



Stock Plan Services

Filing taxes for your incentive stock option plan (qualified)



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

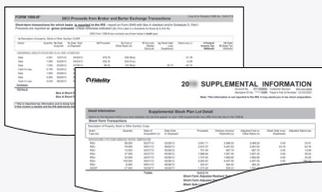
In order to accurately file your taxes, there are several documents and forms you may need. Some will be provided by your employer and others will come from Fidelity or the IRS. Below is a list of potentially important documents and where to get them. **Make sure you have all of the applicable forms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

Log in to [Fidelity.com/taxforms](https://www.fidelity.com/taxforms) to determine what forms you'll receive and when you'll get them.

Form	Why it's needed	Where to find it
Form W-2	Your W-2 includes the taxable income from your award.	This form is provided by your employer.
Form 3921	Form 3921 has details on your ISO exercise.	This form is provided by your employer.
Form 1099-B	This IRS form has details about your stock sale and helps you calculate any capital gain/loss.	Available online at Fidelity.com/taxforms and also mailed to you. You can find out when you will receive them online .
2023 Supplemental Information	The Supplemental Information form, created by Fidelity, may contain information not reported on your 1099-B due to IRS regulations.	
IRS Form 8949	These IRS forms are used to report taxes for stock sales from your equity award.	Available online at www.irs.gov ,* by calling 800.TAX.FORM (800.829.3676), or by visiting your local IRS office.
IRS Schedule D and Form 1040		

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 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, and then what to do in future years to claim the AMT credit (AMT reporting is 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.

QUALIFYING OR DISQUALIFYING?

There are two holding periods that apply to ISO plans. To obtain special tax treatment, ISO stock is required to be held:

1. More than one year from the purchase date and
2. More than two years from the grant date.

If shares are sold after the required holding periods, it is considered a **qualifying disposition**.

If shares are sold before the required holding periods, it is considered a **disqualifying disposition**.

HOW IS ISO INCOME REFLECTED ON A W-2?

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

a Employee's social security number		Safe, accurate, FAST! Use  Visit the IRS website at www.irs.gov/efile *	
b Employer identification number (EIN)		1 Wages, tips, other compensation	2 Federal income tax withheld
c Employer's name, address, and ZIP code		3 Social security wages	4 Social security tax withheld
		5 Medicare wages and tips	6 Medicare tax withheld
		7 Social security tips	8 Allocated tips
d Control number		9	10 Dependent care benefits
e Employee's first name and initial Last name Suff.		11 Nonqualified plans	12a See instructions for box 12
		13 Statutory employee Retirement plan Third-party sick pay	12b
		14 Other	12c
			12d
f Employee's address and ZIP code			
15 State Employer's state ID number	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.
		19 Local income tax	20 Locality name

Form **W-2** Wage and Tax Statement **20** Department of the Treasury—Internal Revenue Service
 Copy B—To Be Filed With Employee's FEDERAL Tax Return.
 This information is being furnished to the Internal Revenue Service.

BOX 1 A

The amount of ISO income is included in box 1.[†]

BOX 14 B

Your company may voluntarily report in box 14 the ISO income already included in box 1.

BOXES 16 & 18 C

ISO income is included in boxes 16 and 18 if state and local taxes apply.

For illustrative purposes only.

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[†]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.

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.

4 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

SHORT-TERM OR LONG-TERM TRANSACTION **A**

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.

