. If gross assets subsequently exceed that amount, the qualified small business stock does not lose its character.

**Q: Are there any limits on the amount of gain that may be excluded?**

A: Yes - the amount of gain excluded each tax year may not exceed the *greater of* a) \$10mm reduced by the aggregate amount of eligible gain for prior taxable years or b) 10 times the aggregate adjusted bases of qualified small business stock disposed by the taxpayer during the tax year.

**Q: Are there any items I should take into consideration?**

A: To qualify for the exclusion, the stock must be from the original issuance, and held for 5 years. Additionally, the corporation must be an active business. §1202 precludes certain types of business from qualifying for this exclusion, including healthcare, law, accounting, actuarial services, banking, insurance. As §1202 is quite nuanced, please contact your CPA for assistance in determining whether your stock qualifies.