



## SOS Solutions Webcast: 6039 Dream Team

*Please note this webcast does NOT qualify for  
CEP credit.*

Vanessa Harrison, Stock & Option Solutions, Inc.  
Michael McDonald, Stock & Option Solutions, Inc.



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## Materials Slides

[http://www.sos-team.com/pdfs/6039\\_Dream\\_Team.pdf](http://www.sos-team.com/pdfs/6039_Dream_Team.pdf)

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## Agenda

- How to Play the Game: A Review of the Section 6039 Requirements
- The 6039 Obstacle Course: Common Pitfalls
- Making 6039 reporting a slam dunk: SOS Solutions



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## HOW TO PLAY THE GAME: A REVIEW OF THE SECTION 6039 REQUIREMENTS

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### Section 6039 - Review

- Participant statements by 1/31
  - Substitute forms allowed – per Pub 1179
  - Aggregate forms for all transactions
- IRS reporting
  - By **2/28** if paper (only for under 250 transactions)
  - By **3/31** if electronic (available to all, required if 250 or more transactions)
  - No substitute statements
  - Filing Information Returns Electronically (FIRE): <https://fire.irs.gov/>
- Transactions that trigger reporting
  - Form 3921: ISO exercises
  - Form 3922: 423-Qualified ESPP “First Transfer”- In most cases the purchase of shares will trigger reporting, if deposited into a brokerage account
  - Public AND Private companies are required to comply

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# Form 3921 – ISO Reporting

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|  |                                  |  |  |   |   |
|--|----------------------------------|--|--|---|---|
| TRANSFEROR'S name, street address, city, state, and ZIP code |                                  | 1 Date option granted  | OMB No. 1545-2129                              | <b>Form 3921</b><br>(Rev. October 2010)   | <b>Exercise of an Incentive Stock Option Under Section 422(b)</b> |
|  |                                  | 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  |  | <b>Copy A</b><br>For Internal Revenue Service Center File with Form 1099. For Privacy Act and Paperwork Reduction Act Notice, see the most current version of the General Instructions for Certain Information Returns. |   |
| 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. October 2010)      Cat. No. 411790      Department of the Treasury - Internal Revenue Service

**Do Not Cut or Separate Forms on This Page – Do Not Cut or Separate Forms on This Page**

<http://www.irs.gov/pub/irs-pdf/f3921.pdf>



# Sample Substitute Aggregate Form - 3921

|  |   |                                  |  |                                   |
|--|---|----------------------------------|--|-----------------------------------|
| SOS Demo3<br>123 Test Ave<br>Campbell, CA 95008  | Exercise of an Incentive Stock Option Under Section 422(b)<br>Tax Year : 2015<br>Form 3921<br>OMB No. 1545-2129<br>Copy B |                                  |  |                                   |
| ORIGINAL   |   |                                  |  |                                   |
| Lname114, Fname114<br>Address114<br>City114, CA 77679 USA  | TRANSFEROR'S federal identification number : 12-3456789<br>EMPLOYEE'S identification number : XXX-XX-5701                 |                                  |  |                                   |
| If other than TRANSFEROR, name, address, and EIN of corporation whose stock is being transferred (Box 6) |   |                                  |  |                                   |
| 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) |
| 2/5/2008   | 3/15/2015   | \$10.00                          | \$21.00  | 250.00                            |

**Instructions for Employee**

You have received this form because your employer (or transfer agent) transferred your employer's stock to you pursuant to your exercise of an incentive stock option (ISO). You must recognize (report) gain or loss on your tax return for the year in which you sell or otherwise dispose of the stock. Keep this form and use it to figure the gain or loss. For more information, see Pub. 525, *Taxable and Nontaxable Income*.

When you exercise an ISO, you may have to include in alternative minimum taxable income a portion of the fair market value of the stock acquired through the exercise of the option. For more information, see Form 8251, *Alternative Minimum Tax—Individuals*, and its instructions.

