

REMINDER: ISO AND ESPP INFORMATION
STATEMENTS DUE JANUARY 31, 2012

January 25, 2012

To Our Clients and Friends:

As we reported in an earlier Client Update,¹ companies are now required to deliver information statements to employees and file returns with the IRS following transfers of stock received upon exercise of tax-qualified incentive stock options (“ISOs”) and for stock purchased through tax-qualified employee stock purchase plans (“ESPPs”).

Deadlines. For 2011 transfers, information statements are required to be delivered to employees by January 31, 2012. Information returns must be filed with the IRS by February 28, 2012, or if filing electronically, March 31, 2012.

Reporting Triggers. For ISOs, reporting is required for options exercised during 2011. For ESPPs, reporting is required for employee transfers of purchased shares, whether or not in a disqualifying disposition, during 2011. Reporting is also triggered if the shares are deposited into an employee’s brokerage account during 2011, even where the employee retains beneficial ownership of the shares.

Required Information. The information required to be disclosed includes the company issuing the stock, the person exercising the option, the exercise price, the exercise date and the fair market value of each share on the option exercise date. For ISOs, the company must also state the number of shares acquired on the exercise. For ESPPs, the company must state the option grant date, the fair market value of the stock on that date or, if the exercise price is not fixed at grant, what the exercise price would have been if the option had been exercised on the grant date, and the date the legal title of the shares was transferred by the employee to another person and number of shares so transferred.

¹ [*New ISO and ESPP Rules Effective for 2010, dated January 20, 2010.*](#)

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Please feel free to contact us with any questions.

Circular 230 Disclosure: This memorandum was not intended or written to be used, and it cannot be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer under U.S. Federal tax law.

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