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Stock Purchase Plan (SPP) Tax Treatment

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Objectives ▲

The objectives of this tax memo are:

To assist you in understanding the U.S. federal tax consequences related to stock acquired through the Stock Purchase Plan ("SPP" or "Plan"); and

To provide a general overview of the tax rules that apply to SPP transactions.

Disclaimer

This memo is not intended to offer or provide tax advice. Tax laws may change. For tax advice or tax guidance, please consult your tax advisor. The information provided here is a basic outline that generalizes the U.S. federal tax consequences of participating in SPP. Due to the complexity of the tax laws and possible tax law changes, you should consult with your personal tax or financial advisor for application of the tax laws to your individual circumstances. When you sell your shares, you should take into account the tax rates applicable to the wage income as well as the capital gain taxes resulting from the disposition of SPP shares.

Non-U.S. Notes: If you are a non-U.S. employee, you may be subject to the tax laws of the country in which you reside or work. This memo does not address the tax laws from country to country.

State Tax Consequences ▲

Arizona, California, Massachusetts, New Mexico, Oregon, Utah and Colorado follow the federal tax rules for the recognition of wage income upon the disposition of shares of stock acquired under a qualified employee stock purchase plan. This means that the disqualifying disposition income, as well as applicable qualifying disposition purchase price discount, will be reported as state wages on your W-2 (Box 16). The income is reported by including the Box 16 amount on the wage line of your state income tax return. Do not add the income again on the wage line of the state return if the income has been added to Box 16 of your W-2. Some states, however, vary in their taxation of employee stock purchase plans. For example, Pennsylvania requires withholding and reporting of wage income from an SPP purchase at the time of purchase. You should carefully review the state tax consequences upon disposition of SPP shares.

Basic Federal Tax Consequences ▲

General Rules and Issues

The following general rules apply for U.S. federal tax (and most states) purposes when SPP stock is sold. No taxable income will be realized by you, either at the time stock is granted (grant date), or at the time stock is purchased (purchase date) pursuant to the Plan.

You are subject to income tax on your SPP shares is when the stock is sold or otherwise disposed.

Your SPP Disposition: Dispositions include sales, gifts, or transfers of legal title	General Tax Impact	Capital Gain/Loss	General Reporting
Disposition WITHIN Two Years	If you dispose (e.g., sell, exchange, gift or transfer legal title) of the stock within two years of the grant date (approximately 18 months after you purchase the shares) you will have a disqualifying	You may recognize a capital gain or loss in an amount equal to the difference between the amount realized upon the disposition of the stock and your basis in the stock (in	Intel is required to report wage income resulting from disqualifying dispositions of your SPP shares along with your other wages (Box 1 on your W-2). You simply report the amount shown as federal

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	<p>disposition. (Sales of SPP shares through QUICKSale are disqualifying dispositions.) The disqualifying disposition will be reported as federal and state wage income on your W-2, but is not subject to income or FICA tax withholdings.</p> <p>Your additional wage income is equal to the purchase date value less the purchase price for the stock. (This amount is the immediate calculated benefit you gain from participating in SPP.)</p> <p>Note: The transfer of your shares to a personal brokerage account outside of Intel's plan administrator does not constitute a disqualifying disposition.</p>	<p>this case, the purchase price plus the amount taxed to you as wage income).</p>	<p>wages in Box 1 of your W-2 on the wage line of Form 1040 (line 7 on your tax return).</p> <p>Any capital gain or loss should be reported on your Schedule D of Form 1040.</p> <p>Note: For the 2011 tax year and beyond, a new Tax Form 8949 must accompany Schedule D of Form 1040. The Form 8949 is used to identify, among other things, stock sales and the adjustments to the cost basis that may have been reported on Form 1099-B.</p>
<p>Disposition AFTER Two Years, with a Gain</p>	<p>If you dispose of the stock two years or more after the grant date and the sale price exceeds your purchase price, you will recognize wage income equal to the lesser of:</p> <p>The amount your sale price exceeds the price (purchase price) you paid for the stock; or</p> <p>15% of the grant date value.</p>	<p>You will recognize a long-term capital gain equal to the difference between the amount realized upon the disposition of the stock and your basis in the stock (in this case, the purchase price plus the amount taxed to you as wage income).</p>	<p>The wage income is reportable on your Form 1040, line 7 (and as noted in the column to the left, has an impact on your basis in the shares when you sell them).</p> <p>Any capital gain or loss should be reported on your Schedule D of Form 1040.</p> <p>Note: For the 2011 tax year and beyond, a new Tax Form 8949 must accompany Schedule D of Form 1040. The Form 8949 is used to identify, among other things, stock sales and the adjustments to the cost basis that may have been reported on Form 1099-B.</p>
<p>Disposition AFTER Two Years, with a Loss</p>	<p>If you dispose of the stock two years or more after the grant date and the amount you realize upon the disposition of the stock is less than the price you paid for the stock, you will not recognize any wage income.</p>	<p>You will recognize a long-term capital loss equal to the difference between the amount realized upon disposition of the stock and your basis in the stock (in this case, the purchase price of the stock).</p>	<p>Any capital gain or loss should be reported on your Schedule D of Form 1040.</p> <p>Note: For the 2011 tax year and beyond, a new Tax Form 8949 must accompany Schedule D of Form 1040. The Form 8949 is used to identify, among other things, stock sales and the adjustments to the cost basis that may have been reported on Form 1099-B.</p>

IRS Reporting Requirements for Stock Transactions

For some (but not all) stock transactions that occur in a tax year, brokers such as UBS are required to report certain cost basis information on the Form 1099-B that they provide to you and the Internal Revenue Service. Under this rule, the cost basis information that is reported on the Form 1099-B may not report all applicable basis information. As such, adjustments may be necessary to accurately report the capital gains and losses from stock sales.

Examples of Income Tax Treatments

The following examples were designed to illustrate the U.S. federal tax treatment imposed upon disposition of SPP shares. Numerous examples are given because the tax treatment is affected by both the sale price and length of time the stock is held prior to disposition.

Note: In all examples involving disqualifying dispositions, the amount designated as wage income is included the amount reported in Box 1 of your W-2, which is reported on line 7 of your Form 1040.

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[Qualifying Disposition](#)

[Disqualifying Disposition](#)