

# 2021 NATIONAL INCOME TAX WORKBOOK

CHAPTER 10: RETIREMENT,  
INVESTING, AND SAVINGS




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## CHAPTER TOPICS/ISSUES

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## LEARNING OBJECTIVES

P. 371

### LEARNING OBJECTIVES

After completing this session, participants will be able to do the following:

- ✓ Understand who can participate in an I.R.C. § 403(b) plan and how contributions are made to the plan
- ✓ Know how to plan to maximize social security benefits
- ✓ Know how to plan to minimize tax on social security benefits
- ✓ Explain the tax consequences of the conversion of a traditional IRA to a Roth IRA
- ✓ Recognize prohibited transactions for a self-directed IRA
- ✓ Understand and report the deduction for contributions to a health savings account
- ✓ Know the requirements for an individual coverage health reimbursement arrangement
- ✓ Understand how stock options are taxed

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## ISSUE 1: I.R.C. § 403(B) RETIREMENT PLANS

P. 372

**Tax exempt organizations [501(c)(3)s], public school, or church] can establish a 403(b) plan for employees.**

Employees save in individual accounts.

Employers can also contribute to employee accounts.

These accounts are tax-deferred until distribution.

These plans can also be ROTH accounts with contributions taxed in the current year and tax-free distributions - including any earnings.

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## PLAN PARTICIPATION

P. 372

**Employees who are eligible:**

- Employees of tax-exempt organizations
- Employees of public schools who are involved in day-to-day operations
- Employees of cooperative hospital service organizations
- Civilian faculty and staff of the Uniformed Services University of the Health Sciences
- Employees of public school systems organized by Indian tribal governments
- Certain ministers, including self-employed ministers

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## EMPLOYEES WHO CAN BE EXCLUDED

P. 372

- Employees who will contribute \$200 or less annually
- ☐ Employees who participate in a 401(k) or 457(b) plan or other 403(b) plan of the employer
- ☐ Nonresident aliens
- ☐ Employees who normally work less than 20 hours per week
- ☐ Students employed by the school

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## TYPES OF CONTRIBUTIONS

P. 373

**Contributions may be the following:**

- 1. Elective deferrals
- 2. Nonelective contributions, *i.e.* (Employer Contributions)
- 3. After-tax employee contributions
- Any combination of 1, 2, and 3

Employer reports contributions on W-2

Practitioner Note: Self-employed ministers deduct on line 15, Form 1040, Sch. 1

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## CONTRIBUTION LIMITS

P. 373

**Limited to the lesser of:**

- **The limit on annual additions;**
- The limit on elective deferrals (for **2021- lesser of \$58,000 or 100%** includable compensation)

**Includable compensation**= taxable wages; also includes: see *list* pg. 373

Includable compensation does not include any compensation received if the employer is not an eligible employer.

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## CONTRIBUTION LIMITS

P.374

**Most Recent Year of Service:**

The employee's last full year of service, ending on the last day of the employee's tax year that the employee worked for the employer that maintained a 403(b) account on his or her behalf.

*If the employee's tax year is not the same as the employer's annual work period, the most recent year of service is made up of parts of at least two of the employer's annual work periods.*

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## CONTRIBUTION LIMITS - CONTINUED

P. 374

**Most Recent Year of Service****Examples**

- **10.1 Pg. 374** Jackson is a professor at ABC University. **Most recent year is academic year**, January through May and October through December.
- **10.2 Pg. 374** Felicia works at the hospital. **Most recent year of service includes fraction from current year and prior years. (Figure 10.1)**

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## CONTRIBUTION LIMITS, CONT.

PP. 375-376

**(2021)**Generally, **limit on elective deferrals is \$19,500** if taxpayer is under age 50

- Amount is **reduced by contributions to other plans**

15-Year Rule – limit may be increased (up to \$3,000)

**Catch-up contributions age 50 or older - \$6,500 (2021)**


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## EX. 10.3 § 403(B) RETIREMENT PLAN MAXIMUM CONTRIBUTION

How much can be contributed in **2021?** (Under age 50)**Employee's** yearly limit     \$19,500**Employer** contribution     38,500

Total     \$58,000

Age 50 or older, catch-up limit is \$6,500.

