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Rethinking Choice of Entity — Section 1202 Stock

[Oregon State Bar Taxation Section Newsletter](#)

Lewis M. Horowitz and Justin E. Hobson co-authored an article in the Spring 2016 issue of the Oregon State Bar Taxation Section newsletter titled “Rethinking Choice of Entity — Section 1202 Stock.” In the article, Horowitz and Hobson discussed how the tax benefit provided by Internal Revenue Code (IRC) section 1202 to C corporations, when it applies, may result in taxpayers intentionally choosing C corporations.

We tax advisors spend plenty of time assessing whether a particular business is better suited operating as a flow-through entity or as a tax-paying “C corporation.” In some cases the tax benefit provided by IRC section 1202 to C corporations outweighs the disadvantages. When it applies, IRC section 1202 can completely eliminate tax on gain from the sale of C corporation stock.