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The Coffeehouse Revolution
2Q26 Tax Letter



The Coffeehouse Revolution

It was December 1773 when a group of colonists disguised as Mohawk Indians crept aboard ships in Boston Harbor under cover of darkness. The cold wind whipped across the water as they pried open wooden chests and hurled them into the sea. Hundreds of pounds of tea stained the harbor brown, a defiant signal that the colonies would no longer bow quietly to the dictates of empire. The Boston Tea Party was not only about taxation without representation; it was about identity. Tea was Britain's drink, the emblem of the Crown. By tossing it into the water, the colonists tossed off more than a tax. They tossed off loyalty.

What replaced it was something entirely new. Coffee, once an exotic import with little cultural weight, became a symbolic alternative. Drinking tea after that night carried the whiff of submission, while coffee came to embody independence and choice. A beverage that had been peripheral was transformed into a patriotic statement. Coffeehouses spread rapidly through the colonies, serving not only as social gathering spots but as incubators of dissent and forums for the exchange of revolutionary ideas. They were the crucibles where ordinary people fueled extraordinary change. In a very real sense, the early American identity was brewed not just in political halls but across tables in crowded, smoky coffeehouses.



Destruction of tea at Boston Harbor, lithograph by N. Currier (1846).

That cultural current never fully dissipated. Today coffee is not rebellion but routine, yet it still carries the spirit of energy, connection, and momentum. Lines snake around Starbucks before sunrise, while independent cafés hum with college students poring over textbooks, friends reconnecting across small tables, and entrepreneurs sketching business models onto napkins. Coffee is not simply a drink. It has become a cultural heartbeat, the unseen architecture of our mornings and our creativity; it is difficult to imagine modern life without it.

The Tax Shift

Tax law, in its own way, has had a Boston Tea Party moment, and it comes in the form of a provision known as Qualified Small Business Stock, or QSBS. Like coffee in colonial America, QSBS began in obscurity. Introduced in 1993, its purpose was straightforward: to encourage investment in new businesses by allowing a partial exclusion of gains when stock was sold. On paper, it was an elegant tool. In practice, it was nearly forgotten. The exclusions were modest, the rules were cumbersome, and few investors or founders even knew it existed. For years, QSBS sat idle in the tax code like a bag of coffee left untouched on the dock.

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The strengthening of QSBS began well before it became culturally embedded in planning. In the wake of the 2008 financial crisis, Congress searched for ways to reignite entrepreneurship and fuel job creation. In 2009 the QSBS exclusion was raised to seventy-five percent. The following year, lawmakers went further still, granting a full one hundred percent exclusion for qualifying gains while eliminating many of the alternative minimum tax complexities that had previously undercut the incentive. These changes dramatically improved the technical architecture of QSBS, but they did not yet make it central to deal structuring.

The real inflection point arrived in 2017, when changes in the tax code coincided with powerful forces outside the statute. The reduction of the corporate income tax rate altered the calculus of entity choice, but equally important was what was happening in the capital markets. Venture capital and private equity were expanding at unprecedented rates, family offices were proliferating, and growth capital was flowing into emerging companies across technology, life sciences, clean energy, and advanced manufacturing. In that environment, QSBS was no longer a theoretical incentive buried in the code. It became a practical tool for shaping how companies were capitalized, how funds were structured, and how founders and investors thought about long-term wealth creation.

The response was immediate. Lawyers, accountants, and venture capitalists began discussing QSBS in excited tones, often behind closed doors. Founders who had never heard of it discovered that their equity could yield vastly more after tax than they had imagined. Private funds began structuring investments to maximize eligibility. What had once been obscure became essential. In a tax planning sense, it was the coffee moment, a rediscovery that reshaped behavior at scale.

