When you sell stock in a qualified employee stock purchase plan (ESPP), you may have to report ordinary income—as well as any gain or loss—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.

**IMPORTANT:**
Before proceeding, refer to your employer’s plan documents to ensure that you’re enrolled in a qualified ESPP, as the tax treatment is different than in a nonqualified plan. If you’re enrolled in a nonqualified ESPP, use the [nonqualified ESPP tax guide](#).
### 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](https://www.fidelity.com/taxforms) to see 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 shows the value of your award and 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="https://www.fidelity.com/taxforms">Fidelity.com/taxforms</a> and also mailed to you. You can find out when you’ll receive them <a href="https://www.irs.gov">online</a>.</td>
</tr>
<tr>
<td>2020 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 on equity award(s).</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

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

- **Form 8949**
  - Used for...

- **Schedule D**
  - Used for...

- **Form 1040**

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What to do when you’ve sold stock

Now that you have sold shares that you purchased through your company's qualified ESPP, there are two key pieces of information you should be aware of:

- Your ESPP is taxed when you sell shares.
- You have taxable ordinary income to report as well as any capital gain/loss from the sale.

As you file your taxes, you’ll want to consider if you made a **qualified or disqualified disposition**. Income tax and capital gains are taxed differently, based on how long you’ve held the shares.

In order to receive beneficial tax treatment given under Section 423 for your ESPP, you are required to hold the shares:

- More than one year from the purchase date and
- More than two years from the offering date.

**QUALIFIED DISPOSITION**

If shares are sold after the required holding periods, it is considered a **qualified disposition** and is eligible for the Section 423 beneficial tax treatment.

**DISQUALIFIED DISPOSITION**

If shares are sold before the required holding periods, it is considered a **disqualified disposition** and not eligible for the Section 423 beneficial tax treatment.

Still not sure which disposition applies to your sale? Learn more about **qualified and disqualified dispositions**.
How your ESPP information is reported on your W-2

When you sell ESPP shares, your employer reports your ESPP income as wages in box 1 of your Form W-2. ESPPs have no withholding for income tax, and Social Security and Medicare taxes do not apply. Whether you had a qualified or disqualified disposition determines how much of the income is on your W-2. The tax amounts, along with the value of your shares, may be reported on your W-2. The information on your W-2 is used to fill out tax form 1040.

Even if your employer doesn’t report the income from an ESPP on your W-2, you’re 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 (Qualified)

For illustrative purposes only.

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Understanding ESPP gain or loss from a sale

When you sell shares of stock, you need to report any gain or loss from the sale. 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 you paid for it, you recognize a gain.
- If you sell it for less than you paid for it, 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.
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

**SHORT-TERM OR LONG-TERM TRANSACTION A**
This is where you’ll see if you had a short-term or long-term transaction. It will help determine which version of Schedule D and Form 8949 you need.

<table>
<thead>
<tr>
<th>Action</th>
<th>Quantity</th>
<th>1a Date Acquired</th>
<th>1b Date Sold or Disposed</th>
<th>1c Proceeds</th>
<th>1e Cost or Other Basis (b)</th>
<th>1f Adjusted Market (Discount)</th>
<th>1g Wash Sale Loss Disallowed</th>
<th>Gain/Loss (c)</th>
<th>4 Federal Income Tax Withheld</th>
<th>14 State Tax Withheld</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale</td>
<td>403,000</td>
<td>05/23/13</td>
<td>04/10/13</td>
<td>11,422.80</td>
<td>6,194.96</td>
<td>4,527.64</td>
<td>4,527.64</td>
<td>4,527.64</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

**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 that value on the Supplemental Information form.
- If the amounts 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. In that case, you’ll find that value on the Supplemental Information form.
- 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.
HOW IS A SALE REFLECTED ON THE SUPPLEMENTAL INFORMATION FORM?

Sample Supplemental Information Form

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

- Qualified dispositions will always be considered long-term.

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 information when reporting your taxes to avoid paying more in taxes than necessary.
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, that 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.

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

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 may 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 and for which no adjustments or codes are required. Enter the totals directly on Schedule D, line 1a; you are not required to report these transactions on Form 8949 (see instructions).

(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

Company ticker/symbol and number of ESPP shares sold [Box 1a 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.

Purchase 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 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 “-0-“

Calculate column totals.

You report these totals on Schedule D.

1 Totals. Add the amounts in columns (a), (e), (g), and (h) (subtract negative amounts). Enter each total here and include on your Schedule D, line 1b (if Box A above is checked), line 2 (if Box B above is checked), or line 3 (if Box C above is checked). ▶

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 (2020)

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).

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**ESPP: Purchase/sell after holding long-term**

**Form 8949**

Sales and Other Dispositions of Capital Assets

**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.

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**Excerpted Text:**

- **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).

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**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.

---

**Table Example:**

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Date Acquired</th>
<th>Date Sold</th>
<th>Proceeds</th>
<th>Cost or Other Basis</th>
<th>Adjustments</th>
<th>Basis in Box 1e of 1099-B is too low or blank</th>
<th>Gross Proceeds from Stock Sale</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>If Box D is checked: Column (e): Basis in Box 1e of 1099-B</td>
<td>Fidelity subtracts commissions and fees from the proceeds.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Column (f): Code B</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>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).**</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>If Box E 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.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>If the basis is blank or 0: Column (f): Leave blank</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Column (g): Leave blank</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>If the basis is incorrect: Column (f): Code B</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Column (g): Enter &quot;-0-&quot;</td>
<td></td>
</tr>
</tbody>
</table>

**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 (a) the basis 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 ESPP shares sold in a qualifying disposition, this amount is the W-2 income for the discount at purchase (Box 3 minus Box 8 on Form 3922). When the actual gain at sale is less than the discount on the purchase date, the ordinary income is the amount of the actual gain at sale. When the sales price is less than the purchase price, there is no ordinary income.

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Example: Schedule D short-term gains or losses

Schedule D: Short term gains or losses

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.

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 4794, 5781, and 8824.

5 Not short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1.

6 Short-term capital loss carryover. Enter the amount, if any, from line B 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 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.

<table>
<thead>
<tr>
<th></th>
<th>Proceeds (less price)</th>
<th>(d)</th>
<th>(e) Adjustments to gain or loss from Form(s) 8949, Part I, line 2, column (g)</th>
<th>(h) Gain or (loss) Subtract column (d) from column (h) and combine this result with column (g)</th>
</tr>
</thead>
<tbody>
<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></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></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></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>

- 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 noted) 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.