Account number. May show an account or other unique number your employer or transfer agent assigned to distinguish your account.

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 item is required to be reported and the IRS determines that it has not been reported.

Box 1. Shows the date the option to purchase the stock was granted to you.

Box 2. Shows the date you exercised the option to purchase the stock.

Box 3. Shows the exercise price per share of stock.

Box 4. Shows the fair market value (FMV) of a share of stock on the date the option was exercised.

Box 5. Shows the number of shares of stock transferred to you pursuant to the exercise of the option.

Box 6. Shows the name, address, and employer identification number (EIN) of the corporation whose stock is being transferred (if other than the corporation shown in TRANSFEROR boxes in the upper left corner of the form).

# Form 3922 – ESPP Reporting

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|   |                                  |  |  |  |  |
|---|----------------------------------|--|--|--|--|
| CORPORATION'S name, street address, city, state, and ZIP code |                                  | 1 Date option granted  | OMB No. 1545-2129                              | <b>Form 3922</b><br>(Rev. October 2010)  | <b>Transfer of Stock Acquired Through an Employee Stock Purchase Plan Under Section 423(c)</b> |
|   |                                  | 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 | <b>Copy A</b><br>For<br><b>Internal Revenue Service Center</b><br>File with Form 1096,<br>For Privacy Act and<br>Paperwork<br>Reduction Act<br>Notice, see the<br>most current<br>version of the<br>General<br>Instructions for<br>Certain Information<br>Returns. |  |
| EMPLOYEE'S name   |                                  | \$   | \$   |  |  |
| Street address (including apt. no.)                           |                                  | 5 Exercise price paid per share  | 6 No. of shares transferred                    |  |  |
| 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. October 2010)      Cat. No. 41190P      Department of the Treasury - Internal Revenue Service

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<http://www.irs.gov/pub/irs-pdf/f3922.pdf>



# Sample Substitute Aggregate Form - 3922

505 Demo3  
 123 Test Ave  
 Campbell, CA 95008

Transfer of Stock Acquired Through an Employee  
 Stock Purchase Plan Under Section 423(c)  
 Tax Year : 2015  
 Form 3922  
 OMB No. 1545-2129  
 Copy B

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ORIGINAL

Lname9, Fname9  
 Address9  
 City9, CA 77679 USA

CORPORATION'S federal  
 identification number : 12-3456789  
 EMPLOYEE'S  
 identification number : XXX-XX-5596

| 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 | Date legal title transferred | Exercise price per share determined as if the option was exercised on the date shown in box 1 |
|---------------------|-----------------------|---|--|-------------------------------|---------------------------|------------------------------|---|
| (Box 1)             | (Box 2)               | (Box 3)                                   | (Box 4)                                      | (Box 5)                       | (Box 6)                   | (Box 7)                      | (Box 8)   |
| 4/1/2014            | 6/30/2015             | \$19.50                                   | \$16.00                                      | \$14.40                       | 50                        | 6/30/2015                    | \$17.55   |

**Instructions for Employee**  
 You have received this form because (1) your employer (or its transfer agent) has recorded a first transfer of legal title of stock you acquired pursuant to your exercise of an option granted under an employee stock purchase plan and (2) the exercise price was less than 100 percent of the value of the stock on the date shown in box 1 or was not fixed or determinable on that date.

No income is recognized when you exercise an option under an employee stock purchase plan. However, you must recognize (report) gain or loss on your tax return for the year in which you sell or otherwise dispose of the stock. Keep this form and use it to figure the gain or loss. For more information, see Pub. 525, Taxable and Nontaxable Income.

Account number: May show an account or other unique number your employer or transfer agent assigned to distinguish your account.

Box 1. Shows the date the option to purchase the stock was granted to you.

Box 2. Shows the date you exercised the option to purchase the stock.

Box 3. Shows the fair market value (FMV) per share on the date the option to purchase the stock was granted to you.

Box 4. Shows the FMV per share on the date you exercised the option to purchase the stock.

