

QUALIFIED SMALL BUSINESS STOCK (QSBS):

Planning for Tax-Free Gains with Evercore Wealth Management and Evercore Trust Company

What Is QSBS—and Why It Matters to You

Qualified Small Business Stock (QSBS) under section 1202 of the Internal Revenue Code offers a rare and powerful opportunity: the potential to **exclude 100% of capital gains** from federal taxation—up to **\$15 million or 10x basis**, whichever is greater.¹ That's not a deduction—it's a full exclusion. For founders, early employees, seed and growth-stage investors, and executives with QSBS-eligible holdings, the implications can be game changing.

Real Results: \$75 Million in Tax-Free Gains²

- ▶ **Profile:** A California-based tech founder, married with three children, received QSBS in 2025. The company was nearing a liquidity event, and the founder was facing a \$15 million QSBS exclusion cap.
- ▶ **Challenge:** How to maximize the family's tax-free gain potential without triggering disqualifying events.
- ▶ **Evercore's Solution:** Evercore Wealth Management and Evercore Trust Company partnered with the client's attorney and accountant to create four non-grantor trusts for the founder's spouse and children—each qualifying independently for a QSBS exclusion. By allocating QSBS across these trusts, the family will:
 - Exclude \$75 million in total federal capital gains tax, up from the \$15 million cap that would have otherwise been imposed
 - Save an estimated \$23 million in combined federal and California income tax
 - Receive additional long-term benefits, including exemption from gift, estate and generation-skipping transfer taxes, asset protection, and state tax mitigation via Delaware trust situs with Evercore Trust Company
 - Experience seamless administration, governance, and fiduciary oversight
- ▶ **Bottom Line:** This founder and the family will walk away from a future exit **with \$75 million in tax-free gains**.

What's at Stake: The Cost of Missing Out

QSBS eligibility and structuring are not automatic. Inadvertent actions, such as stock redemptions, holding through an ineligible entity, or poor documentation, can nullify the tax exclusion altogether. The stakes? Millions left on the table.

Evercore Wealth Management and Evercore Trust Company Deliver

- ▶ **QSBS Qualification Review**—Holding period, active business test, gross asset limits, and redemptions
- ▶ **Trust "Stacking" Strategy**—Multiply exclusions with non-grantor trusts or philanthropic vehicles
- ▶ **Pre-Sale Planning**—Navigate Section 1045 rollovers around liquidity event timing
- ▶ **Interdisciplinary Collaboration**—Work directly with your client's legal and tax professionals
- ▶ **Comprehensive Wealth Advisory**—Align planning with broader financial, legacy, and philanthropic goals
- ▶ **Corporate Trustee Support**—Enhanced privacy, asset protection, governance, and state tax benefits through Evercore Trust Company, N.A.

Contact your Evercore Wealth Management and Evercore Trust Company Advisor to maximize QSBS tax-planning opportunities, avoid common pitfalls, help protect assets, and build lasting wealth.

¹ In general, the issuer must be a U.S. C corporation with at least 80% of its assets in an active trade or business with gross assets not in excess of \$50 million (or \$75 million for shares issued after July 4, 2025). Certain types of businesses, including personal and financial services, do not qualify. Stock generally must be held for five years, although there are exceptions for shares issued after July 4, 2025, as well as section 1045 rollovers. For more information, see: https://evercorewealthandtrust.com/wp-content/uploads/2025/08/QSBS-Special-Edition-2024_1.4.pdf

² Based on a recent Evercore Wealth Management client experience.

Contacts and Disclosures

Wealth & Fiduciary Advisors at Evercore Wealth Management and Evercore Trust Company, N.A., can work with business owners and their other trusted advisors to protect wealth, establish a legacy, and help transfer a family's values, as well as assets, to future generations. To learn more about how we can help, please visit us at evercorewealthandtrust.com or contact any of our Wealth & Fiduciary Advisors.

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