



Stock & Option Solutions

SOS 6039 Xpress Webcast

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Agenda

Introductions

Who are we?

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SOS Solutions

Materials

<http://www.sos-team.com/PDFS/6039webcast.pdf>

Introductions

Elizabeth Dodge, CEP – Stock & Option Solutions

Justin Docter, Stock & Option Solutions

Stock & Option Solutions, Inc.

- Founded in 1999
- Privately-held company
- Headquarters in San Jose, CA
- Employees nationwide
- Mission: Provide top-tier stock plan management assistance



The SOS Difference

- **Expertise:** Unsurpassed breadth and depth of knowledge
- **Network:** Proactive, team-based approach with the largest nationwide team of equity plan consultants and industry partners
- **Solutions:** Customized guidance based on your specific needs and particular environment
- **Industry:** Continued dedication in driving best practices in the industry
- **Experience:** Over 500 clients in more than eleven years of business

Section 6039 Regulation Changes

Information reporting to IRS is now required in addition to participant information statements

Forms 3921 and 3922 required for participant statements and IRS reporting

Expanded reporting requirements include new information for ESPP statements

- “Goal” is to provide necessary information for participants to complete tax returns

Section 6039 Regulation Changes

Information reporting to IRS only required for transactions occurring in 2010 and later years

- Employee statements still due 1/31 of the year following the triggering event, even before 2010

For most companies, triggering event will be the purchase/exercise

- For both employee statement and IRS report
- Assumes ESPP shares are deposited into brokerage account on behalf of employee upon purchase

Substitute forms for employee statements are allowed

- Pursuant to instructions in IRS Publication 1179

Section 6039 Regulation Changes

Participant reporting must be completed by January 31st

- In year following the calendar year in which transaction occurred (first due date is 1/31/11)

IRS paper forms filing: due February 28th of the following year

IRS e-filing: due March 31st of the following year

Watch for final instructions when Forms 3921 and 3922 are published

- General filing information: <http://www.irs.gov/pub/irs-pdf/i1099gi.pdf> (pages 4 & 10)

Section 6039 Regulation Changes

ISO reporting

Requirement	Form 3921	Previously Required?
Company Name, Address and EIN	✓	✓
Employee Name, Address, and ID (SSN)	✓	✓
Grant Date	✓	✓
Exercise Price per Share	✓	✓
Exercise Date	✓	✓
Exercise Fair Market Value	✓	✓
Number of Shares	✓	✓
Total Cost of All Shares		✓

Section 6039 Regulation Changes

ESPP reporting

Requirement	Form 3922	Previously Required?
Company Name, Address and EIN	✓	✓
Employee Name, Address, and ID (SSN)	✓	✓
Grant Date (Enrollment Date)	✓	
Grant Date (Enrollment Date) Fair Market Value	✓	
Exercise (Purchase) Price determined as if exercised on Grant Date (not required if exercise price known on Grant Date)	✓	
Exercise (Purchase) Date	✓	
Exercise (Purchase) Fair Market Value	✓	
Transfer (Purchase) Date	✓	✓
Number of Shares	✓	✓

Form 3921 – ISO Reporting

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VOID CORRECTED

TRANSFEROR'S name, street address, city, state, and ZIP code		1 Date option granted	OMB No. 1545-XXXX Form 3921 (Rev. July 2010)	Exercise of an Incentive Stock Option Under Section 422(b) Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the most current version of the General Instructions for Certain Information Returns.
		2 Date option exercised		
TRANSFEROR'S federal identification number	EMPLOYEE'S identification number	3 Exercise price per share	4 Fair market value per share on exercise date	
EMPLOYEE'S name		\$	\$	
Street address (including apt. no.)		5 No. of shares transferred		
City, state, and ZIP code		6 If other than TRANSFEROR, name, address, and EIN of corporation whose stock is being transferred		
Account number (see instructions)				

Form 3921 (Rev. July 2010)

Cat. No. 411790

Department of the Treasury - Internal Revenue Service

Do Not Cut or Separate Forms on This Page

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Form 3922 – ESPP Reporting

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VOID CORRECTED

CORPORATION'S name, street address, city, state, and ZIP code		1 Date option granted	OMB No. 1545-XXXX Form 3922 (Rev. July 2010)	Transfer of Stock Acquired Through an Employee Stock Purchase Plan Under Section 423(c)	
		2 Date option exercised			
CORPORATION'S federal identification number	EMPLOYEE'S identification number	3 Fair market value per share on grant date	4 Fair market value per share on exercise date		Copy A For Internal Revenue Service Center File with Form 1096. For Privacy Act and Paperwork Reduction Act Notice, see the most current version of the General Instructions for Certain Information Returns.
EMPLOYEE'S name		\$	\$		
		5 Exercise price paid per share	6 No. of shares transferred		
Street address (including apt. no.)		\$			
City, state, and ZIP code		7 Date legal title transferred			
Account number (see instructions)		8 Exercise price per share determined as if the option was exercised on the date shown in box 1.			
		\$			

Form 3922 (Rev. January 2010)

Cat. No. 41180P

Department of the Treasury - Internal Revenue Service

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Substitute Forms 3921 & 3922

“Substitute statements. If you are not using the official IRS form to furnish statements to recipients, see Pub. 1179 for specific rules about providing “substitute” statements to recipients. Generally, a substitute is any statement other than Copy B of the official form.

