

# Non-Qualified Stock Option (NQSO)

A non-qualified stock option (NQSO) is a type of employee stock option where you pay ordinary income tax on the difference between the grant price and the price at which you exercise the option.

1. Non-qualified stock options (“NQSOs”) can be granted to anyone, including employees, consultants and directors
2. Exercise price, and income and payroll taxes due upon exercise
3. Employee can pay with cash or previously exercise shares
4. Company can issue net shares to cover tax and exercise price
5. Upon disposition of stock after exercise, change in value is capital gain or loss
6. Sec. 83(b) election – Available with early exercise of options if plan allows

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