FORM 1099-B*		20 Proceeds from Broker and Barter Exchange Transactions		Copy B for Recipient OMB No. 1545-0715						
A Short-term transactions for which basis is reported to the IRS --report on Form 8949 with Box A checked and/or Schedule D, Part I Proceeds are reported as gross proceeds unless otherwise indicated (a). (This Label is a Substitute for Boxes 2, 5, 6 & 12)										
(IRS Form 1099-B box numbers are shown below in bold type)										
1a Description of property, Stock or Other Symbol, CUSIP	Quantity	1b Date Acquired	1c Date Sold or Disposed	1d Proceeds	1e Cost or Other Basis (b)	1f Accrued Market Discount	1g Wash Sale Loss Disallowed	Gain/Loss (-)	4 Federal Income Tax Withheld	14 State Tax Withheld
Sale	4.051	12/31/	04/23/	476.78	425.00(e)			51.78		
Sale	1.949	03/29/	04/23/	229.33	234.61(e)			-5.28		
Sale	1.000	03/29/	07/05/	98.24	120.39(e)		22.15	-22.15		
Cash In Lieu	0.789	03/29/	07/09/	103.53	95.00(e)			8.53		
Sale	1.000	03/29/	08/08/	145.63	139.50(e)			6.13		
Sale	4.000	08/28/	08/08/	582.52	469.41(e)			113.11		
Cash In Lieu	0.539	06/28/	08/12/	79.02	63.24(e)			15.78		
Subtotals				1,715.05	1,547.15		22.15			

COST OR OTHER BASIS **B**

- 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.
- If the amounts for the cost basis on the 1099-B and Supplemental Information form differ, follow the steps to adjust the basis on Form 8949. This will help you avoid overpaying taxes.

GAIN/LOSS **C**

- 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.

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 **A**

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.

Detail Information		Supplemental Stock Plan Lot Detail						
Based on the disposal method you have selected, the lots that appear on your 1099 Supplemental may differ from the lots on the 1099-B.								
A Short-Term Transactions								
Description of Property, Stock or Other Symbol, Cusip								
Grant Type (w)	Quantity	Date of Acquisition (x)	Date Sold or Disposed	Proceeds	Ordinary Income Reported (y)	Adjusted Cost or Other Basis (z)	Wash Sale Loss Disallowed	Adjusted Gain/Loss
RSU	58.000	02/27/	02/28/	3,091.71	3,068.20	3,068.20	0.00	23.51
RSU	79.000	05/01/	05/02/	3,437.37	3,481.53	3,481.53	44.16	-44.16
RSU	13.000	02/27/	05/28/	701.59	687.70	687.70	0.00	13.89
RSU	37.000	02/27/	05/28/	1,996.84	1,957.30	1,957.30	0.00	39.54
RSU	32.000	02/27/	05/28/	1,727.00	1,692.80	1,692.80	0.00	34.20
RSU	100.000	05/01/	05/28/	5,363.93	4,407.00	4,407.00	0.00	956.93
RSU	6.000	05/01/	05/28/	323.81	264.42	264.42	0.00	59.39
QSOP	27.000	05/29/	05/29/	1,373.49	836.23	1,407.28	0.00	-33.79
Totals				18,015.74	16,966.23			
				Short-Term Adjusted Realized Gain				1,127.46
				Short-Term Adjusted Realized Loss				-77.95
				Wash Sale Loss Disallowed			44.16	

ORDINARY INCOME REPORTED **B**

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

ADJUSTED COST BASIS **C**

- 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 **D**

- 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 amount 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?

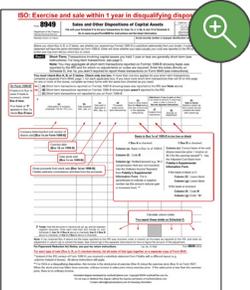
There are many ways to file your taxes: self-filing, using a [tax-filing service](#), or with a tax advisor. Many tax-filing services and programs allow you to automatically transfer information from Fidelity. Please note, however, this is not the case with the Supplemental Information form and you'll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

When filing, the information you gathered will be used to report your taxes using IRS 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.

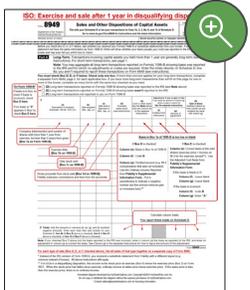
HOW DO I FILL OUT FORM 8949?

- [General IRS instructions](#)
- For instructions specific to stock plans, click the images below.

