2026 · WILL I HAVE TO PAY TAX ON MY QUALIFIED ESPP?

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Did you sell shares that you purchased under an Employee Stock Purchase Plan (ESPP)?

- No → No tax is due until you sell the shares.
- Yes → Did you hold the shares for more than two years after the option grant date (start of the offering period) and for more than one year after the option exercise date (end of the offering period)?
  - Yes → The sale is a qualifying disposition. → Was the bargain (i.e., discount given by your employer) greater than your profit upon the sale of the shares?
    - Yes → You will pay ordinary income tax on the amount that the shares' FMV on the disposition date exceeds the amount you paid for the shares under the option. → Your cost basis in the shares will be adjusted to include the amount taxed as ordinary income. → Did your disposition price exceed your cost basis?
      - Yes → The difference between your disposition price and your cost basis will receive long-term capital gain treatment.
      - No → The difference between your cost basis and disposition price will receive long-term capital loss treatment.
    - No → You will pay ordinary income tax on the amount that the shares' FMV on the option grant date exceeds the option price. → Your cost basis in the shares will be adjusted to include the amount taxed as ordinary income. → Did your disposition price exceed your cost basis?
      - Yes → The difference between your disposition price and your cost basis will receive long-term capital gain treatment.
      - No → The difference between your cost basis and disposition price will receive long-term capital loss treatment.
  - No → The sale is a disqualifying disposition. → You will pay ordinary income tax on the amount that the shares' FMV on the option exercise date exceeds the amount you paid for the shares under the option. → Did you hold the shares for more than one year after the exercise date?
    - Yes → The difference between your disposition price and your cost basis will receive long-term capital gain/loss treatment.
    - No → The difference between your disposition price and your cost basis will receive short-term capital gain/loss treatment.

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