



Stock Plan Services

Filing taxes for your employee stock purchase plan (qualified)



When you sell stock in a qualified employee stock purchase plan (ESPP), you may have to report ordinary income—as well as any gain or loss—on your tax return. This guide will help you understand which documents are needed and how they are used when you, or your tax advisor, file your taxes.

IMPORTANT:

Before proceeding, refer to your employer's plan documents to ensure that you're enrolled in a qualified ESPP, as the tax treatment is different than in a nonqualified plan. If you're enrolled in a nonqualified ESPP, use the [nonqualified ESPP tax guide](#). If you don't know which type of ESPP you have, consult your plan documents or ask your company's plan administration.

1. Gather the following documents

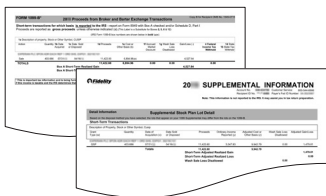
In order to accurately file your taxes, there are several documents and forms you may need. Some will be provided by your employer and others will come from Fidelity or the IRS. Below is a list of potentially important documents and how to get them. **Make sure you have all of the applicable forms prior to filing your taxes.**

Log in to [Fidelity.com/taxforms](https://www.fidelity.com/taxforms) to see what forms you'll receive and when you'll get them.

| Form | Why it's needed | Where to find it |
|-------------------------------|---|--|
| Form W-2 | Your W-2 includes the taxable income from your ESPP. | This form is provided by your employer. |
| Form 3922 | Form 3922 has details about your ESPP purchase that will help you report the income from your sales of ESPP stock. | This form is provided by your employer. |
| Form 1099-B | This IRS form has details about your stock sale and helps you calculate any capital gain/loss. | Available online at Fidelity.com/taxforms and also mailed to you. You can find out when you'll receive them online . |
| 2024 Supplemental Information | The Supplemental Information form, created by Fidelity, may contain information not reported on your 1099-B due to IRS regulations. | |
| IRS Form 8949 | These IRS forms are used to report taxes for ESPP stock sales. | Available online at www.irs.gov ,* by calling 800.TAX.FORM (800.829.3676), or by visiting your local IRS office. |
| IRS Schedule D and Form 1040 | | |

How These Documents Work Together To Report Stock Sales

Form 1099-B



Fidelity Supplemental Information form

to complete...

Form 8949



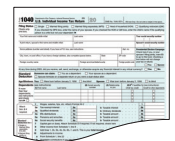
used for...

Schedule D



used for...

Form 1040



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2. What to do when you've sold stock

Now that you have sold shares that you purchased through your company's qualified ESPP, there are two key pieces of information you should be aware of:

- Your ESPP is taxed when you sell shares.
- You have taxable ordinary income to report as well as any capital gain/loss from the sale.

As you file your taxes, you'll want to consider if you made a **qualifying or disqualifying disposition**. Income tax and capital gains are taxed differently, based on how long you've held the shares.

In order to receive beneficial tax treatment given under Section 423 for your ESPP, you are required to hold the shares:

- More than one year from the purchase date and
- More than two years from the offering date.



QUALIFYING DISPOSITION

If shares are sold after the required holding periods, it is considered a **qualifying disposition** and is eligible for the Section 423 beneficial tax treatment.



DISQUALIFYING DISPOSITION

If shares are sold before the required holding periods, it is considered a **disqualifying disposition** and is not eligible for the Section 423 beneficial tax treatment.

Still not sure which disposition applies to your sale? Learn more about [qualifying and disqualifying dispositions](#).

3. How your ESPP information is reported on your W-2

When you sell ESPP shares, your employer reports your ESPP income as wages in box 1 of your Form W-2. You will also receive Form 3922 from your employer with details on your purchase that can help with your tax-return reporting. ESPPs have no withholding for income tax, and Social Security and Medicare taxes do not apply. Whether you had a [qualifying or disqualifying disposition](#) determines how much of the income is on your W-2. The information on your W-2 is used to fill out tax form 1040.

Even if your employer doesn't report the income from an ESPP on your W-2, you're still responsible for reporting and paying ordinary income tax.

How is an Award Reflected on a W-2?