Box 5. Shows the price paid per share on the date you exercised the option to purchase the stock.

Box 6. Shows the number of shares to which legal title was transferred by you.

Box 7. Shows the date legal title of the shares was first transferred by you.

Box 8. If the exercise price per share was not fixed or determinable on the date entered in box 1, box 8 shows the exercise price per share determined as if the option was exercised on the date in box 1. If the exercise price per share was fixed or determinable on the date shown in box 1, then box 8 will be blank.

This is important tax information and is being furnished to the Internal Revenue Service.

## 3922 Field descriptions...

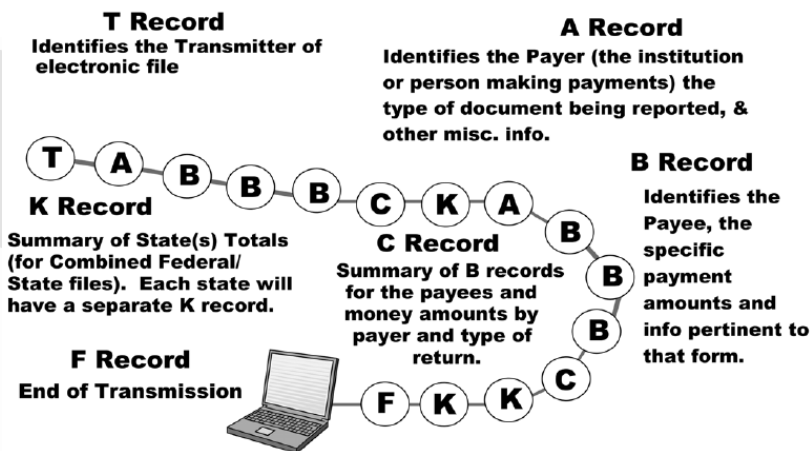
|   |                                  |  |   |   |                                      |   |   |
|---|----------------------------------|--|---|---|--------------------------------------|---|---|
| Stock & Option Solutions, Inc<br>6399 San Ignacio Ave Suite 100<br>San Jose, CA 95119 |                                  |  |   | Transfer of Stock Acquired Through an Employee<br>Stock Purchase Plan Under Section 423(c)<br>Tax Year : 2010<br>Form 3922<br>OMB No. 1545-2129<br>Copy B |                                      |   |   |
| Enrollment Date   | Purchase Date                    | Market Value on Enrollment Date                      | Market Value on Purchase Date                           | Purchase Price  | Shares Purchased                     | Purchase Date                           | Enrollment Date Market Value less Discount % (may be used for tax calculations for qualifying dispositions) |
| Date option granted<br>(Box 1)  | Date option exercised<br>(Box 2) | Fair market value per share on grant date<br>(Box 3) | Fair market value per share on exercise date<br>(Box 4) | Exercise price paid per share<br>(Box 5)  | No. of shares transferred<br>(Box 6) | Date legal title transferred<br>(Box 7) | Exercise price per share determined as if the option was exercised on the date shown in box 1<br>(Box 8)    |
| 1/4/2009  | 2/26/2010                        | \$9.00   | \$10.50   | \$9.89  | 6.07                                 | 3/26/2010                               | \$7.65  |
| 1/4/2009  | 3/31/2010                        | \$9.00   | \$10.50   | \$10.32   | 5.82                                 | 4/30/2010                               | \$7.65  |
| 1/4/2009  | 4/30/2010                        | \$9.00   | \$10.50   | \$11.64   | 5.15                                 | 5/30/2010                               | \$7.65  |
| 1/4/2009  | 5/28/2010                        | \$9.00   | \$10.50   | \$10.87   | 5.52                                 | 6/28/2010                               | \$7.65  |
| 1/4/2009  | 6/30/2010                        | \$9.00   | \$10.50   | \$10.71   | 5.60                                 | 7/30/2010                               | \$7.65  |

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## IRS FIRE Filing: Fixed Width Format File Format

Each record must be 750 positions.



