There are two moments when your employee stock purchase plan (ESPP) can be taxed—when your shares are purchased and when you sell the stock. When shares are purchased, you may have taxable ordinary income to report on your tax return. When you sell your stock, you may have capital gains or losses to report. This guide will help you understand which documents are needed and how they are used when you, or your tax advisor, file your taxes.

IMPORTANT:
Before proceeding, refer to your employer’s plan documents to ensure that you’re enrolled in a nonqualified ESPP, as the tax treatment is different than in a qualified plan. If you’re enrolled in a qualified ESPP, use the qualified ESPP tax guide.
1 Gather the following documents

In order to accurately file your taxes, there are several documents and forms you may need. Some will be provided by your employer and others will come from Fidelity or the IRS. Below is a list of potentially important documents and how to get them. **Make sure you have all of the applicable forms prior to filing your taxes.**

Log in to [Fidelity.com/taxforms](http://Fidelity.com/taxforms) to determine what forms you’ll receive and when you’ll get them.

<table>
<thead>
<tr>
<th>Form</th>
<th>Why it’s needed</th>
<th>Where to find it</th>
</tr>
</thead>
<tbody>
<tr>
<td>Form W-2 (or 1099-NEC if you are a nonemployee)</td>
<td>Your W-2 (or 1099-NEC) includes the taxable income from your ESPP and, on the W-2, the taxes that have been withheld.</td>
<td>This form is provided by your employer.</td>
</tr>
<tr>
<td>Form 1099-B</td>
<td>This IRS form has details about your stock sale and helps you calculate any capital gain/loss.</td>
<td>Available online at <a href="http://Fidelity.com/taxforms">Fidelity.com/taxforms</a> and also mailed to you. You can find out when you’ll receive them <a href="http://Fidelity.com/taxforms">online</a>.</td>
</tr>
<tr>
<td>2022 Supplemental Information</td>
<td>The Supplemental Information form, created by Fidelity, may contain information not reported on your 1099-B due to IRS regulations.</td>
<td></td>
</tr>
<tr>
<td>IRS Form 8949</td>
<td>These IRS forms are used to report taxes for ESPP stock sales.</td>
<td>Available online at <a href="http://www.irs.gov">www.irs.gov</a>, by calling 800.TAX.FORM (800.829.3676), or by visiting your local IRS office.</td>
</tr>
<tr>
<td>IRS Schedule D and Form 1040</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**HOW THESE DOCUMENTS WORK TOGETHER TO REPORT YOUR STOCK SALES**

- **Form 1099-B**
  - Supplemental Information form
  - to complete...

- **Form 8949**
  - used for...

- **Schedule D**
  - used for...

- **Form 1040**

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2 What to do once you’ve purchased stock

Now that stock has been purchased, there are two key pieces of information you should be aware of:

• Equity compensation is considered ordinary income
• It is taxable in the year of purchase

When your shares are purchased, your employer may withhold ordinary income and FICA* taxes.

• Your ESPP income amount is based on the difference between the fair market value of the stock on the purchase date and your discounted purchase price, otherwise known as the spread.†
• The tax amounts withheld, along with the spread at purchase, may be reported on your W-2.
• If you’re a nonemployee (such as a contractor, consultant, or director), you’ll find this information on your Form 1099-NEC.
• The information on your W-2 (or 1099-NEC) is used to fill out tax form 1040.

Even if your employer does not report the income from an ESPP on your W-2, you are still responsible for reporting and paying ordinary income tax.

HOW IS AN AWARD REFLECTED ON A W-2?

Example: IRS W-2 for an Employee Stock Purchase Plan (Nonqualified)

ESPP income will usually be included with your other compensation in boxes 1, 3 (up to maximum wage base), and 5 (in the year of purchase).

Federal taxes withheld are included in boxes 2 and 6, and in box 4 up to the maximum.

The spread from your ESPP purchase is coded here as “V.” Please note: This income is already part of the income reported in the related other boxes and is not separately reported on your tax return.

ESPP income could be included in boxes 16 and 18 and the withholding in boxes 17 and 19 if state and local taxes apply.

