

SECTION 6039: TIME TO GEAR UP

September 20, 2018

CERTAINTY | INGENUITY | ADVANTAGE

Computershare

Upcoming Events

> Webinar Series

- All Things ESPP @ www.computershare.com/allthingsespp
- All Things Equity Plans @ www.computershare.com/allthingsequityplans

> ESPP Day

- November 8, 2018, San Jose, CA
- Register or learn more at www.computershare.com/esppday

Disclaimer

The following presentation and the views expressed by the presenters are not intended to provide legal, tax, accounting, investment, or other professional advice. The information contained in this presentation is general in nature and based on authorities that are subject to change. Applicability to specific situations should be determined through consultation with your investment, legal, and tax advisors. The information contained in these materials is only current as of the date produced. The materials have not been and will not be updated to incorporate any changes since the production date.

Asking Questions

Enter your question into the Questions pane on the GoToWebinar Control Panel.

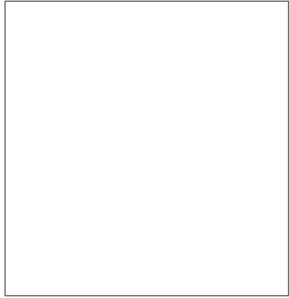


The screenshot shows a software interface with two main panels. The top panel, titled 'Audio', contains a telephone icon, radio buttons for 'Computer audio' and 'Phone call', and dialing information: 'Dial: +1 (631) 992-3221', 'Access Code: 764-626-987 #', and 'Audio PIN: 57 #'. Below this is a link 'Problem dialing in?'. The bottom panel, titled 'Questions', is highlighted with a yellow border and contains a text input field with the placeholder text '[Enter a question for staff]' and a 'Send' button. At the bottom of the interface, it says 'Computershare Webinar', 'Webinar ID: 123-456-789', and 'This session is being recorded.' with the GoToWebinar logo.

Housekeeping

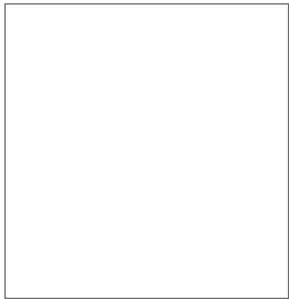
- › Presentation is being recorded
 - Email will be sent to all attendees with link to recording and presentation
- › Presentation qualifies for CEP credit
- › Please take our survey!

Introductions



SPEAKER NAME

SPEAKER TITLE, COMPANY



SPEAKER NAME

SPEAKER TITLE, COMPANY

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6039 Explained

- › Starting in 2010, the IRS mandated that under Section 6039 of the Internal Revenue Code employers who issue Incentive Stock Options (ISO) or offer §423 Employee Stock Purchase Plan (ESPP) must report specific information to the IRS and the participant on defined forms.
- › The reporting is intended to assist participants in filing tax returns which might be complicated due to ordinary income vs. capital gain/loss reporting.
- › For ISOs, the triggering event for both the employee statement and the IRS report is the exercise date
- › For qualified ESPPs, regulations specify upon “first transfer of legal title”
 - Purchase date - if ESPP shares are deposited from a reserve into brokerage account upon purchase
 - Transfer or sale date – if ESPP shares are deposited from a reserve into a transfer agency account

What do you need to do?

Companies must deliver all information required by the IRS to the **participants** using actual or substitute Forms 3921 and 3922

- Forms may be distributed to participants by mail or electronically
- Electronic delivery is only permissible when:
 - > Participant provides written consent
 - > Participant has the option to opt out of electronic receipt and receive a paper statement
- Participant forms mailed by January 31
- > Companies must file with the IRS by February 28 (paper) or March 31 (electronically)
 - Must file electronically if you have 250 or more forms
 - Have a transmitter control code (TCC) with the IRS if you are filing the forms yourself

Substitute Form 3921 for ISO: What Needs to be Reported?

Reporting Item	Box Number
Company Name, Address and EIN	
Employee Name, Address, Account Number and ID (Last 4 digits of SSN)	
Date Option Granted	Box 1
Date Option Exercised	Box 2
Exercise Price per Share	Box 3
Fair Market Value per Share on Exercise Date	Box 4
Number of Shares transferred	Box 5
The issuer name, if employer is not the same entity as the issuer's shares underlying the ISO	Box 6

Substitute Form 3921 for ISO



The Sample Company



Computershare
 PO Box 43078
 Providence, RI 02940-3078
 Within USA, US territories & Canada XXX XXX XXXX
 Outside USA, US territories & Canada XXX XXX XXXX
 www.computershare.com



IMPORTANT TAX RETURN DOCUMENT ENCLOSED



Recipient
 MR A SAMPLE
 DESIGNATION (IF ANY)
 ADD 1
 ADD 2
 ADD 3
 ADD 4
 ADD 5
 ADD 6

Recipient's ID No. 012-34-5678
 Corporation's Federal ID No. XXXXXXXXXXXX

Corrected (if checked)

OMB No. 1545-2129

Form 3921 - Exercise of an Incentive Stock Option Under Section 422(b) 2016

Account Number	¹	Date option granted	²	Date option exercised	³	Exercise price per share	⁴	Fair market value per share on exercise date	⁵	No. of shares transferred
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⁶ If other than TRANSFEROR, name, address, and EIN of corporation whose stock is being transferred Transferor's Details

Substitute Form 3922 for ESPP: What Needs to be Reported?