**2022:** Maximum employee contribution (under age 50) is \$20,500; 50 or older, catch-up limit is still \$6,500

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## DISTRIBUTIONS

P. 376

Distributions **taxed as ordinary income** and can be made when:

- Reach 59.5 years
- Severance from employment
- Dies
- Becomes disabled
- Financial hardship
- Qualified reservist distribution
- Qualified birth or adoption distribution
- Certain distributions of lifetime income investments

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## DISTRIBUTIONS – RMD'S

**The RMD rules apply to all employer sponsored retirement plans, including:**

Profit-sharing plans, 401(k) plans, **403(b) plans**, and 457(b) plans. The RMD rules also apply to traditional IRAs and IRA-based plans such as SEPs, SARSEPs, and SIMPLE IRAs.

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## ISSUE 2: SOCIAL SECURITY PLANNING

PP. 377

Definitions

- **Average Indexed Monthly Earnings (AIME)** Index workers earnings to reflect changes up to 35 years. Selects highest indexed earnings, sums, then divides by # months in those years.
- **Bend Points** \$ amounts of % of AIME used to calculate PIA changes
- **Full Retirement Age (FRA) = birth Yr.** 1937 & earlier, FRA = 65, '43-'55 FRA increases 2 mos. per year to age 66; 1960 & later, incr. 2 mos. per year until age 67
- **Indexed Earnings:** Earnings indexed to avg. wage level 2 yrs. prior to year of 1st eligibility
- **Primary Insurance Amount (PIA):** Benefit receives at FRA w/o reduction in benefits
- **Retirement Age:** Age 62, with permanent reduction of benefits.

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## SOCIAL SECURITY CALCULATION

P.P. 377-378

**PIA (Primary Insurance Amount) formula**

For an individual who first becomes eligible for old-age insurance benefits or disability insurance benefits in 2021, or who dies in 2021 before becoming eligible for benefits, his/her PIA will be the sum of:

(a) 90 percent of the first \$996 of his/her average indexed monthly earnings (AIME), plus (b) 32 percent of his/her average indexed monthly earnings over \$996 and through \$6,002, plus (c) 15 percent of his/her average indexed monthly earnings over \$6,002.

**Computation of 2021 bend points:** First bend point: \$180 times 54,099.99 divided by 9,779.44 equals \$995.76, which rounds to \$996. Second bend point: \$1,085 times 54,099.99 divided by 9,779.44 equals \$6,002.23, which rounds to \$6,002

## SOCIAL SECURITY CALCULATION

P.P. 377-378

Ex. 10.5 Retirement @ age 66, Retired 7/1/21 after earning \$45,000; AIME = \$6,000 based on top 35 years indexed annual earnings. PIA calc. using 2017 bend points (when she was 62). (\$45,000 is less than \$50,520 2021 FRA limit no reduction in benefits)

**Fig. 10.3 PIA Calculation**

2017 Bend Pts.	AIME	PIA %	PIA
0 through \$885	\$ 885	90%	\$ 796.50
> \$885 thro. \$5,336	\$4,451	32%	\$1,242.32
> \$5,336	\$ 664	15%	\$ 99.60
Total	\$5,000		\$2,320.40

## ISSUE 2: SOCIAL SECURITY PLANNING

P. 379

Year of Birth	Full Retirement Age	Mos. To FRA	@ Age 62 \$1,000 reduced.	% Reduction
1943-1954.	66	48	\$750	25%
1955	66 + 2 Mos.	50	\$741	25.83%
1956	66 + 4 Mos.	52	\$733	26.67%
1957	66 + 6 Mos.	54	\$725	27.50%
1958	66 + 8 Mos.	56	\$716	28.33%
1959	66 + 10 Mos.	58	\$708	29.17%
1960 & Later	67	60	\$700	30%

**Note:** If delaying SS benefits, apply for Medicare benefits within 3 months of the 65<sup>th</sup> birthday to avoid increased cost of Medicare Part B and prescription drug coverage. **Fig. 10.4**

## SPOUSAL BENEFITS &amp; EARLY BENEFITS

PP. 379-380

◦ **Spousal Retirement Benefits (Example 10.6)**

- Bill and Mary retired in 2021 at FRA. Combined benefit is \$2,100. (1400X.150=2100). Bill's = \$700 which is greater than his \$600 benefit.