For illustrative purposes only.
*FICA includes Social Security (up to the annual maximum) and Medicare taxes.
†Not all plans offer a discounted price. Please check your plan documents to confirm.
‡Fidelity is not involved in the preparation of the content supplied at the third-party unaffiliated website and does not guarantee or assume any responsibility for its content.
What to do when you’ve sold stock

Now that stock has been purchased, you have the option to sell it. When you sell shares of stock, you need to report any gain or loss from the sale. Remember, you already paid taxes when your shares were purchased. Accurately reporting your gain or loss will help keep you from overpaying taxes.

A capital gain/loss is the difference between your sale price and your cost basis.

- If you sell stock for more than its value at purchase, you recognize a gain.
- If you sell it for less than its value at purchase, it’s considered a loss.
- How much of that gain or loss you report depends on your cost basis.

Your capital gain/loss and cost basis information are located on the 1099-B and Supplemental Information form. Often the cost basis on your 1099-B and Supplemental Information form will differ. In this instance, you’ll want to review the adjusted cost basis on your Supplemental Information form to help avoid overpaying taxes. The details from these forms are used to calculate your capital gain or loss on IRS Forms 8949, 1040, and Schedule D.

**IMPORTANT**

Make sure you have both your 1099-B and Supplemental Information form when reporting your gain or loss.

The information on your 1099-B is reported to the IRS, but the Supplemental Information form includes adjustments necessary to avoid overpaying taxes. You’ll want to use the information on the Supplemental Information form to make any necessary adjustments on Form 8949. To learn more about how your gain/loss is calculated, see how cost basis factors into the equation.

**SHORT-TERM VS. LONG-TERM SALE**

As you prepare your taxes, you’ll want to consider if you made a short-term sale or long-term sale. Capital gains are taxed differently depending on how long you’ve held the shares.

A short-term sale applies if you held your shares at purchase and sold them at one year or less. A short-term sale is taxed at ordinary income rates.

A long-term sale applies if you held your shares at purchase and sold them after one year. Long-term gains are taxed at lower rates than ordinary income.

To determine if you had a short-term or long-term sale, refer to Form 1099-B. When you file your taxes, this information will help you know which version (short-term or long-term) of Schedule D and Form 8949 to use.
Using Form 1099-B and the Supplemental Information form

If you sold stock, you’ll receive Form 1099-B and the Supplemental Information form during the tax season. The information on your 1099-B is reported to the IRS, but the Supplemental Information form includes adjustments to a capital gain or loss necessary to avoid overpaying taxes. **It’s important that you review and utilize the Supplemental Information form**, as it is not reported to the IRS. Below are sample forms, along with key pieces of information you’ll find.

### HOW IS A SALE REFLECTED ON FORM 1099-B?

**Sample Form 1099-B**

<table>
<thead>
<tr>
<th>A</th>
<th>SHORT-TERM OR LONG-TERM TRANSACTION</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>This is where you’ll see if you had a short-term or long-term transaction. This will help determine which version of Schedule D and Form 8949 you need.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>B</th>
<th>COST OR OTHER BASIS</th>
</tr>
</thead>
<tbody>
<tr>
<td>• This is provided to the IRS and may need to be adjusted. If adjusted, you’ll find the value on the Supplemental Information form.</td>
<td></td>
</tr>
<tr>
<td>• If the amounts on the 1099-B and Supplemental Information form differ, be sure to follow the steps to adjust it on IRS Form 8949. This will help you avoid overpaying taxes.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>C</th>
<th>GAIN/LOSS</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Capital gain or loss from the sale of shares. This amount may also need to be adjusted. If adjusted, you’ll find that value on the Supplemental Information form.</td>
<td></td>
</tr>
<tr>
<td>• If the amounts on the 1099-B and Supplemental Information form differ, be sure to use the adjusted amount on your Supplemental Information form. This will help you avoid overpaying taxes.</td>
<td></td>
</tr>
</tbody>
</table>

For illustrative purposes only.
4. Using Form 1099-B and the Supplemental Information form... continued

HOW IS A SALE REFLECTED ON THE SUPPLEMENTAL INFORMATION FORM?

