

**Legislative Outline**  
**Better Opportunity and Outcomes for Socially Disadvantaged Talent (BOOST) Act**

Title 26 of the United States Code is amended by adding the following new section:

Sec. 1205. Partial Exclusion from Gain for Interests in Socially Disadvantaged Businesses

(a) EXCLUSION

Gross income shall not include 50 percent of any gain from the sale or exchange of a qualified interest in a certified socially disadvantaged business held for more than three years.

(b) CERTIFIED SOCIALLY DISADVANTAGED BUSINESS

A “certified socially disadvantaged business” is a business that has been certified as a socially disadvantaged business by the Secretary of the Treasury. Businesses meeting the criteria of a socially disadvantaged business may apply to the Secretary for certification prior to the issuance of interests in such business to qualify such business interests hereunder. The Secretary shall certify up to \$30,000,000,000 of qualifying socially disadvantaged business interests for purposes of this section.

(c) SOCIALLY DISADVANTAGED BUSINESS

For purposes of this section, the term “socially disadvantaged business” means any domestic corporation or partnership if:

- (1) in the case of a corporation, at least 50 percent of the total combined voting power of all classes of stock entitled to vote, or at least 50 percent of the total value of shares of all classes of stock are owned, directly or through the application of section 318, by one or more socially disadvantaged individuals who are U.S. citizens;
- (2) in the case of a partnership, at least 50 percent of the capital interests or profits interests in such partnership are owned, directly or through the application of section 318, by one or more socially disadvantaged individuals who are U.S. citizens;
- (3) socially disadvantaged individuals manage the day-to-day operations of the business and make long-term decisions for the business; and
- (3) at least 80 percent (by value) of the assets of such business are used by such business in the active conduct of one or more trades or businesses.

#### (d) QUALIFIED INTEREST IN A SOCIALLY DISADVANTAGED BUSINESS

(1) A “qualified interest in a socially disadvantaged business” means an equity interest in or debt instrument issued by a certified socially disadvantaged business which is originally issued after the date of enactment of the BOOST Act and, as of the date of issuance, (a) the business is a certified socially disadvantaged business, and (b) such taxpayer acquires such interest at its original issue –

(i) in exchange for money or other property, or

(ii) as compensation for services provided to such certified socially disadvantaged business (other than services performed as an underwriter of such interest).

(2) The total interests issued by an eligible socially disadvantaged business shall not exceed the applicable investment cap designated by the Secretary for such certified socially disadvantaged business.<sup>1</sup>

#### (e) SOCIALLY DISADVANTAGED INDIVIDUAL

Consistent with the Small Business Administration’s definition of “socially disadvantaged individuals,” in 13 C.F.R. §124.103, socially disadvantaged individuals are those who have been subjected to racial or ethnic prejudice or cultural bias within American society because of their identities as members of groups and without regard to their individual qualities. There shall not be a limitation on the net worth of a socially disadvantaged individual who is an owner for the purposes of determining whether a business should be certified as a socially disadvantaged business under this section.

#### (f) REGULATIONS

The Secretary shall prescribe such regulations as may be appropriate to carry out the purposes of this section, including regulations to designate businesses as socially disadvantaged businesses, to identify the aggregate investment cap for eligible socially disadvantaged businesses based on objective measures on an impartial basis, and to avoid the purposes of this section.

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<sup>1</sup> If the intent is to cap the amount of the total investments to a fixed-dollar amount, that necessarily requires some designation of which investments are eligible for the benefit on an investment-by-investment basis. If desired to add additional certainty regarding the top line cost to the federal government, there could also be a cap on the amount of gain eligible for the exclusion (e.g., gain of up to 10 times the amount of the invested capital).