Example: IRS W-2 for an Employee Stock Purchase Plan (Qualified)

| | | | | | | |
|--|----------------------------|--|--|---|------------------|-----|
| a Employee's social security number | | Safe, accurate, FAST! Use | | Visit the IRS website at www.irs.gov/efile * | | |
| b Employer identification number (EIN) | | 1 Wages, tips, other compensation | 2 Federal income tax withheld | | | |
| c Employer's name, address, and ZIP code | | 3 Social security wages | 4 Social security tax withheld | | | |
| | | 5 Medicare wages and tips | 6 Medicare tax withheld | | | |
| | | 7 Social security tips | 8 Allocated tips | | | |
| d Control number | | 9 | 10 Dependent care benefits | | | |
| e Employee's first name and initial | | Last name | | Suff. | | |
| | | 11 Nonqualified plans | | 12a See instructions for box 12 | | |
| | | 13 Statutory employee <input type="checkbox"/> | Retirement plan <input type="checkbox"/> | Third-party sick pay <input type="checkbox"/> | 12b | |
| | | 14 Other | | 12c | | 12d |
| f Employee's address and ZIP code | | | | | | |
| 15 State Employer's state ID number | 16 State wages, tips, etc. | 17 State income tax | 18 Local wages, tips, etc. | 19 Local income tax | 20 Locality name | |

Form **W-2** Wage and Tax Statement **20** Department of the Treasury—Internal Revenue Service
Copy B—To Be Filed With Employee's FEDERAL Tax Return.
 This information is being furnished to the Internal Revenue Service.

BOX 1 A

ESPP income will usually be included with your other compensation in box 1.

BOX 14 B

Your employer may also use box 14 to report the compensation already included in box 1. Do not separately report the box 14 income on your tax return, as it is already included in the box 1 income.

BOXES 16 & 18 C

ESPP income could be included in boxes 16 and 18, if state and local taxes apply.

For illustrative purposes only.

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4. Understanding ESPP gain or loss from a sale

When you sell shares of stock, you need to report any gain or loss from the sale. Accurately reporting your gain or loss will help keep you from overpaying taxes.

A capital gain/loss is the difference between your sale price and your [cost basis](#).

- If you sell stock for more than its cost basis, you recognize a gain.
- If you sell it for less than its cost basis, it's considered a loss.
- How much of that gain or loss you report depends on your cost basis, which differs according to whether you have a disqualifying disposition or a qualifying disposition.

Your capital gain/loss and cost basis information are located on the [1099-B and Supplemental Information form](#). Often the cost basis on your 1099-B and Supplemental Information form will differ. In this instance you'll want to review the adjusted cost basis on your Supplemental Information form to help prevent overpaying taxes.

The details from these forms are used to calculate your capital gain or loss on Form 8949 and on Schedule D of Form 1040. The total on Schedule D goes into Line 7 of Form 1040.



IMPORTANT

Make sure you have both your 1099-B and Supplemental Information form when reporting your gain or loss.

The information on your 1099-B is reported to the IRS, but the Supplemental Information form includes adjustments necessary to avoid overpaying taxes. **You'll want to use the information on the Supplemental Information form to make any necessary adjustments on Form 8949.** To learn more about how your gain/loss is calculated, see how [cost basis](#) factors into the equation.

5. Using Form 1099-B and the Supplemental Information form

If you sold stock, you'll receive Form 1099-B and the Supplemental Information form during the tax season. The information on your 1099-B is reported to the IRS, but the Supplemental Information form includes adjustments to a capital gain or loss necessary to avoid overpaying taxes. **It's important that you review and utilize the Supplemental Information form**, as it is not reported to the IRS. Below are sample forms, along with key pieces of information you'll find.

How is a sale reflected on Form 1099-B?

Sample Form 1099-B

SHORT-TERM OR LONG-TERM TRANSACTION **A**

This is where you'll see if you had a short-term or long-term transaction. It will help determine which version of Form 8949 and Schedule D you need.

| FORM 1099-B* 20 Proceeds from Broker and Barter Exchange Transactions | | | | | | | | | | Copy B for Recipient OMB No. 1545-0715 | |
|--|----------|------------------|--------------------------|------------------|-------------------------------------|----------------------------|------------------------------|------------------------|-------------------------------|--|--|
| A Short-term transactions for which basis is reported to the IRS --report on Form 8949 with Box A checked and/or Schedule D, Part I | | | | | | | | | | Proceeds are reported as gross proceeds unless otherwise indicated (a). (This Label is a Substitute for Boxes 2, 5, 6 & 12) | |
| (IRS Form 1099-B box numbers are shown below in bold type) | | | | | | | | | | | |
| 1a Description of property, Stock or Other Symbol, CUSIP | Quantity | 1b Date Acquired | 1c Date Sold or Disposed | 1d Proceeds | B 1e Cost or Other Basis (b) | 1f Accrued Market Discount | 1g Wash Sale Loss Disallowed | C Gain/Loss (-) | 4 Federal Income Tax Withheld | 14 State Tax Withheld | |
| Sale | 403.686 | 07/31/ | 04/16/ | 11,422.60 | 6,894.96(e) | | | 4,527.64 | | | |
| TOTALS | | | | 11,422.60 | 6,894.96 | 0.00 | 0.00 | 4,527.64 | 0.00 | | |
| Box A Short-Term Realized Gain | | | | | | | | | | | |
| Box A Short-Term Realized Loss | | | | | | | | 0.00 | | | |

* 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.

