

Incentive Stock Option (ISO)

An incentive stock option (ISO) is a stock option with a tax benefit. Upon exercise, there is no ordinary income tax. Instead, the options are taxed at a capital gains rate if it meets the tax benefit period.

1. No tax impact upon grant
2. No tax impact upon vesting
3. No ordinary income upon exercise
4. AMT Preference: Spread between FMV at date of exercise and exercise price
5. LT capital gains if sold 2 years from grant date **and** more than 1 year from exercise date
6. Sec. 83(b) election – Available with early exercise of options if plan allows

General tax information is provided here for educational and informational purposes only and does not constitute tax advice. This information should not replace a consultation with a professional tax advisor regarding an individual's specific tax situation.