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## Section 6039 - Penalties For Not Playing

- Penalties increased with the passage of the “**Small Business Jobs Act of 2010 (H.R. 5297)**”
- Failure to file with IRS
  - Due: March 31 (if electronic)
    - Late by 30 days or less:
      - Was \$15 per form, \$75,000 max
      - **Now \$30 per form; \$250,000 max**
    - Late by >30 days but filed by August 1:
      - Was \$30 per form, \$150,000 max
      - **Now \$60 per form; \$500,000 max**
    - Filed after August 1 or not at all:
      - Was \$50 per form, \$250,000 max
      - **\$100 per form; \$1,500,000 max**
- **NOW DOUBLE THAT FOR PARTICIPANT FILING**
- **HARSHER PENALTIES FOR INTENTIONAL DISREGARD**

## Section 6039 Review - References

- IRS General Instructions  
<https://www.irs.gov/pub/irs-pdf/i1099gi.pdf>
- Publication 1179  
<http://www.irs.gov/pub/irs-pdf/p1179.pdf>
- Publication 1220  
<https://www.irs.gov/pub/irs-pdf/p1220.pdf>





**THE 6039 OBSTACLE COURSE:  
COMMON PITFALLS**



**Section 6039 – Common Pitfalls**

- HR system vs. Equity system
- TINs & Data Privacy
  - Masking now allowed
- Can I email these forms?
  - Gaining consent
- Returned mail





## Section 6039 – Common Pitfalls

- ISOs treated as NQs
- Fractional Shares
- Non-US Employees
- Mergers & Subsidiaries
  - Box 6!
- What if I missed a previous year filing?



**MAKING 6039 REPORTING A SLAM DUNK:  
SOS SOLUTIONS**



## SOS Solutions

- Be at the top of your game with our full or partial 6039 outsourced solution
  - Dedicated Project Management
  - Data Audit
  - Form generation
  - Mailing
  - IRS e-filing
  - **NEW!** TIN matching




