

From:

https://employeecontent.intel.com/content/hr/stock/spp/Income_Reporting_for_SPP.html

Income Reporting for ESPP

[Email](#) [Print](#) [Feedback](#)

If you sell or make certain transfers of legal title of the ESPP stock within two years of the grant date (called a [disqualifying disposition](#)), or two years and one day after the grant date (called a qualifying disposition), Intel is required to report the ordinary income arising from such transactions on your Form W-2. The ordinary income that will be captured on your W-2 depends on whether or not the sale of your ESPP shares resulted in a qualifying or disqualifying disposition.

Qualifying Disposition Income Reporting:

The amount of ordinary income added to your W-2 will be the lower of (1) 15% of the grant date stock price, or (2) the difference between the sale price and the purchase price.

Note: 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 ordinary income.

Example:

Facts		Tax Consequences	
Grant Date Stock Price FMV on Purchase Date Purchase Price Sale Price	\$40.00 \$48.00 \$34.00 \$52.00	Ordinary Income is the lower of (A) or (B): A) \$6.00 [15% of Grant Date Value (\$40)] B) \$18.00 [Sales Price (\$52) - Purchase Price (\$34)] Total Ordinary Income	<u>\$6.00</u>
		Capital Gain is: Sales Price Less: Basis {Ordinary Income (above), Plus Purchase Price} Long-term Capital Gain	\$52.00 <u>(\$6.00)</u> <u>(\$34.00)</u> \$12.00
		Summary: Ordinary Income	<u>\$6.00</u> <u>\$12.00</u> \$18.00

Facts		Tax Consequences	
		Long-term Capital Gain TOTAL GAIN:	

Disqualifying Disposition Income Reporting:

The amount of ordinary income added to your W-2 will be the difference between the fair market value of the stock on the date it is purchased and the price at which the stock is actually purchased.

Giftting ESPP stock within this two year period, even to a charitable organization, can result in a disqualifying disposition.

Example: Purchase Price at 85% of Grant Date Value - Sold for More than Grant Date Value and Purchase Date Value.

Facts		Tax Consequences	
Grant Date Stock Price	\$40.00	Ordinary Income is:	
FMV on Purchase Date	\$48.00	Purchase Date Value	\$48.00
Purchase Price	\$34.00	Less: Purchase Price	<u>(\$34.00)</u>
Sale Price	\$52.00	Total Ordinary Income	\$14.00
		Capital Gain is:	
		Sales Price \$52.00 Less: Basis {Ordinary Income (above), Plus	(\$14.00)
		Purchase Price}	(\$34.00)
		Capital Gain	\$4.00
		Summary:	

Facts		Tax Consequences	
		Ordinary Income	\$14.00
		<u>Capital Gain</u>	<u>\$4.00</u>
		Total Gain	<u>\$18.00</u>

Sales made through the QUICKSale Program always result in a [disqualifying disposition](#). Payroll processes ESPP disqualifying dispositions for employees who sold their shares via QUICKSale. The information should be reflected in employees' paychecks in mid-April and mid-September.

Disqualifying Disposition

(applicable only to employees subject to U.S income tax) - A sale of stock acquired through an ISO (Incentive Stock Option) exercise or a Stock Purchase Plan (SPP) purchase in which the stock has not met the required holding period. The required holding period for ISO stock is two years from date of grant AND one year from date of exercise. The required holding period for SPP stock is two years from the grant date. The IRS requires Intel to report the income resulting from a disqualifying disposition. For ISO shares the income is measured by the difference between the lesser of the fair market value (FMV) of the stock on the date of exercise less the option price. SPP shares are measured by the difference between the FMV on the purchase date less the purchase price. This income is reported as compensation in your W-2.