◦ **Early or Late Retirement (Example 10.7)**

- **Figure 10.5** Sandy's benefits at ages 62, 66, 67. Assume Sandy's life expectancy is 18.80 more years @ age 70, and he will receive an annual benefit of \$46,740 if he waits to age 70 to take benefits as opposed to \$27,888 if he starts @ age 62. But see, the continuation Figure 10.5 next

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## COMPARISON EARLY OR FRA BENEFITS

P.380

**Fig.10.5 and Ex. 10.7 Cont'd.**

<u>Age</u>	<u>Annual Payment</u>	<u>Total An. Payment</u>	<u>Total Benefits Received</u>
62	\$2,324 X 12 =	\$27,888	\$153,384 (\$27,888 X 5.5)
66	\$3,113 X 12 =	\$37,356	\$56,034 (\$37,356 X 1.5)
70	\$3,895 X 12 =	\$46,740	\$0

Assume Sandy dies @ age 67.5:

Age @ age 62 begins benefits, lives 5.5 years, Total benefits received=\$153,384

FRA = @ age 66, begins benefits, lives 1.5 years, Total benefits rec'd = \$56,034

Benefits @ age 70 = \$0

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## WORKING BEFORE FRA

P. 381

- **Working before FRA & Drawing SSI** Excess of some or all benefits received must be repaid
  - 2021 Wage Base Amount = \$142,200; **2022 = \$147,000**
  - 2021 Under FRA Annual earnings limit \$18,960; **2022 = 19,560**
  - 2021 FRA during year, limit = \$50,520; **2022 = 51,960**
  - FRA before year, no limit on earnings
- **Special Payments received after Retirement**
  - **Earned** before retirement, – can be excluded - ex. Wage earner vacation pay, severance pay, bonuses paid after retirement
  - SS benefit recipients before FFA- receiving earnings above limit can exclude, but **must notify SSA** of special payments received.

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## TAXATION OF SOCIAL SECURITY BENEFITS

PP. 383-385

Figure 10.6 Form SSA-1099 Social Security Benefit Statement

**Figure 10.7 Social Security Tax Calculation Terms**

- Modified adjusted gross income
- Provisional Income
- Base amount
- Adjusted base amount

**Example 10.8** Provisional Income Exceeds Adjusted Base Amount

Mary and Jeff have \$20,000 social security benefits.  $\$14,500 < \$17,000$  ( $\$20,000 \times .85$ )  $\$14,500$  is includable.

See **SSB Worksheet, P. 384**

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## SOCIAL SECURITY BENEFITS PLANNING

PP. 386-388

**Qualified Charitable Distributions**

- **Example 10.9** Jeanne single, makes a \$10,000 QCD. None of her SSI is taxable. **Fig. 10.10**
- **See Planning Pointer:** Consider opting out of installment sale if beneficial to not spread sale over multiple years and increase AGI for those years if receiving SSI.

**Planning for Spouses**

- **Example 10.10** Both Spouses below the Wage Base – no change in end result.
- **Example 10.11** One Spouse above and One Spouse below the Wage Base – SS tax reduced. (Spouses form 50/50 P/S H shifts 1/2 his income to W whose income is above wage base) reduces their total SS tax. Shifting income depends on the **Average Indexed Monthly Earnings (AIME)** of each

**Maximizing Social Security Benefits**

- **Example 10.12** Same Bend Points, Profit Shifting –decrease H AMIE- increases W AMIE same amt., offsets PLA amounts.
- **Example 10.13** Different Bend Points- Profit shift- H AMIE decreases, but W increases

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## ISSUE 3: IRA CONVERSIONS

P. 389

Conversions from a traditional IRA to a Roth IRA

No current deduction, but Roth's have two advantages:

- Distributions of regular and qualified distributions are tax free
- No RMD required during original owner's lifetime

**2021 MAGI limits apply**

- Individuals \$140,000
- Married filing jointly \$208,000
- Married filing separately \$10,000
- No income limit applies to conversions

**Practitioner Note - Defining Roth MAGI**

= AGI with some adjustments

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## ROTH IRA DISTRIBUTIONS

P. 389

**Qualified distributions from a Roth IRA are not included in gross income if**

1. Made on or after age of 59½
2. Made to a beneficiary (or estate) on or after the death of the individual
3. A payment made attributable to the individual's being disabled
4. A qualified special purpose distribution

**Traditional IRA Contribution Limits. If more than 1 IRA, limit applies to total contrib. made to all traditional IRAs during the year**

- \$6,000 per year or taxpayer's compensation
- \$7,000 per year with the "catch-up" amount if taxpayer is 50 or older

## GENERAL CONVERSION RULES

P. 390

Taxpayer can receive a withdrawal from a traditional IRA and **within 60 days** reinvest the same assets into a Roth IRA