## SOS Solutions- Project Management

| Date                                     | Task   | Notes   |
|--|--|---|
| November 1, 2016 - December 1, 2016      | SOS will offer weekly Q&A sessions for anyone to learn more about the general 6039 process for this year and ask an SOS 6039 specialist any questions you might have.  | A calendar with the specific dates and times of the weekly calls will be distributed in October.  |
| December 6th – 20th, 2016                | Your dedicated 6039 Logistics Manager will be assigned and reaching out to you for a project kick-off call to review our project timeline, data requirements, and key info for a successful completion of the project. | The kick-off calls may be schedule any time during this two week period. It typically takes the SOS 6039 Logistics Managers (6039 LMs) a few days to schedule all the necessary calls. If you have not heard from your 6039 LM by December 12, 2016, please send an email <a href="mailto:6039.LM@sos-team.com">6039.LM@sos-team.com</a> .  |
| December 12th - 16th, 2016               | SOS TIN matching services- early filing window   | Limited spots available. SOS TIN Matching Services Information Sheet available for more details.  |
| 5PM (PT), January 6, 2017                | Deadline for SOS to receive initial 6039 source data to ensure adequate processing and review time to meet required 1/13/16 sign-off date.   | 3921/3922 source data should be sent to <a href="mailto:6039Data@sos-team.com">6039Data@sos-team.com</a> via <a href="http://sos-team.leapfile.net/">LeapFILE</a> at <a href="http://sos-team.leapfile.net/">http://sos-team.leapfile.net/</a> . SOS requires 2-3 days to process, audit and return 6039 generated files for client to review, depending on volume. Once data files are received, your SOS Logistics Manager will confirm when you should expect to receive the processed 6039 files back for review so you can plan accordingly. |
| January 10, 2017 (5PM PT), (approximate) | SOS delivers data audit report, participant statements, TIN Matching file, and IRS e-file(s) to Client for review.   | This is an approximate delivery date based on the initial data being received by January 6th. If data is received after 5PM on January 6th, SOS generated files may be returned to client at a later time according to the note above. SOS will send all 6039 generated files back via <a href="http://sos-team.leapfile.net/">LeapFILE</a> . A Data Audit Summary Guide will be provided by SOS to assist you with the review and audit process.   |
| January 11, 2017 (approximate)           | If necessary, Client provides revised source data for re-generation of SOS 6039 files.   | Client sends revised 3921/3922 source data to <a href="mailto:6039Data@sos-team.com">6039Data@sos-team.com</a> via <a href="http://sos-team.leapfile.net/">LeapFILE</a> at <a href="http://sos-team.leapfile.net/">http://sos-team.leapfile.net/</a> .  |
| January 12, 2017 (approximate)           | If revised source data was provided, SOS delivers revised data audit report, participant statements, TIN Matching file, and IRS e-file(s) to Client for review.  | This is an approximate date based on date and time revised source data was received and volume in SOS data processing queue. Your 6039 LM will communicate the expected delivery timeline. SOS will send all 6039 generated files back via <a href="http://sos-team.leapfile.net/">LeapFILE</a> . A Data Audit Summary Guide will be provided by SOS to assist you with the review and audit process.   |
| January 13, 2017                         | Deadline to approve SOS generated files for participant mailings and e-filing. Final draft of cover letter(s) due to SOS.  | See service contract for late fee details.  |
| January 23, 2017                         | Absolute latest date to approve SOS generated files for participant mailings.  | If final Client signoff of SOS generated files is not received by January 23, 2017 for the 2016 Tax Year, SOS will make best efforts, but cannot guarantee, to mail participant statements prior to IRS mailing deadline of January 31 <sup>st</sup> . See service contract for late fee details.   |
| January 17th - 31st, 2017                | SOS mails participant statements.  | You will receive an email confirmation after your statements have been mailed.  |
| February 13th - 17th, 2017               | SOS TIN matching services- standard filing window  | Please see SOS TIN Matching Services Information Sheet for more details.  |
| March 31, 2017                           | IRS E-Filing Deadline  | SOS will provide more details regarding the e-filing prep process during the statement generation preparation and delivery phase.   |




## SOS Solution- Data Audit & File Generation

- We've got your bases covered! 
  - Easy data gathering requirements
  - Secure and easy file transfer of your sensitive data
  - SOS Data Audit checks for common data errors
    - ✓ Demographic & transactional
  - One easy-to-use package: Participant Statements, e-File, Data Audit, TIN Matching
    - ✓ Convenient format
    - ✓ Expert support

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## SOS Solution- Statement Mailing & e-Filing

- SOS mailing service allows you to coast across the finish line!
  - Print, stuff, audit and mail participant statements
  - 1 page cover letter optional- SOS Template available
  - Customizations available
  - Handled in house by pre-screened workers to ensure your data security
- Grand Finale! 
  - IRS e-file transmission
    - ✓ IRS e-filing can be a hassle
    - ✓ Very specific data formatting- ASCII fixed width
    - ✓ 250 transaction records or greater MUST file electronically
    - ✓ TCC number

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## SOS Solution- TIN Matching

- New!
  - Process of submitting your participant names and Tax IDs to the IRS for verification
  - Checked against IRS database
  - SOS generated files can be submitted by you or us
  - Results analysis and guidance



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## SOS Solution- More Information

- Pricing?
- Who do I contact?
- How can I learn more?

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# Contact Information

 **Stock & Option Solutions**

Vanessa Harrison  
6039 Logistics Lead  
910 Campisi Way, Suite 2E  
Campbell, CA 95008 USA  
Bus: (408) 385-8765  
E-mail: vharrison@sos-team.com

 **Stock & Option Solutions**

Michael McDonald  
Associate Director, Sales  
910 Campisi Way, Suite 2E  
Campbell, CA 95008 USA  
Bus: (408) 385-8773  
Email: mmcdonald@sos-team.com