


## Internal Revenue Code Section 1202(a)(1)

Partial exclusion for gain from certain small business stock.

(a) Exclusion.

 (1) In general. In the case of a taxpayer other than a corporation, gross income shall not include 50 percent of any gain from the sale or exchange of qualified small business stock held for more than 5 years.

(2) Empowerment zone businesses.

(A) In general. In the case of qualified small business stock acquired after the date of the enactment of this paragraph [enacted Dec. 21, 2000] in a corporation which is a qualified business entity (as defined in section 1397C(b)) during substantially all of the taxpayer's holding period for such stock, paragraph (1) shall be applied by substituting "60 percent" for "50 percent".

(B) Certain rules to apply. Rules similar to the rules of paragraphs (5) and (7) of section 1400B(b) shall apply for purposes of this paragraph.

(C) Gain after 2018 not qualified. Subparagraph (A) shall not apply to gain attributable to periods after December 31, 2018.

(D) Treatment of DC zone. The District of Columbia Enterprise Zone shall not be treated as an empowerment zone for purposes of this paragraph.

(3) Special rules for 2009 and certain periods in 2010. In the case of qualified small business stock acquired after the date of the enactment of this paragraph [enacted Feb. 17, 2009] and on or before the date of the enactment of the Creating Small Business Jobs Act of 2010 [enacted Sept. 27, 2010]—

(A) paragraph (1) shall be applied by substituting "75 percent" for "50 percent", and

(B) paragraph (2) shall not apply.

In the case of any stock which would be described in the preceding sentence (but for this sentence), the acquisition date for purposes of this subsection shall be the first day on which such stock was held by the taxpayer determined after the application of section 1223.

(4) 100 percent exclusion for stock acquired during certain periods in 2010, 2011, 2012, and 2013. In the case of qualified small business stock acquired after the date of the enactment of the Creating Small Business Jobs Act of 2010 [enacted Sept. 27, 2010] and before January 1, 2014—

(A) paragraph (1) shall be applied by substituting "100 percent" for "50 percent",

(B) paragraph (2) shall not apply, and

(C) paragraph (7) of section 57(a) shall not apply.

In the case of any stock which would be described in the preceding sentence (but for this sentence), the acquisition date for purposes of this subsection shall be the first day on which such stock was held by the taxpayer determined after the application of section 1223.

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