COST OR OTHER BASIS **B**

- This is provided to the IRS and may need to be adjusted when you report the sale on Form 8949. If adjusted, you'll find that value on the Supplemental Information form.
- If the amounts for the cost basis on the 1099-B and Supplemental Information form differ, be sure to follow the steps on the next pages to adjust the basis on Form 8949. This will help you avoid overpaying taxes.

GAIN/LOSS **C**

- Capital gain or loss from the sale of shares. This amount may also need to be adjusted. In that case, you'll find that value on the Supplemental Information form.
- If the amounts on the 1099-B and Supplemental Information form differ, be sure to use the adjusted amount on your Supplemental Information form. This will help you avoid overpaying taxes.

5. Using Form 1099-B and the Supplemental Information form... *continued*

How is a sale reflected on the Supplemental Information Form?

Sample Supplemental Information Form

SHORT-TERM OR LONG-TERM TRANSACTION **A**

- This is where you'll see if you had a short-term or long-term transaction. It will help determine which version of Form 8949 and Schedule D you need.
- Qualifying dispositions will always be considered long-term.

| Detail Information | | Supplemental Stock Plan Lot Detail | | | | | | |
|--|----------|------------------------------------|-----------------------|--|------------------------------|----------------------------------|---------------------------|--------------------|
| Based on the disposal method you have selected, the lots that appear on your 1099 Supplemental may differ from the lots on the 1099-B. | | | | | | | | |
| A Short-Term Transactions | | | | | | | | |
| Description of Property, Stock or Other Symbol, Cusip | | | | | | | | |
| Grant Type (w) | Quantity | Date of Acquisition (x) | Date Sold or Disposed | Proceeds | Ordinary Income Reported (y) | Adjusted Cost or Other Basis (z) | Wash Sale Loss Disallowed | Adjusted Gain/Loss |
| QSP | 403.686 | 07/31/ | 04/16/ | 11,422.60 | 3,047.83 | 9,942.79 | 0.00 | 1,479.81 |
| Totals | | | | 11,422.60 | | 9,942.79 | | |
| | | | | Short-Term Adjusted Realized Gain | | | | 1,479.81 |
| | | | | Short-Term Adjusted Realized Loss | | | | 0.00 |
| | | | | Wash Sale Loss Disallowed | | 0.00 | | |

ORDINARY INCOME REPORTED **B**

- This amount (cross-reference it with your W-2) is entered in column (g) of Form 8949 to adjust the basis.

ADJUSTED COST BASIS **C**

- This amount is used to recalculate your gain/loss. It's equal to the ordinary income plus the cost basis on your 1099-B.

ADJUSTED GAIN/LOSS **D**

- This amount is recalculated per your adjusted cost basis. It shows your proceeds minus your adjusted cost basis. This amount is not reported to the IRS. You'll want to use this information when reporting your taxes to avoid paying more in taxes than necessary.

6. Submitting the information to the IRS

Now that you've gathered the information necessary to file your taxes, how do you submit it to the IRS?

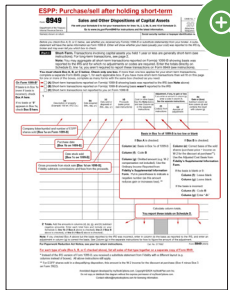
There are many ways to file your taxes: self-filing, using a [tax-filing service](#), or with a tax advisor. Many tax-filing services and programs allow you to automatically transfer information from Fidelity. Please note, however, that this is not the case with the Supplemental Information form, and you'll need to manually enter it.

When filing the information you gathered will be used to report your taxes using IRS forms that include Form 1040 (for the compensation income) and Form 8949 and Schedule D (for the stock sale). If you need assistance with these forms, more information can be found in the links below.

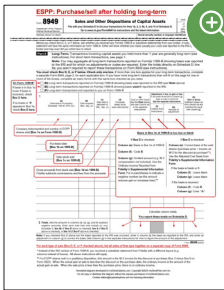
HOW DO I FILL OUT FORM 8949?

- [General IRS instructions](#)
- For instructions specific to stock plans, click the images below.

Form 8949 short-term



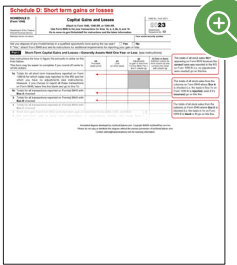
Form 8949 long-term



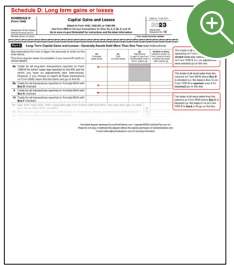
HOW DO I FILL OUT SCHEDULE D?

