When you exercise or sell shares acquired from a grant of stock-settled Stock Appreciation Rights (SARs), you may have taxable ordinary compensation income to report when you file your tax return, in addition to any capital gains or losses. Follow the steps outlined in this document to help you determine the IRS tax-reporting requirements.
### 1 Gather the following documents.

<table>
<thead>
<tr>
<th>FORM/DATA</th>
<th>WHERE TO FIND IT</th>
<th>WHO TO CALL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Form W-2 (or 1099-MISC if you are a nonemployee)</td>
<td>This form will be provided by your company.</td>
<td>Your company’s payroll department</td>
</tr>
<tr>
<td>IRS Form 1040 and Schedule D</td>
<td>Forms are available online at <a href="http://www.irs.gov">www.irs.gov</a>, by calling 800.TAX.FORM (800.829.3676), or by visiting your local IRS office.</td>
<td>Your local IRS office or your tax advisor</td>
</tr>
<tr>
<td>IRS Form 8949</td>
<td>This form is available online at <a href="http://www.irs.gov">www.irs.gov</a>, by calling 800.TAX.FORM (800.829.3676), or by visiting your local IRS office.</td>
<td>Your local IRS office or your tax advisor</td>
</tr>
<tr>
<td>Form 1099-B†</td>
<td>You can access the form by logging in to <a href="http://Fidelity.com/taxforms">Fidelity.com/taxforms</a> at the end of January. In addition, a form will be mailed to you no later than mid-February, if applicable.</td>
<td>A Fidelity Stock Plan Services Representative at the number provided on the statement</td>
</tr>
<tr>
<td>2019 Supplemental Information (Fidelity is providing you with additional information to supplement your 1099-B due to IRS cost basis regulations that no longer permit brokers to include ordinary income.)</td>
<td>You can access the form by logging in to <a href="http://Fidelity.com/taxforms">Fidelity.com/taxforms</a> at the end of January. In addition, a form will be mailed to you no later than mid-February, if applicable.</td>
<td>A Fidelity Stock Plan Services Representative at the number provided on the statement</td>
</tr>
</tbody>
</table>

*Participant uses these Fidelity forms…*

- **Form 1099-B**: Supplemental Information form
- **Form 8949**: to complete…
- **Schedule D**: Rolls up into
- **Form 1040**: Rolls up into

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*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.

†You will not receive a 1099-B for cash-settled or “phantom” shares. This form only applies to any shares of stock you held and subsequently sold.*
2 Report your ordinary income.

The exercise of an SAR is treated as compensation, and you will be required to pay ordinary income tax on the spread (the difference between the fair market value at exercise and your exercise price) at exercise. This amount should be reported on a W-2 (for company employees) or a 1099-MISC (for nonemployees) provided by your company along with any tax withholding that may have occurred. It is the spread that is treated as taxable compensation. In addition, you may owe tax on any capital gains resulting from the sale of your stock from the exercise, which is explained in later steps.

Example: IRS W-2 for SARs and Form 1040

Your employer may also use box 14 to show the income from stock compensation (included in box 1).

SARs spread is included in boxes 16 and 18, if state and local taxes apply. Boxes 17 and 19 show state and local tax withholdings, if applicable.

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

W-2 income is reported on line 1 of Form 1040. (Income from 1099-MISC is reported on Schedule C.)
3 Assemble information on the purchase and sale of your stock.

You will need to refer to two documents: your Fidelity Brokerage Form 1099-B tax-reporting statement and your 2019 Supplemental Information form. The Supplemental Information form may contain information that is not reported on your 1099-B due to cost basis regulations. If the amounts on these two forms differ, you’ll need to use information from both to complete your tax forms to ensure that you don’t overpay in taxes.