You may develop them yourself or buy them from a private printer. However, the **substitutes must comply with the format and content requirements specified in Pub. 1179** that is available on the website at www.irs.gov.”

<http://www.irs.gov/pub/irs-pdf/i1099gi.pdf>

- Page 10
- Updated to include 3921 & 3922 (though requirements not updated for FINAL regs)

Substitute Forms 3921 & 3922

Publication 1179

- <http://www.irs.gov/pub/irs-pdf/p1179.pdf>
- Does not (yet) refer to 3921 or 3922
 - But general instructions for 3921/3922 refer to 1179 for substitute details

Requirements - format at discretion of filer except for:

- Must contain all applicable form recipient instructions provided on the front and back of official IRS form
- Tax year, form number, form name
- OMB Number “OMB No. XXXX-XXXX”
- “Copy B”

Substitute Forms 3921 & 3922

Requirements (continued):

- “This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.”
- Box numbers
- Filer’s and form recipient’s identifying info

Substitute Forms 3921 & 3922

Requirements (continued):

- Composite statement?
 - Any information required by the official IRS forms that would otherwise be repeated in each information block is required to be listed only once in the first information block on the composite form
 - » As clear as original form

Not required:

- Direct access telephone
(<http://www.irs.gov/pub/irs-pdf/i1099gi.pdf>,
Page 9)

Substitute Forms 3921 & 3922

Do not include:

- Except for state income tax withholding information, information not required by the official form should not be included
 - Other transactions should not be included
- “Substitute for” or “in lieu of”
- Slogans, advertising, and other logos
- Additional enclosures, such as advertising or promotional materials

Sample Substitute Aggregate Form

FORM 3922

Page: 1

**Exercise of an Incentive
Stock Option Under
Section 422(b)**

**TAX YEAR 2010
Copy B**

OMB No. 1545-XXXX

Jane Demo

123 Main Street
Suite 100

Mail stop 4

San Jose, CA United States 94111

SSN:555-55-5555

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	No. of Shares Transferred Box 5
1/1/2009	4/30/2010	\$ 2.32	\$ 10.00	100
1/1/2009	4/30/2010	\$ 2.32	\$ 10.00	100
1/1/2009	4/30/2010	\$ 2.32	\$ 10.00	112

This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.

Date: 8/18/2010

Time: 6:20:18AM

Other Considerations

Are 6039 statements required for international participants?

- Final 6039 regulations provide limited exception, but only for nonresident aliens and only if:
 - No W-2 is required for any calendar year that includes any part of the time between the grant and exercise (or first transfer of legal title if later)

Other Considerations

Identifying number on Participant Statement

- Social Security Number? Or Employee ID?
- Regulation states the “identifying number” be included on the report to the participant
- In practice, most companies use Social Security Number
 - Some companies substitute Employee ID instead
 - Is this an acceptable practice?
- Is masking SSN on participant statements permissible?
 - No, not at this time...

Other Considerations

When a company acquires another company

- Acquirer can agree to assume the target's reporting obligations for the year
- If the acquirer doesn't agree to assume the target's obligations, target is still required to:
 - file the returns with the IRS
 - distribute the statements to the employees

Participant Delivery

Electronic delivery

- Must comply with all requirements applicable to issuing Forms W-2 electronically
 - Must obtain participants' consents, with ability to revoke at any time
 - Obtain consents in a manner which demonstrates they can access the statements electronically
 - Scope and duration of consent must be disclosed
 - Provide means of obtaining paper statement, if desired

Participant Delivery

Electronic delivery (continued):

- Specific security requirements must be complied with
- Must have a system for dealing with undelivered emails
- IRS Reg §31.6051(1)(j) for the full list of requirements
- Further details can be found at:
 - <http://www.irs.gov/pub/irs-pdf/i1099gi.pdf>

IRS Filing

Paper filing

- Acceptable if less than 250 forms, although e-filing is recommended

Electronic filing (e-filing)

- Required if more than 250 forms, encouraged for all
- Not aggregated with other forms to assess 250 requirement
- Rev. Proc. 2009–30, page 27. Electronic filing; 2009 form specifications
- <http://www.irs.gov/pub/irs-irbs/irb09-27.pdf>

IRS Filing

Electronic filing (continued):