Sample Supplemental Information Form

SHORT-TERM OR LONG-TERM TRANSACTION

This is where you’ll see if you had a short-term or long-term transaction. This will help determine which version of Schedule D and Form 8949 you need.

ORDINARY INCOME REPORTED

- This amount (cross-reference it with your W-2) is entered in column (g) of Form 8949 to adjust the basis.

ADJUSTED COST BASIS

- This amount is used to recalculate your gain/loss. It’s equal to the ordinary income plus the cost basis on your 1099-B.

ADJUSTED GAIN/LOSS

- This amount is recalculated per your adjusted cost basis. It shows your proceeds minus your adjusted cost basis. This information is not reported to the IRS. You’ll want to use this information when reporting your taxes to avoid paying more in taxes than necessary.
5 Submitting the information to the IRS

Now that you’ve gathered the information necessary to file your taxes, how do you submit it to the IRS?

There are many ways to file your taxes: self-filing, using a tax-filing service, or with a tax advisor. Many tax-filing services and programs allow you to automatically transfer information from Fidelity. Please note, however, this is not the case with the Supplemental Information form and you’ll need to manually enter it.

When filing, the information you gathered will be used to report your taxes using IRS forms that include Form 1040 (for the compensation income) and Schedule D and Form 8949 (for the stock sale). If you need assistance with these forms, more information can be found in the links below.

HOW DO I FILL OUT FORM 8949?
- General IRS instructions
- For instructions specific to stock plans, click the images below.

HOW DO I FILL OUT SCHEDULE D?
- General IRS instructions
- For instructions specific to stock plans, click the images below.

Now that you have the basic knowledge needed to file taxes on your equity awards, you can utilize this information to file your tax return on your own or through a tax advisor. As you go through the process, consider the different forms you may need including your W-2, 1099-B, and Supplemental Information form. For additional information about stock plan taxes and filing your tax return, visit our Taxes and Tax-Filing Center.
### ESPP: Purchase/sell after holding short-term

**Form 8949**

**Sales and Other Dispositions of Capital Assets**

Go to [www.irs.gov/Form8949](https://www.irs.gov/Form8949) for instructions and the latest information. File with your Schedule D to list your transactions for lines 1a, 2, 3, 8b, 9, and 10 of Schedule D.

**2022**

**Attachment Sequence No: 12A**

Social security number or taxpayer identification number

**Before you check Box A, B, or C below, see whether you received any Form(s) 1099-B or substitute statement(s) from your broker. A substitute statement will have the same information as Form 1099-B. Either will show whether your basis (usually your cost) was reported to the IRS by your broker and may even tell you which box to check.**

**Part I Short-Term.** Transactions involving capital assets you held 1 year or less are generally short-term (see instructions). For long-term transactions, see page 2.

**Note:** You may aggregate all short-term transactions reported on Form(s) 1099-B showing basis was reported to the IRS and for which no adjustments or codes are required. Enter the totals directly on Schedule D, line 1a; you aren’t required to report these transactions on Form 8949 (see instructions).

You must check Box A, B, or C below. Check only one box. If more than one box applies for your short-term transactions, complete a separate Form 8949, page 1, for each applicable box. If you have more short-term transactions than will fit on this page for one or more of the boxes, complete as many forms with the same box checked as you need.

<table>
<thead>
<tr>
<th>Box</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Short-term transactions reported on Form(s) 1099-B showing basis was reported to the IRS (see Note above)</td>
</tr>
<tr>
<td>B</td>
<td>Short-term transactions reported on Form(s) 1099-B showing basis wasn’t reported to the IRS</td>
</tr>
<tr>
<td>C</td>
<td>Short-term transactions not reported to you on Form 1099-B</td>
</tr>
</tbody>
</table>

**Adjustment, if any, to gain or loss:**

- If you enter an amount in column (g), enter a code in column (f).
- See the separate instructions.