- [General IRS instructions](#)
- For Instructions specific to stock plans click the images below.

Schedule D short-term gains or losses



Schedule D long-term gains or losses



Now that you have the basic knowledge needed to file taxes on your equity awards, you can utilize this information to file your tax return on your own or through a tax advisor. As you go through the process, consider the different forms you may need including your W-2, 1099-B, and Supplemental Information form. For additional information about stock plan taxes and filing your tax return, visit our [Taxes and Tax-Filing Center](#).



Schedule D: Short term gains or losses

SCHEDULE D
(Form 1040)

Capital Gains and Losses

OMB No. 1545-0074

2024

Attachment
Sequence No. **12**

Department of the Treasury
Internal Revenue Service

Attach to Form 1040, 1040-SR, or 1040-NR.
Use Form 8949 to list your transactions for lines 1b, 2, 3, 8b, 9, and 10.
Go to www.irs.gov/ScheduleD for instructions and the latest information.

Name(s) shown on return

Your social security number

Did you dispose of any investment(s) in a qualified opportunity fund during the tax year? Yes No
If "Yes," attach Form 8949 and see its instructions for additional requirements for reporting your gain or loss.

Part I Short-Term Capital Gains and Losses—Generally Assets Held One Year or Less (see instructions)

See instructions for how to figure the amounts to enter on the lines below.

This form may be easier to complete if you round off cents to whole dollars.

| | (d) Proceeds (sales price) | (e) Cost (or other basis) | (g) Adjustments to gain or loss from Form(s) 8949, Part I, line 2, column (g) | (h) Gain or (loss) Subtract column (e) from column (d) and combine the result with column (g) |
|--|----------------------------------|---------------------------------|---|---|
| 1a Totals for 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 for all transactions reported on Form(s) 8949 with Box A checked | ← | | | |
| 2 Totals for all transactions reported on Form(s) 8949 with Box B checked | ← | | | |
| 3 Totals for all transactions reported on Form(s) 8949 with Box C checked | | | | |
| 4 Short-term gain from Form 6252 and short-term gain or (loss) from Forms 4684, 6781, and 8824 | | | | 4 |
| 5 Net short-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1 | | | | 5 |

The totals of all stock sales **NOT** appearing on Form 8949 because the **correct** basis was reported to the IRS on Form 1099-B (i.e. no adjustments were needed) go on this line.

The totals of all stock sales from the columns on Form 8949 where **Box A** is checked (i.e. the basis in Box 1e on Form 1099-B is **reported**, even if it's **incorrect**) go on this line.

The totals of all stock sales from the columns on Form 8949 where **Box B** is checked (i.e. the basis in 1e on Form 1099-B is **blank** or **0**) go on this line.

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Schedule D: Long term gains or losses

SCHEDULE D
(Form 1040)

Capital Gains and Losses

OMB No. 1545-0074

2024

Department of the Treasury
Internal Revenue Service

Attach to Form 1040, 1040-SR, or 1040-NR.
Use Form 8949 to list your transactions for lines 1b, 2, 3, 8b, 9, and 10.
Go to www.irs.gov/ScheduleD for instructions and the latest information.

Attachment
Sequence No. **12**

Name(s) shown on return

Your social security number

Part II Long-Term Capital Gains and Losses—Generally Assets Held More Than One Year (see instructions)

See instructions for how to figure the amounts to enter on the lines below.

This form may be easier to complete if you round off cents to whole dollars.

8a Totals for 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 8b

8b Totals for all transactions reported on Form(s) 8949 with **Box D** checked

9 Totals for all transactions reported on Form(s) 8949 with **Box E** checked

10 Totals for all transactions reported on Form(s) 8949 with **Box F** checked

11 Gain from Form 4797, Part I; long-term gain from Forms 2439 and 6252; and long-term gain or (loss) from Forms 4684, 6781, and 8824 **11**

12 Net long-term gain or (loss) from partnerships, S corporations, estates, and trusts from Schedule(s) K-1 **12**

13 Capital gain distributions. See the instructions **13**

14 Long-term capital loss carryover. Enter the amount, if any, from line 13 of your Capital Loss Carryover

The totals of all stock sales NOT appearing on Form 8949 because the **correct** basis was reported to the IRS on Form 1099-B (i.e. no adjustments were needed) go on this line.

The totals of all stock sales from the columns on Form 8949 where **Box D** is checked (i.e. the basis in Box 1e on Form 1099-B is **reported**, even if it's **incorrect**) go on this line.

The totals of all stock sales from the columns on Form 8949 where **Box E** is checked (i.e. the basis in 1e on Form 1099-B is **blank** or **0**) go on this line.

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