Incentive stock option (ISO) plans are taxed when you sell the stock. When you sell your shares, you may have **taxable ordinary income** as well as **capital gains or losses** to report on your tax return. This guide will help you understand which documents are needed and how they are used when you, or your tax advisor, file your taxes.
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 where to get them. **Make sure you have all of the applicable forms prior to filing your taxes.**

Log in to [Fidelity.com/taxforms](https://www.fidelity.com) 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</td>
<td>Your W-2 includes the taxable income from your award.</td>
<td>This form is provided by your employer.</td>
</tr>
<tr>
<td>Form 3921</td>
<td>Form 3921 has details on your ISO exercise.</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="https://www.fidelity.com">Fidelity.com/taxforms</a> and also mailed to you. You can find out when you will receive them online.</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 stock sales from your equity award.</td>
<td>Available online at <a href="https://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
![Form 1099-B](image1)

Supplemental Information form
to complete...

Form 8949
![Form 8949](image2)

used for...

Schedule D
![Schedule D](image3)

used for...

Form 1040
![Form 1040](image4)

*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 shares

Since you sold shares acquired from your award, as you file your taxes, you’ll want to determine whether you made a qualifying or disqualifying disposition (see the box on the right). Any gains are taxed differently depending on how long you’ve held the shares and on the market price at sale.

In general, ordinary income tax applies only if a disqualifying disposition was made on the sale of exercised shares. However, the alternative minimum tax (AMT) may apply if you held the shares through the calendar year of exercise. AMT is an alternative method for calculating your taxes that’s triggered by certain events such as the exercise of an ISO. The information on Form 3921 can help with your AMT income calculation. You should consult a tax advisor regarding your personal tax situation and whether you owe AMT, which is reported on IRS Form 6251 (beyond the scope of this guide).

When shares are sold, the income created by the sale may be taxable as ordinary income and included on your W-2. However, you will have no tax withholding, no Social Security, or Medicare tax.

HOW IS ISO INCOME REFLECTED ON A W-2?

Example: IRS W-2 for Stock Option Plan (Qualified)

<table>
<thead>
<tr>
<th>Box</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The amount of ISO income is included in box 1.†</td>
</tr>
<tr>
<td>14</td>
<td>Your company may voluntarily report in box 14 the ISO income already included in box 1.</td>
</tr>
</tbody>
</table>

For illustrative purposes only
*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.
†ISOs have no tax withholding and no Social Security or Medicare tax. Income is reported on Form W-2 only with a disqualifying disposition.
3 Capital gain or loss

When you sell your ISO stock, in addition to any ordinary income reported, you also need to report any gain or loss from the sale. Accurately reporting your gain or loss will help 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 exercise in a disqualifying disposition or for more than its exercise price in a qualifying disposition, you recognize a gain.
- If you sell it for less than the exercise price, it’s considered a loss.
- If you sell the stock in a disqualifying disposition for more than its exercise price but less than the value at exercise, you do not recognize a loss. Instead, the difference between your exercise price and sale price is ordinary income.
- 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 prevent 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.

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**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 exercise and sold them at one year or less for more than the stock price at exercise. A short-term sale is taxed at ordinary income rates.

**A long-term sale** applies if you held your shares at exercise 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 the information on 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>Transaction</th>
<th>Description</th>
<th>Basis</th>
<th>Gain/Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale</td>
<td>1,000 shares</td>
<td>90.00</td>
<td>15.00</td>
</tr>
<tr>
<td>Cash in Lieu</td>
<td>500 shares</td>
<td>100.00</td>
<td>-5.00</td>
</tr>
</tbody>
</table>

- **Cost or Other Basis**: This is provided to the IRS and may need to be adjusted when you report the sale on Form 8949. If adjusted, you’ll find the value on the Supplemental Information form.
- **Gain/Loss**: 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.

For illustrative purposes only.
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.
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 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.

Form 8949 short-term (disqualified)  Form 8949 long-term (disqualified)  Form 8949 long-term (qualified)

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

Schedule D short-term gains or losses  Schedule D long-term gains or losses

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.
ISO: Exercise and sale within 1 year in disqualifying disposition

Form 8949

Sales and Other Dispositions of Capital Assets

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.

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.

(a) Short-term transactions reported on Form(s) 1099-B showing basis was reported to the IRS (see Note above)
(b) Short-term transactions reported on Form(s) 1099-B showing basis wasn’t reported to the IRS
(c) Short-term transactions not reported to you on Form 1099-B

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

Company ticker/symbol and number of shares sold [Box 1a on Form 1099-B]
Exercise date [Box 1b on Form 1099-B]
Date stock sold [Box 1c on Form 1099-B]
Gross proceeds from stock sale [Box 1d on Form 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 that was 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 (exercise price + income on W-2 for the exercise spread**). Use the Adjusted Cost Basis from Fidelity’s Supplemental Information Form.
If the box is blank or 0:
Column (f): Leave blank Column (g): Leave blank
If the basis is incorrect:
Column (f): Code B Column (g): Enter “-0-”

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

Note: If you checked Box A 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 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 ISOs in a disqualifying disposition, this income is the stock price at exercise (Box 4) minus the exercise price (Box 3) on Form 3921. When the stock price has fallen since exercise, ordinary income is sales price minus exercise price. If the sales price is less than the exercise price, there is no ordinary income.
ISO: Exercise and sale after 1 year in disqualifying disposition

Form 8949
Department of the Treasury
Internal Revenue Service

Sales and Other Dispositions of Capital Assets
Go to www.irs.gov/Form8949 for instructions and the latest information.
File with your Schedule D to list your transactions for lines 1b, 2, 3, 8b, 9, and 10 of Schedule D.