**Gain or (loss)**

Subtract column (e) from column (f) and combine the result with column (g).

**Note:**

- If Box A is checked: Column (e): Basis in Box 1e of 1099-B
- Column (f): Code B
- Column (g): Omitted amount (e.g. W-2 compensation not included). Use the Ordinary Income Reported from Fidelity’s Supplemental Information Form. Put in parentheses to indicate a negative number (as this amount reduces gain or increases loss).

- If Box B is checked: Column (e): Correct basis of the sold shares (purchase price + income on W-2 for the discount at purchase**). Use the Adjusted Cost Basis from Fidelity’s Supplemental Information Form.
  - If the basis is blank or 0: Column (f): Leave blank
  - Column (g): Leave blank
  - If the basis is incorrect: Column (f): Code B
  - Column (g): Enter “-D-”

**Company ticker/symbol and number of ESPP shares sold [Box 1e on Form 1099-B]**

**Purchase date [Box 1b on 1099-B]**

**Date stock sold [Box 1c on 1099-B]**

**Gross proceeds from stock sale [Box 1d on 1099-B]**

Fidelity subtracts commissions and fees from the proceeds.

**Basis in Box 1e of 1099-B is too low or blank**

If Box A is checked: Column (e): Basis in Box 1e of 1099-B

Column (f): Code B

Column (g): Omitted amount (e.g. W-2 compensation not included). Use the Ordinary Income Reported from Fidelity’s Supplemental Information Form. Put in parentheses to indicate a negative number (as this amount reduces gain or increases loss).

**Calculate column totals. You report these totals on Schedule D.**

**For Paperwork Reduction Act Notice, see your tax return instructions.**

Cat. No. 37768Z Form 8949 (2022)

For each type of sale (Box A, B, or C checked above), list all sales of that type together on a separate copy of Form 8949.

* Instead of the IRS version of Form 1099-B, you received a substitute statement from Fidelity with a different layout (e.g. columns instead of boxes). All above instructions still apply.

** For ESPP shares sold in a disqualifying disposition, this amount is the W-2 income for the discount at purchase (Box 4 minus Box 5 on Form 3922).
Nonqualifying ESPP: Sell after holding long-term

Sales and Other Dispositions of Capital Assets

Go to www.irs.gov/Form8949 for instructions and the latest information.

Fill in your Schedule D to list your transactions for lines 1b, 2, 3, 8b, 9, and 10 of Schedule D.

Name(s) shown on return

Social security number or taxpayer identification number

Before you check Box D, E, or F below, see whether you received any Form(s) 1099-B or substitute statement(s) from your broker. A substitute statement will have the same information as Form 1099-B. Either will show whether your basis (usually your cost) was reported to the IRS by your broker and may even tell you which box to check.

Part II Long-Term. Transactions involving capital assets you held more than 1 year are generally long-term (see instructions). For short-term transactions, see page 1.

Note: You may aggregate all long-term transactions reported on Form(s) 1099-B showing basis was reported to the IRS and for which no adjustments or codes are required. Enter the totals directly on Schedule D, line 8a; you aren’t required to report these transactions on Form 8949 (see instructions).

You must check Box D, E, or F below. Check only one box. If more than one box applies for your long-term transactions, complete a separate Form 8949, page 2, for each applicable box. If you have more long-term transactions than will fit on this page for one or more of the boxes, complete as many forms with the same box checked as you need.

On Form 1099-B:
- If basis is in Box 1e (even if basis is incorrect), check Box D here.
- If no basis or “0” appears in Box 1, check Box E here.

1 Description of property (Example: 100 sh. XYZ Co.)
- (a) Date acquired (Mo., day, yr.)
- (b) Date sold or disposed of (Mo., day, yr.)
- (c) Proced (sales price) (see instructions)
- (d) Cost or other basis (see Note below and see Column (e) in the separate instructions).
- (e) Adjustment, if any, to gain or loss (if you enter an amount in column (f) enter a code in column (f)). See the separate instructions.
- (f) Gain or (loss) Subtotal column (e) from column (g) and combine the result with column (g).