Example: Fidelity Brokerage 1099-B Tax-Reporting Statement

<table>
<thead>
<tr>
<th>Action</th>
<th>Quantity</th>
<th>1b Date Acquired</th>
<th>1e Date Sold or Disposed</th>
<th>1d Proceeds</th>
<th>1f Cost or Other Basis (b)</th>
<th>1g Wash Sale Loss Disallowed</th>
<th>Gain/Loss (e)</th>
<th>4 Federal Income Tax Withheld</th>
<th>14 State Tax Withheld</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale</td>
<td>100,000</td>
<td>09/19/19</td>
<td>09/19/19</td>
<td>10,704.82</td>
<td>1,852.00(e)</td>
<td></td>
<td>8,852.82</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sale</td>
<td>100,000</td>
<td>09/19/19</td>
<td>09/19/19</td>
<td>10,736.77</td>
<td>1,852.00(e)</td>
<td></td>
<td>8,884.77</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sale</td>
<td>95,000</td>
<td>09/19/19</td>
<td>09/19/19</td>
<td>10,199.93</td>
<td>1,759.40(e)</td>
<td></td>
<td>8,440.53</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sale</td>
<td>32,000</td>
<td>09/19/19</td>
<td>09/19/19</td>
<td>3,435.72</td>
<td>592.64(e)</td>
<td></td>
<td>2,843.08</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sale</td>
<td>2,273,000</td>
<td>09/19/19</td>
<td>09/19/19</td>
<td>244,043.77</td>
<td>42,095.96(e)</td>
<td></td>
<td>201,947.81</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sale</td>
<td>3,873,000</td>
<td>09/19/19</td>
<td>09/19/19</td>
<td>419,823.96</td>
<td>71,727.96(e)</td>
<td></td>
<td>344,102.02</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subtotals</td>
<td>694,950.99</td>
<td>119,879.96</td>
<td>0.00</td>
<td>0.00</td>
<td>575,071.03</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* 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.

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1 — CUSIP (your company’s ticker/trading symbol)
2 — Quantity (number of shares sold)
3 — Date Acquired (date you exercised the grant)
4 — Date Sold or Disposed
5 — Proceeds (gross proceeds from stock sale)
6 — Cost or Other Basis (this is provided to the IRS, as directed, and may need to be adjusted—see the Supplemental form)
7 — Gain/Loss (from the proceeds of the sale and may also need to be adjusted—see the Supplemental form)
3 Assemble information on the purchase and sale of your stock.

Example: 2019 Supplemental Information Form

<table>
<thead>
<tr>
<th>Description of Property, Stock or Other Symbol, Cusip</th>
<th>Grant Type (w)</th>
<th>Quantity</th>
<th>Date of Acquisition (x)</th>
<th>Date Sold or Disposed</th>
<th>Proceeds</th>
<th>Ordinary Income Reported (y)</th>
<th>Adjusted Cost or Other Basis (z)</th>
<th>Wash Sale Loss Disallowed</th>
<th>Adjusted Gain/Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>SAR</td>
<td>SAR</td>
<td>100,000</td>
<td>09/19/19</td>
<td>09/19/19</td>
<td>10,704.82</td>
<td>8,881.50</td>
<td>10,733.50</td>
<td>0.00</td>
<td>-28.68</td>
</tr>
<tr>
<td>SAR</td>
<td>SAR</td>
<td>100,000</td>
<td>09/19/19</td>
<td>09/19/19</td>
<td>10,733.77</td>
<td>8,881.50</td>
<td>10,733.50</td>
<td>0.00</td>
<td>3.27</td>
</tr>
<tr>
<td>SAR</td>
<td>SAR</td>
<td>95,000</td>
<td>09/19/19</td>
<td>09/19/19</td>
<td>10,199.93</td>
<td>8,437.43</td>
<td>10,196.82</td>
<td>0.00</td>
<td>3.11</td>
</tr>
<tr>
<td>SAR</td>
<td>SAR</td>
<td>32,000</td>
<td>09/19/19</td>
<td>09/19/19</td>
<td>3,435.72</td>
<td>2,842.08</td>
<td>3,434.72</td>
<td>0.00</td>
<td>1.00</td>
</tr>
<tr>
<td>SAR</td>
<td>SAR</td>
<td>2,273,000</td>
<td>09/19/19</td>
<td>09/19/19</td>
<td>244,043.77</td>
<td>201,876.50</td>
<td>243,972.46</td>
<td>0.00</td>
<td>71.31</td>
</tr>
<tr>
<td>SAR</td>
<td>SAR</td>
<td>3,873,000</td>
<td>09/19/19</td>
<td>09/19/19</td>
<td>415,829.98</td>
<td>343,980.50</td>
<td>415,708.46</td>
<td>0.00</td>
<td>121.53</td>
</tr>
</tbody>
</table>

For illustrative purposes only.

8 — Ordinary Income Reported (cross-reference this with your company W-2 and input in column (g) of Form 8949)

9 — Adjusted Cost Basis (this amount is used to recalculate your gain/loss and is equal to the ordinary income plus the cost basis on your 1099-B)

10 — Adjusted Gain/Loss (recalculated per your adjusted basis; proceeds minus your adjusted cost basis — this amount goes in column (h) of Form 8949)
4 Use the information from IRS Form 1099-B and Fidelity’s Supplemental Information form to complete IRS Form 8949.

