

# Non-Qualified Stock Option (NQSO)

You pay ordinary income tax on the difference between the grant price and the price at which you exercise the option.

1. No tax impact upon grant
2. No tax impact upon vesting
3. Compensation: Spread between FMV at date of exercise and exercise price
4. Exercise price, and income and payroll taxes due upon exercise
5. Employee can pay with cash or previously exercise shares
6. Company can issue net shares to cover tax and exercise price
7. Upon disposition of stock after exercise, change in value is capital gain or loss
8. 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.