When you exercise or sell shares acquired from a stock option plan (SOP), you may have taxable ordinary compensation income to report when you file your tax return, in addition to any capital gains or losses. If you are unsure whether your grant of stock options is qualified or nonqualified, you can easily determine this by looking up your grant type on NetBenefits®, under your Plan Summary page.
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</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

*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. **Report your ordinary income.**

The income earned from the exercise of nonqualified stock options is taxable as ordinary income and reported on your W-2 or 1099-MISC (if you are a nonemployee of the company) along with any tax withholding that may have occurred. The difference between the fair market value (FMV) at exercise* minus the grant price (strike price) per share—also known as the “spread”—is treated as taxable compensation. In addition, you may owe tax on any capital gains resulting from the sale of your stock, which is explained in later steps.

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**Example: IRS W-2 for Nonqualified SOP and Form 1040**

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Wages, tips, other compensation</strong></td>
<td><strong>Federal income tax withheld</strong></td>
</tr>
<tr>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td><strong>Social security wages</strong></td>
<td><strong>Social security tax withheld</strong></td>
</tr>
<tr>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td><strong>Medicare wages and tips</strong></td>
<td><strong>Medicare tax withheld</strong></td>
</tr>
<tr>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td><strong>Social security tips</strong></td>
<td><strong>Allocated tips</strong></td>
</tr>
</tbody>
</table>

**Employee’s social security number**

OMB No. 1545-0008

**Form W-2 Wage and Tax Statement 2019**

Department of the Treasury—Internal Revenue Service

- The spread from your stock option exercise is coded here as a “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.

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

- Stock option spread is included in boxes 16 and 18, if state and local taxes apply. Boxes 17 and 19 show the state and local income taxes withheld on the exercise, 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.)

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*The exact date is defined by your company’s specific plan.
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

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

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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)
Use the information from IRS Form 1099-B and Fidelity’s Supplemental Information form to complete IRS Form 8949.

Example: Exercise and hold with sale one year or less (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: Exercise and hold with sale after one year (Long-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)

For illustrative purposes only.

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5 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). For a stock option, the holding period begins on the day after the exercise date.

Example: Short-Term Gains or Losses

Example: Long-Term Gains or Losses
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 This Tax Season?

Q: How is the tax withholding determined on an exercise?
A: The taxes that are withheld from an exercise are determined by your employer and based on the rules for supplemental wage income. The spread on the exercise is considered ordinary compensation income, and tax withholding is generally required at the time of exercise. Therefore, it is the responsibility of your employer to manage the tax percentage due and amounts withheld from your transaction.

Q: I already paid taxes on my exercise. Why did you send me a tax form related to my exercise and do I need to include it on my return?
A: All information on your Fidelity tax form will need to be included on your tax return. Any taxes that were withheld at the time of exercise will be included on your W-2 or 1099-MISC from your employer. The amount withheld is usually based on a minimum required withholding percentage set by tax laws and is just an estimate of your liability on this transaction. When you complete your tax return, you reconcile with the IRS your actual tax liability. This means that you can possibly owe more taxes or you may get a refund. The income at exercise is also part of your cost basis in reporting your capital gain/loss on Form 8949.

Q: Why do my tax forms show a capital loss from my exercise?
A: Generally speaking, a loss on Forms 1099-B and 8949 is usually a result of any market-related loss on the stock sale and/or any commissions and fees charged.

Q: What is a wash sale?
A: A wash sale occurs when you sell shares at a loss and buy additional shares of the same or substantially identical security within a 61-day period, beginning 30 days before the sale and ending 30 days after the sale, including the date of the sale. If the sale results in a wash sale, generally, you will not be able to deduct the resulting loss. Instead, the loss and the holding period will be carried over to increase the basis of the new shares. For assistance with completing your tax return, please consult your tax advisor.

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.
For specifics on what your company uses as fair market value, please see your plan documents, as the fair market value may vary.

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.

If you have any questions, a Fidelity Stock Plan Services Representative can help. Call 800.544.9354.

Go to the Fidelity SPS Resource Center.