OMB No: 1545-0074
2022
Attachment Sequence No. 12A

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.

- (D) Long-term transactions reported on Form(s) 1099-B showing basis was reported to the IRS (see Note above)
- (E) Long-term transactions reported on Form(s) 1099-B showing basis wasn’t reported to the IRS
- (F) Long-term transactions not reported to you on Form 1099-B

<table>
<thead>
<tr>
<th></th>
<th>Description of property (Example: 100 sh, XYZ Co.)</th>
<th>Date acquired (Mo., day, yr.)</th>
<th>Date sold or disposed of (Mo., day, yr.)</th>
<th>Proceeds (sales price) (see instructions)</th>
<th>Cost or other basis (see Note below and use Column (g)) in the separate instructions.</th>
<th>Adjustment, if any, to gain or loss</th>
<th>Gain or (loss) (Code) (see instructions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>---------------------------------------------------------------------------------------</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

If Box 1b is checked:

**Column (e): Basis in Box 1d of 1099-B**

If Box C is checked:

**Column (e): Correct basis of the sold shares (exercise price + income on W-2 for the exercise spread)**

Use the Adjusted Cost Basis from Fidelity’s Supplemental Information Form.

If the basis is blank or 0:

**Column (f): Leave blank**

If the basis is incorrect:

**Column (f): Code B**

**Column (g): Leave blank**

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

2 Totals. Add the amounts in columns (f), (g), and (h) (subtract negative amounts). Enter each total here and include on your Schedule D, line 8b (if Box D above is checked), line 9a (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 ISOs in a disqualifying disposition, this income is the stock price at exercise (Box 4) minus the exercise price (Box 3) on Form 3921. When the stock price has fallen since exercise, ordinary income is sales price minus exercise price. If the sales price is less than the exercise price, there is no ordinary income.
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.

**(D) Long-term transactions reported on Form(s) 1099-B showing basis was reported to the IRS (see Note above)**

**(F) Long-term transactions reported on Form(s) 1099-B showing basis wasn’t reported to the IRS**

---

**Company ticker/symbol and number of shares sold more than 2 years from grant award and more than 1 year from exercise [Box 1a on Form 1099-B]**

**Exercise 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 correct**

**Column (e): Basis in Box 1e of 1099-B**

**Column (f): Leave blank**

**Column (g): Leave blank**

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

If Box D is checked:

**Column (e): Basis in Box 1e of 1099-B**

**Column (f): Code B**

**Column (g): Omitted amount. 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 E is checked:

**Column (e): Correct basis of the sold shares. Use the Adjusted Cost Basis from Fidelity’s Supplemental Information Form. Tax basis in a qualifying disposition is the exercise price (Box 3 on Form 3921).**

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 "0-"**

---

2 Totals. Add the amounts in columns (a), (b), (c), and (d) (subtract negative amounts). Enter each total here and include on your Schedule D, line 8b (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.
# Schedule D: Short term gains or losses

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

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.

<table>
<thead>
<tr>
<th>1a</th>
<th>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.</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>2b</th>
<th>Totals for all transactions reported on Form(s) 8949 where Box A is checked</th>
</tr>
</thead>
</table>

| 3c | Totals for all transactions reported on Form(s) 8949 where Box C is checked |

| 4d | Short-term gain from Form 8252 and short-term gain or (loss) from Forms 4684, 5781, and 8824 |

| 5e | Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1 |

| 6f | 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 where 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 reported on Form(s) 8949 where Box A is checked (i.e., the basis in Box 1e 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 1e on Form 1099-B is blank or 0) go on this line.
### Schedule D: Long term gains or losses

**Part II** Long-Term Capital Gains and Losses—Generally Assets Held More Than One Year (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>(a) Proceeds (sales price)</td>
<td>(b) Cost (or other basis)</td>
<td>(g) Adjustments to gain or loss from Form(s) 8949, Part I, line 2, column (d)</td>
<td>(h) Gain or (loss) Subtract column (g) from column (d) and combine this result with column (e)</td>
<td></td>
</tr>
<tr>
<td>8a 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></td>
<td></td>
</tr>
<tr>
<td>8b Totals for all transactions reported on Form(s) 8949 with Box D checked</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9 Totals for all transactions reported on Form(s) 8949 with Box E checked</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 Totals for all transactions reported on Form(s) 8949 with Box F checked</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Notes:**
- 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 D is checked (i.e., the basis in Box 1e 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 E is checked (i.e., the basis in 1e on Form 1099-B is blank or 0) go on this line.
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Fidelity Stock Plan Services, LLC, provides recordkeeping and/or administrative services to your company’s equity compensation plan, in addition to any services provided directly to the plan by your company or its service providers.

Fidelity Brokerage Services LLC, Member NYSE, SIPC

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