- Updates and changes to Publication 1220, Specifications for Filing Forms 1098, 1099, 3921, 3922, 5498, 8935, and W-2G Electronically (revised 7–2009)
- May already file some forms electronically, so will not have to “apply”
 - If not, apply to e-file via form 4419 to obtain Transfer Control Code (TCC)
- Filing Information Returns Electronically (FIRE):
<https://fire.irs.gov/>

IRS Filing

Requirements (continued):

- Types of records
 - Original
 - Corrected
 - Void
- Files in standard ASCII code
 - Fixed width
- Do not send paper AND e-file duplication = penalties
- Test files allowed (generally accepted late in year preceding filing year)
- Files larger than 10,000 records should be compressed
 - WinZip & Pkzip only acceptable formats

IRS Filing

File Format

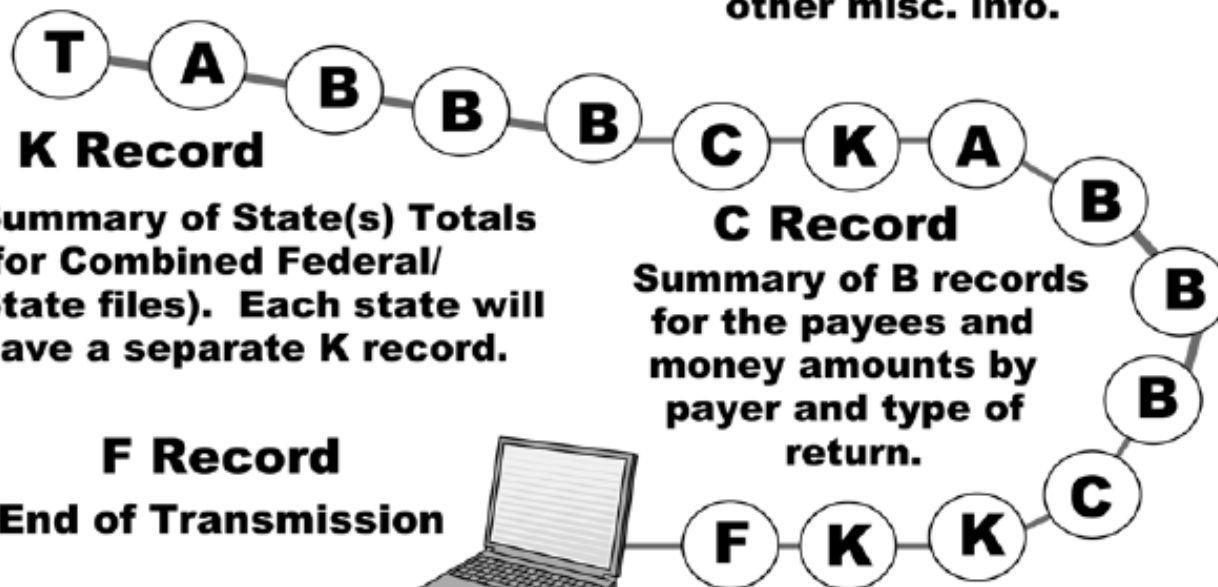
Each record must be 750 positions.

T Record

Identifies the Transmitter of electronic file

A Record

Identifies the Payer (the institution or person making payments) the type of document being reported, & other misc. info.



K Record

Summary of State(s) Totals (for Combined Federal/ State files). Each state will have a separate K record.

F Record

End of Transmission

B Record

Identifies the Payee, the specific payment amounts and info pertinent to that form.

C Record

Summary of B records for the payees and money amounts by payer and type of return.

SOS Solutions

SOS 6039 Xpress

- IRS e-file Creation
- Participant Statements (3921 & 3922)
 - PDF
 - Email

SOS Consent Collection Website

SOS Custom Reports

- In-house software using Crystal Reports
- MS Access

SOS Fulfillment Services

- Specialists in stock plan mailings

Full Service Outsourcing

SOS 6039 Xpress

Access-based Desktop Application 6039 Xpress

- Installed at client site
 - Keeps your sensitive participant data inside your firewall
- Retrieves data from data source
 - In-house software report table OR
 - Flat file (for outsourced/ASP clients)
- Creates file(s) for printing containing standard participant statements
- Create file(s) for e-filing of statements in mandated IRS format with the IRS
 - File Types Supported: Original, Correction, Void

Demo of SOS Xpress



SOS Consent Collection Website

For companies that wish to deliver participant statements electronically

Based on our Tender Offer website technology

Features

- Participant email generated and sent through website
- Secure login
- Legal language re: scope/duration of consent, how to receive paper, how to opt out, etc.
- Consent / Decline / Revoke Consent choices
- Reminder emails sent effortlessly
- Consent elections easy to download
 - Import into stock plan database
 - Use for SOS 6039 Xpress

Summary of SOS Solutions

SOS 6039 Xpress

Consent Collection Website

Custom Reports (Crystal Reports)

Fulfillment Services

End-to-End Outsourcing

Solutions are tailored to your needs

Contact Info



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