Reporting Item	ESPP Description	Box Number
Company Name, Address and EIN		
Employee Name, Address, Account Number and ID (Last 4 digits of SSN)		
Date option granted	Beginning of the Offering Period	Box 1
Date option exercised	Purchase Date	Box 2
Fair market value per share on grant date	Fair Market Value at the beginning of the offering period	Box 3
Fair market value per share on exercise date	Fair Market Value on purchase date	Box 4
Exercise price paid per share	Purchase price per share	Box 5
No. of shares transferred	Number of shares transferred*	Box 6
Date legal title transferred	Date shares transferred*	Box 7
Exercise price per share determined as if the option was exercised on the date shown in Box 1	FMV at the beginning of the offering period less the discount percentage offered	Box 8

Substitute Form 3922 for ESPP



The Sample Company

Computershare



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 PO Box 43078
 Providence, RI 02940-3078
 Within USA, US territories & Canada XXXX XXX XXXX
 Outside USA, US territories & Canada XXX XXX XXXX
 www.computershare.com



IMPORTANT TAX RETURN DOCUMENT ENCLOSED



Recipient

MR A SAMPLE
 DESIGNATION (IF ANY)
 ADD 1
 ADD 2
 ADD 3
 ADD 4
 ADD 5
 ADD 6

Holder Account Number

C1234567890 XXXX

Recipient's ID No.

012-34-5678

Corporation's Federal ID No.

XXXXXXXXXXXX

Corrected (if checked)

OMB No.

1545-2129

Form 3922 - Transfer of Stock Acquired Through an Employee Stock Purchase Under Section 423(c)

20XX

1	2	3	4	5	6
Date option granted	Date option exercised	Fair market value per share on grant date	Fair market value per share on exercise date	Exercise price paid per share	No. of shares transferred
1-Jul-2010	30-Sep-2010	68.030000	69.910000	57.826000	79.735067
1-Jul-2010	31-Dec-2010	68.030000	86.850000	57.826000	93.024245

7	8	9
Date legal title transferred	Exercise price per share determined as if the option was exercised on the date shown in box 1.	Corporation's Details
30-Sep-2010	68.030000	Mr. A Sample Designation (if any)
31-Dec-2010	68.030000	

Potential penalties

Large businesses (over \$5 million in revenue)

Timing	Per Return	Cap
Not more than 30 days late (by March 30 if the due date is February 28)	\$50	\$547,000
31 days late – August 1	\$100	\$1,641,000
After August 1 or Not At All	\$260	\$3,282,500
Intentional Disregard	\$530 or more	No Limitation

Small businesses

Timing	Per Return	Cap
Not more than 30 days late (by March 30 if the due date is February 28)	\$50	\$191,000
31 days late – August 1	\$100	\$547,000
After August 1 or Not At All	\$260	\$1,094,000
Intentional Disregard	\$530 or more	No Limitation

Potential Penalties

Penalties are separate for IRS and Participant reporting!

Penalties for not filing correct information returns with the IRS (Code Section 6721) may apply if you:

- › Don't file a correct information return by the due date and a reasonable cause is not shown;
- › File on paper when you were required to file electronically;
- › Don't report a Taxpayer Identification Number (TIN);
- › Report an incorrect TIN; or
- › Don't file paper forms that are machine readable.

Penalties for not providing correct payee statements to participants (Code Section 6722) may apply if:

- › You don't provide a correct payee statement by the applicable date and a reasonable cause isn't shown;
- › All required information isn't shown on the statement; or
- › Incorrect information is included on the statement.

Penalty exceptions

De minimis exceptions

A penalty will not apply if the following are the only errors on the 3921/3922:

- The difference in any dollar amount reported is less than \$101
- If the difference in tax withheld is less than \$26

A corrected return must be provided upon participant request and that corrected return must be filed with the IRS

Penalty exceptions

De minimis exceptions

Penalty for failure to file returns will not apply if the following conditions are met:

- > The initial 3921/3922 returns were filed timely
- > The return either:
 - Failed to include all information, or
 - Included incorrect information
- > All corrections were filed by August 1
- > The number of incorrect returns does not exceed the greater of:
 - 10 forms
 - ½ of 1% of the total forms filed (0.005%)

How we can help

If Computershare is your plan administrator, we will:

- Create the appropriate 3921 or 3922 substitute form, reporting all exercises/purchases which have occurred in a calendar year
- Mail forms 3921/3922 to participants
- Create and submit the IRS files electronically on your behalf
- Provide your participants with call center support
- Assist with your employee communications

If Computershare is NOT your plan administrator, Computershare will:

- Create the appropriate 3921 or 3922 substitute forms, reporting all exercises/purchases which have occurred in a calendar year
 - Forms will be created from data provided by you in a simple Excel format
- Create and submit the IRS files on your behalf
- Provide you with copies of the forms for future reference and inquiries
- Offer assistance with corporate communications

Why choose Computershare?

Leverage Computershare's knowledge, expertise and support:

- › Eliminate penalties for non-compliance
- › Increase accuracy of reporting
- › Timely filing
- › Comprehensive participant forms
- › Reduce audit risks
- › Reduce administrative costs and risks of handling the process internally

Questions?

IRS LINKS

For the latest information about developments related to Forms 3921 and 3922 and their instructions, such as legislation enacted after they were published, go to www.irs.gov/form3921 or www.irs.gov/form3922

Thank you for joining us today.

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