2 Totals. Add the amounts in columns (d), (e), (g), and (h) (subtract negative amounts). Enter each total here and include on your Schedule D, line 1b (if Box D above is checked), line 9 (if Box E above is checked), or line 10 (if Box F above is checked).

Note: If you checked Box D above but the basis reported to the IRS was incorrect, enter in column (e) the basis as reported to the IRS, and enter an adjustment in column (g) to correct the basis. See Column (g) in the separate instructions for how to figure the amount of the adjustment.

For each type of sale (Box D, E, or F checked above), list all sales of that type together on a separate copy of Form 8949.

* Instead of the IRS version of Form 1099-B, you received a substitute statement from Fidelity with a different layout (e.g. columns instead of boxes). All above instructions still apply.

** For nonqualified ESPPs, this spread appears on your W-2 in Box 12 (Code V).

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## Schedule D: Short term gains or losses

### Part I  Short-Term Capital Gains and Losses—Generally Assets Held One Year or Less (see instructions)

See instructions for how to figure the amounts to enter on the lines below. This form may be easier to complete if you round off cents to whole dollars.

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(d)</td>
<td>Proceeds</td>
<td>(e)</td>
<td>Cost</td>
<td>(g)</td>
</tr>
<tr>
<td>(f)</td>
<td>(sales price)</td>
<td>(or other basis)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1a Totals for all short-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 1b.

1b Totals for all transactions reported on Form(s) 8949 with Box A checked.

2 Totals for all transactions reported on Form(s) 8949 with Box B checked.

3 Totals for all transactions reported on Form(s) 8949 with Box C checked.

4 Short-term gain from Form 8212 and short-term gain or (loss) from Forms 4684, 5781, and 8824.

5 Short-term capital loss carryover. Enter the amount, if any, from line 8 of your Capital Loss Carryover Worksheet in the instructions.

The totals of all stock sales NOT appearing on Form 8949 because the correct basis was reported to the IRS on Form 1099-B (i.e., no adjustments were needed) go on this line.

The totals of all stock sales from the columns on Form 8949 where Box A is checked (i.e., the basis in Box 1a on Form 1099-B is reported, even if it’s incorrect) go on this line.

The totals of all stock sales from the columns on Form 8949 where Box B is checked (i.e., the basis in Box 1b on Form 1099-B is blank or 0) go on this line.
**Schedule D: Long term gains or losses**

**Part I**

Long-Term Capital Gains and Losses—Generally Assets Held More Than One Year (see instructions)

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(a)</td>
<td>Proceeds (sales price)</td>
<td>(b)</td>
<td>Adjustments to gain or loss from Form(s) 8949, Part I, line 2, column (g)</td>
<td>(h) Gain or (loss) subtract column (b) from column (a) and combine this result with column (g)</td>
</tr>
<tr>
<td>8a</td>
<td>Totals for all long-term transactions reported on Form 1099-B for which basis was reported to the IRS and for which you have no adjustments (see instructions). However, if you choose to report all these transactions on Form 8949, leave this line blank and go to line 8b.</td>
<td></td>
<td></td>
<td>The totals of all stock sales NOT appearing on Form 8949 because the correct basis was reported to the IRS on Form 1099-B (i.e., no adjustments were needed) go on this line.</td>
</tr>
<tr>
<td>8b</td>
<td>Totals for all transactions reported on Form(s) 8949 with Box D checked</td>
<td></td>
<td></td>
<td>The totals of all stock sales from the columns on Form 8949 where Box D is checked (i.e., the basis in Box 1c on Form 1099-B is reported, even if it’s incorrect) go on this line.</td>
</tr>
<tr>
<td>9</td>
<td>Totals for all transactions reported on Form(s) 8949 with Box E checked</td>
<td></td>
<td></td>
<td>The totals of all stock sales from the columns on Form 8949 where Box E is checked (i.e., the basis in line 1e on Form 1099-B is blank or 0) go on this line.</td>
</tr>
<tr>
<td>10</td>
<td>Totals for all transactions reported on Form(s) 8949 with Box F checked</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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