



Stock Plan Services

Filing taxes for your stock option plan (nonqualified)



There are two moments when your equity award can be taxed—when your [**award is exercised**](#) and when you [**sell the stock**](#). When your award is exercised, 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.



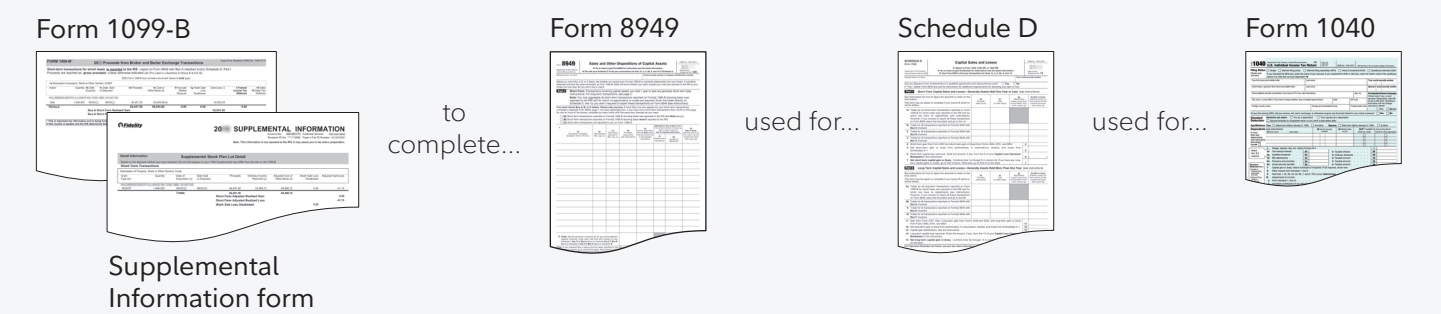
1 Gather the following documents

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 (or 1099-NEC if you are a nonemployee)	Your W-2 (or 1099-NEC) includes the taxable income from your award. Form W-2 shows the taxes that have been withheld.	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 view 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 STOCK SALES



*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.

2 What to do when your award is exercised

Now that your award is exercised, there are two key pieces of information you should be aware of:


- Equity compensation is considered ordinary income when you exercise your award
- Selling shares from your exercise may trigger capital gains taxes

When you exercise your stock, your employer may withhold ordinary income and FICA* taxes.

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

HOW IS AN AWARD REFLECTED ON A W-2?

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

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 A	2 Federal income tax withheld B
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 C	12a See instructions for box 12
		13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>	12b <input type="checkbox"/>
		14 Other	12c <input type="checkbox"/>
f Employee's address and ZIP code			12d <input type="checkbox"/>
15 State	Employer's state ID number D	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.

BOXES 1, 3 & 5 **A**

The amount of the spread is included in boxes 1 and 5, and also in box 3 up to the maximum yearly wage base.

BOXES 2, 4 & 6 **B**

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

BOX 12a **C**

The spread from your stock option exercise 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.**

BOXES 16, 17, 18 & 19 **D**

If state and local taxes apply, the stock option spread is included in boxes 16 and 18, and boxes 17 and 19 show the state and local income taxes withheld for the exercise.

For illustrative purposes only.

*FICA includes Social Security (up to the annual maximum of \$160,200 for all compensation income in 2023) and Medicare taxes.

[†]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.

3 What to do when you've sold stock

When you sell your 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, you recognize a gain.
- If you sell it for less than its value at exercise, 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 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 after exercise.

A short-term sale applies if you held your shares at exercise 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 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	
B											
C											
Sale	1,648.000	08/20/	08/20/	84,457.59	58,504.00 (e)			25,953.59			
TOTALS				84,457.59	58,504.00	0.00	0.00	25,953.59	0.00		
Box A Short-Term Realized Gain								25,953.59			
Box A Short-Term Realized Loss								0.00			
* This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.											

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, be sure to 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.

Fidelity **20 SUPPLEMENTAL INFORMATION**

Account No. 888-888-1111 Customer Service: 800-544-4442
 Recipient ID No. 123456789 Payer's Fed ID Number: 123456789

Note: This information is not reported to the IRS. It may assist you in tax return preparation.

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

Grant Type (w)	Quantity	Date of Acquisition (x)	Date Sold or Disposed	Proceeds	Ordinary Income Reported (y) B	Adjusted Cost or Other Basis (z) C	Wash Sale Loss Disallowed	Adjusted Gain/Loss D
NQSOP	1,648,000	08/20/	08/20/	84,457.59	25,994.73	84,498.72	0.20	-41.13
Totals					84,457.59	84,498.72		
					Short-Term Adjusted Realized Gain			0.00
					Short-Term Adjusted Realized Loss			-41.13
					Wash Sale Loss Disallowed		0.20	

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?

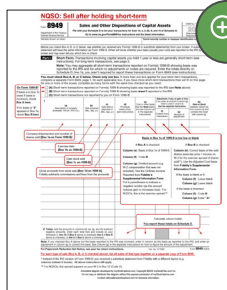
There are many ways to file your taxes: self-filing, using a [tax-filing service](#), or with a tax advisor. Many tax-filing services and programs allow you to automatically transfer information from Fidelity. Please note, however, this is not the case with the Supplemental Information form and you'll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

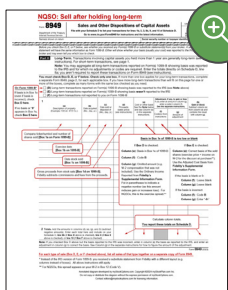
HOW DO I FILL OUT FORM 8949?

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

Form 8949 short-term



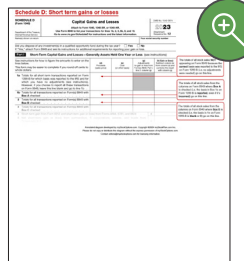
Form 8949 long-term



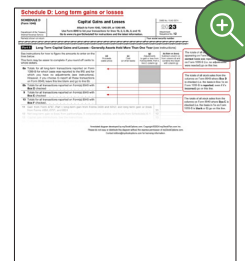
HOW DO I FILL OUT SCHEDULE D?

- [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](#).

Contact editors@mystockoptions.com for licensing information.

Contact editors@mystockoptions.com for licensing information.



SCHEDULE D
(Form 1040)

Department of the Treasury
Internal Revenue Service

Capital Gains and Losses

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.

OMB No. 1545-0074

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.

Annotated diagram developed by myStockOptions.com. Copyright ©2024 myStockPlan.com Inc.
Please do not copy or distribute this diagram without the express permission of myStockOptions.com.
Contact editors@mystockoptions.com for licensing information.



Schedule D: Long term gains or losses

SCHEDULE D
(Form 1040)

Department of the Treasury
Internal Revenue Service

Name(s) shown on return

Capital Gains and Losses

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.

OMB No. 1545-0074

2023

Attachment
Sequence No. 12

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

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

13 Capital gain distributions. See the instructions

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)

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.



Fidelity does not provide legal or tax advice. The information herein is general and educational in nature and should not be considered legal or tax advice. Tax laws and regulations are complex and subject to change, which can materially impact investment results. Fidelity cannot guarantee that the information herein is accurate, complete, or timely. Fidelity makes no warranties with regard to such information or results obtained by its use, and disclaims any liability arising out of your use of, or any tax position taken in reliance on, such information. Consult an attorney or tax professional regarding your specific situation.

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 Stock Plan Services LLC

© 2024 FMR LLC. All rights reserved.

710950.11.0

SOPNQ-TAX-PDF-0124