



# Stock Options Taxability and Reporting

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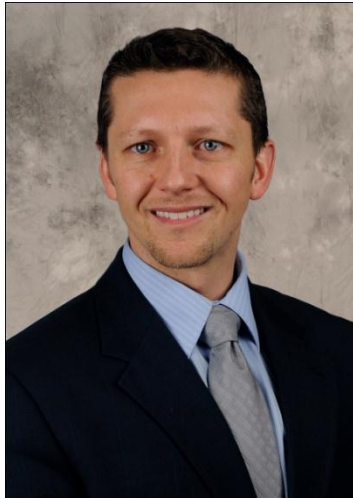
Tuesday, January 24, 2012



MOODY, FAMIGLIETTI & ANDRONICO  
Certified Public Accountants & Consultants



# Presenter



**Craig Eaton**

CPA, MST

Lead Partner – Corporate Tax

# About MFA – Moody, Famiglietti & Andronico

- Proactive CPA and consulting firm with national and global reach
- Founded in 1982
- Nearly 100 professionals, including 16 partners
- Located in Tewksbury, Massachusetts

# About MFA – Moody, Famiglietti & Andronico

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# Stock Options Taxability and Reporting

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# Stock Options Taxability and Reporting

- **Employee Reporting – Exercise of ISOs**

- Form 3921 – Exercise of an Incentive Stock option Under Section 422(b)
  - Reporting to Employee by 1/31
  - Reporting by Employer by 2/28
  - Penalties for non-reporting

2525       VOID       CORRECTED

TRANSFEROR'S name, street address, city, state, and ZIP code		1 Date option granted	OMB No. 1545-2129  <b>Form 3921</b> (Rev. October 2010)	<b>Exercise of an Incentive Stock Option Under Section 422(b)</b>
		2 Date option exercised		
TRANSFEROR'S federal identification number	EMPLOYEE'S identification number	3 Exercise price per share	4 Fair market value per share on exercise date	<b>Copy A</b> <b>For Internal Revenue Service Center</b> <b>File with Form 1096.</b> For Privacy Act and Paperwork Reduction Act Notice, see the <b>most current version of the General Instructions for Certain Information Returns.</b>
EMPLOYEE'S name		\$	\$	
Street address (including apt. no.)		5 No. of shares transferred		
City, state, and ZIP code		6 If other than TRANSFEROR, name, address, and EIN of corporation whose stock is being transferred		
Account number (see instructions)				

Form **3921** (Rev. October 2010)      Cat. No. 411790      Department of the Treasury - Internal Revenue Service

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# Stock Options Taxability and Reporting

- Form 3922 – Transfer of Stock Acquired through ESPP Under Section 423(c)
  - Reporting to Employee by 1/31
  - Reporting by Employer by 2/28
  - Penalties for non-reporting

2626       VOID       CORRECTED

CORPORATION'S name, street address, city, state, and ZIP code		1 Date option granted	OMB No. 1545-2129	<b>Form 3922</b> (Rev. October 2010)	<b>Transfer of Stock Acquired Through an Employee Stock Purchase Plan Under Section 423(c)</b>
		2 Date option exercised			
CORPORATION'S federal identification number	EMPLOYEE'S identification number	3 Fair market value per share on grant date	4 Fair market value per share on exercise date	<b>Copy A</b> <b>For Internal Revenue Service Center</b> <b>File with Form 1096.</b> For Privacy Act and Paperwork Reduction Act Notice, see the <b>most current version of the General Instructions for Certain Information Returns.</b>	
EMPLOYEE'S name		\$	\$		
Street address (including apt. no.)		5 Exercise price paid per share	6 No. of shares transferred		
City, state, and ZIP code		\$			
Account number (see instructions)		7 Date legal title transferred			
		8 Exercise price per share determined as if the option was exercised on the date shown in box 1.			
		\$			

Form **3922** (Rev. October 2010)      Cat. No. 41180P      Department of the Treasury - Internal Revenue Service

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# Stock Options Taxability and Reporting

- **Employee Reporting – NQSOs and DDs**
  - At Exercise
  - Ordinary Income includable in W-2 or 1099
  - If W-2, NQSOs subject to all withholding
  - IF W-2, ISOs subject Box 1 inclusion but not subject to withholding
  
- **Employee Reporting – RSAs**
  - At vesting or if elected at grant (83(b) election)
  - Ordinary income Includable in W-2 or 1099
  - If W-2, subject to all withholding

# Stock Options Taxability and Reporting

- **Tax Deductibility by Company**
  - At grant, vesting, exercise?
  - Generally follows inclusion in employee's compensation
- **Tax Provision Consideration**
  - No deferred tax asset on ISO's
  - Watch APIC Pools and Excess Tax Benefits
  - Forfeiture before vesting
  - Cancellation after vesting
  - Expirations
  - International considerations

# Stock Options Taxability and Reporting

- **409A Considerations**

- ISOs/NQSOs granted at FV – otherwise subject to all requirements under 409A
- FV safe harbor – 3<sup>rd</sup> party valuation

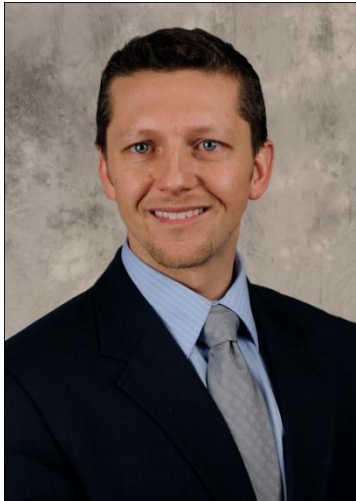
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## Questions?

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## Thank you

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