

RSU Tax Overview

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Disclaimer

This tax information is for guidance only and is not intended as tax advice. The tax rules for restricted stock unit (RSU) plans are complex. Consult the RSU Plan Prospectus and your own tax consultant or advisor for advice upon which you can rely. This information was designed to assist **U.S. employees** in determining the tax impact of their RSUs and assist in reporting income or loss attributable to RSUs. **Non-U.S. employees** should consult a local tax or financial advisor for information on country and/or provincial tax rules specific to RSUs.

Overview

There are two taxable RSU events that must be reported to the IRS.

There are no tax consequences to U.S. employees when RSUs are granted.

The first event occurs when RSUs vest and are converted to shares of Intel stock. Intel will report the resulting ordinary income on your W-2 and will automatically withhold shares for taxes.

The second event occurs when RSU shares are sold. The proceeds from the sale are reported by you on your 1099-B. You will have to calculate and report the capital gain/loss on your tax return.

Reporting stock plan transactions for U.S. taxpayers is complex and can result in over-reporting of capital gains and over-payment of tax if the information on your W-2 and 1099-B is not properly included on your tax return.

Tax Treatment of RSUs

Granting of RSUs

There are no tax consequences to U.S. employees when an RSU is granted.

Vesting of RSUs

When RSUs vest, you receive Intel stock and the total fair market value (FMV) of the shares on the vest date is taxable as ordinary income.

The ordinary income for RSUs is taxed similar to other forms of supplemental income, such as bonuses and stock option exercises, by withholding a portion of the value. A portion of the RSUs are withheld for taxes, which results in the number of shares of Intel stock deposited into your E*TRADE account being lower than the number of RSUs that vested.

Ordinary income and taxes withheld as a result of RSUs that have vested will be reported in the appropriate sections of your W-2. For tax reporting, enter the information from your W-2 into your tax return.

A “Confirmation of Release” statement will be generated from E*TRADE and can be viewed online at the E*TRADE site when you login to your account. The Confirmation of Release statement shows the Fair Market Value (FMV) of the shares you received. For RSUs awarded from the Intel stock plans, the FMV is the average of the highest and lowest sales price of Intel stock on the vest date.

The value assigned to your RSUs at the time of vest is called your “cost basis.” It is important that you know your cost basis at the time you sell your shares.

Tax	Rate
Federal	22% (Supplemental Rate)
State	% Varies by State (Supplemental Rate)
Social Security	6.2% up to the yearly Social Security wage base
Medicare	1.45% or 2.35%* *The 2010 Health Reform legislation requires an employer to withhold additional Medicare Tax on wages or compensation it pays to an employee in excess of \$200,000 in a calendar year.
Disability Insurance (DI) (States NJ, NY, RI, & HI)	No withholding occurs upon exercise, however DI withholding is self-adjusted through payroll when the stock transaction is processed. In addition, a participant who exercises non-qualified stock options after termination may incur an additional tax obligation and will be notified if the DI tax withholding needs to be collected.
Disability Insurance (DI) For employees: <ul style="list-style-type: none"> • In non-mandated states • on voluntary DI plan 	No withholding occurs upon exercise and DI withholding on Intel STD contributions will not be self-adjusted through payroll when the stock transaction is processed. Termed employees who exercise NQ stock options will not be contacted for additional DI withholdings.

For additional payroll tax information please refer to [Tax Rate and Information](#).

Underpayment

Although taxes have been withheld at vest of RSUs, you may still incur underpayment penalties because the tax withholding may be less than is required to be withheld based on your amount of income for the year. For example, the maximum supplemental withholding rate for federal taxes is 22%, which may cause under withholding if your top marginal tax rate is at a higher level. At the time of vest, you or your tax advisor should review your personal tax liability to determine if you must make estimated tax payments or increase your W-4 withholding.

Special situation for retirement eligible employees

If you are eligible for retirement from Intel, you fall into a special situation. You must pay FICA (Social Security and Medicare) taxes on your RSUs before they vest. If this applies to you, you will be notified of the details.

Sale of RSU shares

Whenever you sell your shares through E*TRADE, you will receive a sale statement. These statements are very important because they provide information needed to file your taxes. The sale amounts are also reported to the IRS on 1099-B. At tax time, you will get a 1099-B that shows the sale amount from every stock sale during the year. All transactions reported in your 1099-B form must be entered into Schedule D/Form 8949 of your tax return.

The difference between the sale price and the cost basis (FMV at vest) of your RSU shares will be a capital gain or loss depending on whether Intel's stock price increased or decreased between vest and sale.

Because you already paid tax at vest on the cost basis (FMV at vest), when you sell your RSU shares, additional tax is owed only on the difference between the sale price and your cost basis which is treated as a:

- capital gain (if the sale price exceeds the cost basis (FMV at vest)) or
- capital loss (if the sale price is less than the cost basis (FMV at vest))

The tax treatment for capital gain purposes depends upon the length of time you have held the stock. The holding period rules for federal income tax purposes are: If you held the stock more than 12 months after the vest date, the capital gain/loss upon sale is long-term.

- If you held the stock for 12 months or less after the vest date, the capital gain upon sale is short-term and is taxed at your ordinary income rate.

Note: Different holding period rules and effective dates may apply for state income tax purposes.

Notable IRS Reporting & Filing Requirements for Stock Transactions

For some (but not all) stock transactions that occur in a tax year, brokers such as E*TRADE are required to report certain cost basis information on the 1099-B that they provide to you and

the IRS. Under this rule, the cost basis information that is reported on the 1099-B may not report all applicable cost basis information. As such, adjustments may be necessary to accurately report the capital gains and losses from stock sales.

Tax Form 8949 must be attached to the Schedule D for the 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.

RSUs are non-covered securities and therefore E*TRADE will not report any cost basis information on Form 1099-B. Therefore, the cost basis reported on the 1099-B will require adjustment on your tax return Schedule D/Form 8949 in order for you to properly report capital gains/losses and not cause an over payment of tax. You will need to adjust the cost basis of any RSU shares sold to include the ordinary income reported on your W-2, which was based on the FMV at vest.

Examples

Example 1: Sale takes place less than 12 months from vest:

Facts	Tax Consequences
FMV at Grant: \$30	None
FMV at vest: \$35 * 100 shares	\$3,500 Ordinary income reported on W-2
Taxes withheld at vest at 25%; (25 shares withheld, 75 shares deposited to E*TRADE).	\$875 Taxes withheld reported on W-2
Sale Price: \$36 * 75 shares	\$2,700 Reported on 1099-B
Cost basis: \$35 * 75 shares	<u>(\$2,625) Not reported on 1099-B. Cost basis adjustment required on Schedule D/Form 8949</u>
Short-Term Capital Gain	\$75 (= 75 shares * \$1 gain; sale price \$36 – FMV at vest \$35). Report on Schedule D/Form 8949

Example 2: Sale takes place more than 12 months after vest:

Facts	Tax Consequences
FMV at Grant: \$30	None
FMV at vest: \$35 * 100 shares	\$3,500 Ordinary income reported on W-2
Taxes withheld at vest at 25%; (25 shares withheld, 75 shares deposited to E*TRADE)	\$875 Taxes withheld reported on W-2
Sale Price: \$40 * 75 shares	\$3,000 Reported on 1099-B
Cost basis: \$35 * 75 shares	<u>(\$2,625) Not reported on 1099-B. Cost basis adjustment required on Schedule D/Form 8949</u>
Long-Term Capital Gain	\$375 (= 75 shares * \$5 gain; sale price \$40 – FMV at vest \$35). Report on Schedule D/Form 8949