Example: SAR exercise and hold with sale within one year (Short-Term)

To complete Form 8949 and Schedule D, you need to know:

- Which shares you sold from which grant
- When you acquired those shares (i.e., the exercise date)
- The fair market value of the stock at exercise
- The date of sale
- The sale price and whether it is net of commission
- Your cost basis
- Amount of ordinary income (from the Supplemental form)
Use the information from IRS Form 1099-B and Fidelity’s Supplemental Information form to complete IRS Form 8949.

Example: SAR exercise and hold with sale after one year (Long-Term)
## Use IRS Form 8949 to calculate your capital gains and/or losses on Schedule D.

Gain or loss from the sale of the stock should be reflected on Form 8949 and Schedule D. How this is reflected depends on whether the sale is short-term (one year or less from the date the stock was acquired to the date it was sold) or long-term (more than one year from the date acquired to the date of sale).

### Example: Short-Term Gains or Losses

<table>
<thead>
<tr>
<th>SCHEDULE D (Form 1099-INT or Form 1040)</th>
<th>Capital Gains and Losses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of the Treasury Internal Revenue Service (IRS)</td>
<td>Complain to IRS if you believe an error was made in your stock appreciation rights.</td>
</tr>
</tbody>
</table>

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

- **1a** Totals of 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 of all transactions reported on Form(s) 8949 with Box A checked.
- **2** Totals of all transactions reported on Form(s) 8949 with Box B checked.
- **3** Totals of all transactions reported on Form(s) 8949 with Box C checked.

For illustrative purposes only.

### Example: Long-Term Gains or Losses

<table>
<thead>
<tr>
<th>SCHEDULE D (Form 1099-INT or Form 1040)</th>
<th>Capital Gains and Losses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of the Treasury Internal Revenue Service (IRS)</td>
<td>Complain to IRS if you believe an error was made in your stock appreciation rights.</td>
</tr>
</tbody>
</table>

**Part II** Long-Term Capital Gains and Losses—Generally Assets Held More Than One Year

- **6a** Totals of 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 6b.
- **6b** Totals of all transactions reported on Form(s) 8949 with Box D checked.
- **7** Totals of all transactions reported on Form(s) 8949 with Box E checked.
- **8** Totals of all transactions reported on Form(s) 8949 with Box F checked.

For illustrative purposes only.
Frequently Asked Questions

Q: What is new for this tax season?
A: The tax-reform legislation that took effect in 2018 changed the tax rates on income. In addition, the 2019 IRS Form 1040 tax return alters some of the prior filing rules, including those for capital gains or losses. For additional information, please review the content at What’s New for This Tax Season?

Q: I also receive cash-settled SARs. Why didn’t I receive a 1099-B after I exercised those?
A: Cash-settled SAR transactions result in no sale of stock; instead, you are given the cash value of the stock. As there is no stock sale, no Form 1099-B is issued or required. As a result, your W-2 or 1099-MISC will show the income from the transaction (similar to a bonus payment). For stock-settled SARs, you will receive a W-2 or 1099-MISC in the year of exercise, as well as a Fidelity-issued 1099-B in the year you sell the stock you received from the exercise.

Q: Where can I see how much tax my employer withheld on my SAR exercise?
A: You should be able to see these amounts reflected on your W-2. Also, if your employer provided this information to Fidelity, tax withholding amounts will be listed on your monthly statement or your transaction confirmation.

Q: If I already had money taken from my brokerage account at exercise to pay withholding taxes, will I owe more taxes when I sell those shares?
A: The spread at exercise should have already been reported to the IRS on Form W-2 (and was included in your income for the year of exercise). At sale, your capital gain or loss is calculated by the difference between the net sale price and your adjusted cost basis per share (i.e., the total spread at exercise divided by the number of shares received for the spread, which equals the stock price at exercise). When you report the sale of the shares acquired in the SARs exercise on Form 8949 and Schedule D, you avoid paying tax twice on the spread by adding it to your cost basis.

Q: Will I owe other taxes beyond federal tax when I sell my stock?
A: State and local taxes may also apply, and the rules governing such taxes may vary from federal income tax rules. Please consult your tax advisor for more information.

Go to the Fidelity SPS Resource Center.