Internal Revenue Code Section 1045(b)(1)
Rollover of gain from qualified small business stock to another qualified small business stock.

(a) Nonrecognition of gain. In the case of any sale of qualified small business stock held by a taxpayer other than a corporation for more than 6 months and with respect to which such taxpayer elects the application of this section, gain from such sale shall be recognized only to the extent that the amount realized on such sale exceeds—

1. the cost of any qualified small business stock purchased by the taxpayer during the 60-day period beginning on the date of such sale, reduced by
2. any portion of such cost previously taken into account under this section.

This section shall not apply to any gain which is treated as ordinary income for purposes of this title.

(b) Definitions and special rules. For purposes of this section—

1. Qualified small business stock. The term "qualified small business stock" has the meaning given such term by section 1202(c).
2. Purchase. A taxpayer shall be treated as having purchased any property if, but for paragraph (3), the unadjusted basis of such property in the hands of the taxpayer would be its cost (within the meaning of section 1012).
3. Basis adjustments. If gain from any sale is not recognized by reason of subsection (a), such gain shall be applied to reduce (in the order acquired) the basis for determining gain or loss of any qualified small business stock which is purchased by the taxpayer during the 60-day period described in subsection (a).
4. Holding period. For purposes of determining whether the nonrecognition of gain under subsection (a) applies to stock which is sold—
   A. the taxpayer's holding period for such stock and the stock referred to in subsection (a)(1) shall be determined without regard to section 1223, and
   B. only the first 6 months of the taxpayer's holding period for the stock referred to in subsection (a)(1) shall be taken into account for purposes of applying section 1202(c)(2).
5. Certain rules to apply. Rules similar to the rules of subsections (f), (g), (h), (i), (j), and (k) of section 1202 shall apply.