BCLP. Client Intelligent

Insights

QUALIFIED SMALL BUSINESS STOCK BENEFITS EXPANDED UNDER THE ONE BIG BEAUTIFUL BILL ACT

Jul 21, 2025

On July 4, 2025, President Trump signed the One Big Beautiful Bill Act (the "Act") into law. Among the many changes, the Act expands the favorable tax treatment for Qualified Small Business Stock ("QSBS") under Section 1202 of the Internal Revenue Code of 1986, as amended (the "Code").

The Act amends Section 1202 of the Code by revising the holding period, and increasing the eligible gain limit and amount of gross assets of a "qualified small business," in a taxpayer-favorable manner.

Tiered Holding Periods & Exclusion Percentages. For QSBS acquired after July 4, 2024, the Act replaces the five-year holding period requirement with exclusion rates based on tiered holding periods, as follows:

- 50% exclusion for stock held for 3 years;
- 75% exclusion for stock held for 4 years; and
- 100% exclusion for stock held for 5 years or more.

This approach allows taxpayers to reap partial benefits from Section 1202 despite not holding their QSBS for more than 5 years (as required for QSBS issued on or prior to July 4, 2024).

Increasing the Annual Gain Exclusion Limit. For QSBS acquired after July 4, 2025, the Act increases the gain exclusion limit on the disposition of QSBS to the greater of (a) $15 million per shareholder in the aggregate (as adjusted for inflation starting in 2027) for current and prior years (an increase from $10 million with respect to QSBS acquired on or prior to July 4, 2025); or (b) 10 times the shareholder's aggregate adjusted basis in the QSBS issued and disposed of by the taxpayer during the year.

Increasing Aggregate Gross Assets Amount. For QSBS issued after July 4, 2025, to qualify as QSBS, stock must be issued by a domestic C corporation that has gross assets of $75 million or less (as adjusted for inflation starting in 2027) (an increase from $50 million or less with respect to

QSBS issued on or prior to July 4, 2025). This revision expands the definition of “qualified small business” under Section 1202(d) of the Code.

Subject to meeting the other applicable requirements, the Act’s revisions to Section 1202 of the Code further enhance the gain exclusion incentive, broaden its relevance to more corporations, and add flexibility for taxpayers to potentially utilize a portion of the QSBS exclusion in earlier sale transactions.

RELATED CAPABILITIES

- Tax Advice & Controversy
- Tax Controversy
- Taxation of Corporate Transactions
- Tax & Private Client

MEET THE TEAM

Timothy E. Glasgow

Denver

tim.glasgow@bclplaw.com
+1 303 866 0334

Alysia "Aly" Winters

St. Louis

aly.winters@bclplaw.com
+1 314 259 2042