Just as coffeehouses became centers of debate and planning, QSBS became a cornerstone of modern entrepreneurial strategy. In Silicon Valley, boardroom conversations shifted from product roadmaps alone to questions of corporate structure. Was the entity a C corporation? Had the stock been properly issued? Would future rounds of financing maintain qualification? In New York, private equity funds began asking whether their portfolio companies could be structured to meet the requirements. Across the country, tax advisors and family offices began explaining to ultra-high-net-worth families that a provision hiding in plain sight could radically alter generational wealth trajectories.

Of course, as with any meaningful ritual, there were rules. To qualify, stock must have been acquired at original issuance in a domestic C corporation, held for at least five years, and issued by a business that met the active trade or business requirements. The exclusion was capped at the greater of ten million dollars or ten times the investor's basis, but there were traps to watch for.


Redemptions within certain windows could disqualify eligibility. State tax treatment might diverge from federal rules, with some states offering no exclusion at all. Multiple financing rounds, common in venture-backed companies, often complicated qualification and required careful planning. These details mattered. Just as brewing coffee requires the right temperature and timing, structuring for QSBS required technical precision. When done correctly, however, the results could be extraordinary.

The Evolution of QSBS

The story did not end with those reforms. Just as coffee evolved from colonial rebellion into a global phenomenon with Starbucks, artisanal roasters, and specialty competitions, QSBS has continued to grow in importance. The most recent chapter came with the One Big Beautiful Bill Act of 2025 (OBBBA), which reshaped the economics of QSBS in ways that matter profoundly for sophisticated investors.

Under OBBBA, Congress dramatically expanded the economic value of QSBS by increasing the gain exclusion to fifteen million dollars per taxpayer and raising the corporate gross asset limit to seventy-five million dollars, while at the same time introducing a tiered exclusion regime that rewards earlier liquidity. For stock acquired after July 4, 2025, taxpayers are now eligible for a fifty percent exclusion after three years, a seventy-five percent exclusion after four years, and the full one hundred percent exclusion after five years. These changes shift QSBS from a narrow, founder-centric benefit into a mainstream planning tool that can operate across modern financing rounds and investment platforms, with acquisition date and holding period becoming central drivers of strategy rather than afterthoughts.

The significance of this expansion cannot be overstated. For founders, it means the companies they are already building may harbor hidden after tax advantages that multiply their rewards. For investors, it provides a framework to channel capital toward growth stage enterprises with the assurance that the tax code is firmly aligned with entrepreneurial risk taking. For family offices, QSBS becomes not just a strategy of efficiency but a central pillar of generational wealth design. It transforms liquidity events into opportunities for tax-free capital creation, fueling family legacies that can endure across decades. For policymakers, the success of QSBS underscores that encouraging entrepreneurship remains a rare area of bipartisan consensus even in a polarized age.



QSBS is not simply a technical provision. It is a catalyst for independence, growth, and enduring prosperity.

The parallel with coffee is striking. Coffee began as a minor curiosity, largely ignored until a moment of rebellion transformed it into a symbol of independence. From there it grew into a daily ritual so ingrained in culture that it now feels indispensable. QSBS followed a similar trajectory. Born quietly, overlooked for years, strengthened in moments of crisis, and ultimately institutionalized into the fabric of entrepreneurial finance, it is today a permanent part of the planning landscape.

In Closing

For ultra-high-net-worth families and their advisors, the lesson is straightforward: do not overlook the tools that sit quietly in the corner of the tax code. Just as colonists discovered that choosing coffee over tea was more than a matter of taste, choosing QSBS can be more than a matter of tax savings. It can spell the difference between ordinary returns and extraordinary ones, between incremental planning and transformational generational strategy. In a world where tax regimes shift constantly, QSBS has emerged as one of the few durable, bipartisan vehicles for preserving and amplifying wealth.

As you sip your next cup of coffee, whether it comes from a global chain, a neighborhood café, or your own kitchen, remember that what began as an act of rebellion has become a daily habit. QSBS is not simply a technical provision; it is a catalyst for independence, growth, and enduring prosperity.

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