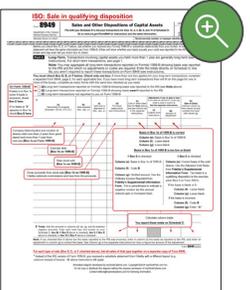
Form 8949 short-term (disqualified)



Form 8949 long-term (disqualified)



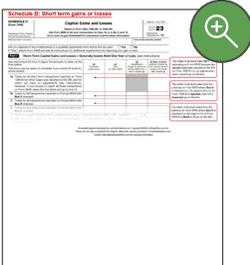
Form 8949 long-term (qualified)



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 after 1 year in disqualifying disposition

Form 8949 Department of the Treasury Internal Revenue Service Name(s) shown on return	Sales and Other Dispositions of Capital Assets File with your Schedule D to list your transactions for lines 1b, 2, 3, 8b, 9, and 10 of Schedule D. Go to www.irs.gov/Form8949 for instructions and the latest information.	OMB No. 1545-0074 2023 Attachment Sequence No. 12A Social security number or taxpayer identification number
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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***
- (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

If basis is in Box 1e (even if basis is incorrect), check **Box D** here.
 If no basis or "0" appears in Box 1e, check **Box E** here.

1	(a) Description of property (Example: 100 sh. XYZ Co.)	(b) Date acquired (Mo., day, yr.)	(c) Date sold or disposed of (Mo., day, yr.)	(d) Proceeds (sales price) (see instructions)	(e) Cost or other basis See the Note below and see <i>Column (e)</i> in the separate instructions.	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.		(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g).
						(f) Code(s) from instructions	(g) Amount of adjustment	
<p>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 8b (if Box D above is checked), line 9 (if Box E above is checked), or line 10 (if Box F above is checked).</p>								

Company ticker/symbol and number of shares sold more than 1 year from exercise, but less than 2 years from grant [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 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 (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 E** 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
 - 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 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.



Schedule D: Short term gains or losses

SCHEDULE D
(Form 1040)

Capital Gains and Losses

OMB No. 1545-0074

Department of the Treasury
Internal Revenue Service

Attach to Form 1040, 1040-SR, or 1040-NR.
Use Form 8949 to list your transactions for lines 1b, 2, 3, 8b, 9, and 10.
Go to www.irs.gov/ScheduleD for instructions and the latest information.

2023

Attachment
Sequence No. 12

Name(s) shown on return

Your social security number

Did you dispose of any investment(s) in a qualified opportunity fund during the tax year? Yes No
If "Yes," attach Form 8949 and see its instructions for additional requirements for reporting your gain or loss.

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.

	(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part I, line 2, column (g)	(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g)
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 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824				4
5 Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1				5

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 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 1e on Form 1099-B is **blank** or **0**) go on this line.

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Schedule D: Long term gains or losses

SCHEDULE D
(Form 1040)

Capital Gains and Losses

OMB No. 1545-0074

2023

Department of the Treasury
Internal Revenue Service

Attach to Form 1040, 1040-SR, or 1040-NR.
Use Form 8949 to list your transactions for lines 1b, 2, 3, 8b, 9, and 10.
Go to www.irs.gov/ScheduleD for instructions and the latest information.

Attachment
Sequence No. **12**

Name(s) shown on return

Your social security number

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.

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

8b Totals for all transactions reported on Form(s) 8949 with **Box D** checked

9 Totals for all transactions reported on Form(s) 8949 with **Box E** checked

10 Totals for all transactions reported on Form(s) 8949 with **Box F** checked

11 Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824 **11**

12 Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1 **12**

13 Capital gain distributions. See the instructions **13**

14 Long-term capital loss carryover. Enter the amount, if any, from line 13 of your Capital Loss Carryover

	(d) Proceeds (sales price)	(e) Cost (or other basis)	(g) Adjustments to gain or loss from Form(s) 8949, Part II, line 2, column (g)	(h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g)
8a				
8b				
9				
10				
11				
12				
13				
14				

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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