2026 · CAN I DO A NET UNREALIZED APPRECIATION (NUA) DISTRIBUTION?

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Do you have employer stock (or stock resulting from a corporate re-org, merger or spinoff) in an employer retirement plan?

Yes

No

Sorry, you cannot do an NUA distribution.

Is it phantom stock or stock options?

No

Yes

Do you have investments in the retirement account, other than employer stock (such as mutual funds)?

Yes

No

If you do an NUA distribution, you can roll the non-employer stock investments into an IRA or an eligible retirement plan (or convert to a Roth IRA) to potentially minimize your tax liability.

Was part or all of the employer stock distributed in-kind to a taxable brokerage account?

No

Yes

Did this distribution occur after a triggering event, such as death, separation from service, or reaching age 59 ½?

No

Yes

Was the entire vested account balance (not just the employer stock) distributed from the employer plan in a single tax year?

Yes

No

Sorry, you do not qualify for an NUA distribution. You must wait until the next triggering event before doing an NUA distribution.

You qualify for an NUA distribution for the portion of the employer stock distributed in-kind to a taxable brokerage account. Continue on to determine your tax liability.

Are you over the age of 59 ½?

Yes

No

The cost basis of the shares is subject to ordinary income tax upon distribution from the retirement plan.

If on Medicare, you may be subject to IRMAA surcharges. See "Will I Avoid IRMAA Surcharges On Medicare Part B & Part D?" flowchart.

The cost basis of the shares is subject to ordinary income tax and potentially a 10% penalty (unless you qualify for an exception) upon distribution from the retirement plan.

Unrealized gains that occurred within the retirement plan will be taxable as LTCG (regardless of the holding period) when the employer stock is sold, but not subject to the 3.8% Medicare surtax (NIIT).

Subsequent gains incurred beyond the date of the distribution will be taxed as STCG or LTCG based on the holding period from the distribution date until the time of sale.

In addition, you may be subject to the 3.8% Medicare surtax (NIIT) on subsequent gains.

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