A conversion can be done as a **trustee-trustee transfer**

The **10% additional tax on an early distribution does not apply**

HOWEVER, if the traditional IRA was a **deductible IRA**, then all or part of the **distribution may be included in gross income and subject to ordinary income tax.**

**Example 10.14** Conversion from a Traditional Deductible IRA

Part 1 2020 Conversions From Traditional, SEP, or SIMPLE IRAs to Roth IRAs	
Complete this part if you converted part or all of your traditional, SEP, and SIMPLE IRAs to a Roth IRA in 2020.	
16 If you completed Part 1, enter the amount from line 8. Otherwise, enter the net amount you converted from traditional, SEP, and SIMPLE IRAs to Roth IRAs in 2020	16 24,000
17 If you completed Part 1, enter the amount from line 11. Otherwise, enter your basis in the amount on line 16 (see instructions)	17 0
18 Taxable amount. Subtract line 17 from line 16. If more than zero, also include this amount on 2020 Form 1041, 1041-QR, or 1041-AR, line 4b	18 24,000

## CREATING A BACKDOOR ROTH IRA

P. 391

Contribute to traditional nondeductible IRA then convert to Roth  
**Practitioner Note:** Backdoor Strategy – TCJA conference report - Contribution to a traditional IRA, then convert it to a Roth IRA.

**Example 10.15** Backdoor Roth IRA – Jason earns too much to make Roth IRA contribution. He contributes \$7,000 to nondeductible traditional IRA reports on F8606, takes a distribution from the traditional IRA, then rolls to it a Roth w/i 60-day time limit. Reports \$100 earnings on F 8606 & line 4 of F1040.

## BASIS ALLOCATION WITH MULTIPLE IRAS

PP. 391-393

If the taxpayer has a traditional IRA with deductible contributions, the basis in a newly established IRA will be allocated among the new and any existing IRAs, increasing the amount of tax the taxpayer must pay when a conversion is executed.

**Example 10.16 Multiple IRAs**

See **Figure 10.12** for the calculation of **basis: \$5,829**

**Taxable amount is \$5,929**

**Observation** - IRA Basis and Value

It is important for the tax practitioner to obtain information about all the taxpayer's IRAs **because** basis is divided among all IRA's.

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## ISSUE 4: SELF-DIRECTED IRAS

P. 394-400

**Broader investment choices but risk a prohibited transaction. Can invest in real estate, virtual currency, etc.**

**Self-directed IRAs are prohibited from investing in:**

1. Works of art
2. Rugs or antiques
3. Metals or gems (certain bullion, such as stored at a bank, is allowed)
4. Stamps or coins (certain coins issued under state law are allowed)
5. Alcoholic beverages
6. Certain other tangible property

Gold, silver, platinum or palladium bullion in possession of a bank or Nonbank trustee (IRS approved) **are not** considered collectibles.

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## PROHIBITED TRANSACTIONS

PP. 393-394

**Prohibited transactions are direct or indirect transaction between an IRA and disqualified person. Examples are:**

1. Sale, exchange or leasing of any property
2. Lending money or extension of credit
3. Furnishing goods, services, or facilities
4. Transfer to, or use of income or assets
5. Dealing with plan income or assets as his or her own interest
6. Receipt of any consideration for the personal account

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## DISQUALIFIED PERSON

P. 395

Is defined under I.R.C. § 4975(e)(2) as **any of the following**:

1. Fiduciaries (discretionary authority or control of the IRA)
  2. A person providing services
  3. An employer whose employees are covered under the plan
  4. An employee organization whose members are covered under the plan
- Certain other persons and entities (see 5-9, pg. 395)

**Example 10.17** Disqualified Persons. Ray has a self-directed IRA. He owns 3 rental properties. Ray is owner & has discretion to make investment decisions. He is a DQP and cannot sell a rental property to the IRA or engage in any other prohibited transactions with the IRA.

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## PROHIBITED TRANSACTIONS

PP. 395-396

**Examples of possible prohibited transactions:**

- o **Borrowing money from an IRA**
- o **Selling property to an IRA**
- o **Using an IRA as security for a loan**
- o **Buying property for personal use (present or future) with IRA funds**

**Thiessen v. Commissioner, 146 T.C. 7 (2016)** T/p's used corp. owned by self directed IRA to acquire assets of a business. Corporation signed a promissory note for some of purchase & t/p's personally guaranteed the note. T.C. held that the guarantees were indirect extensions of credit from the t/p to their IRAs and was a prohibited transaction.

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## NOT PROHIBITED TRANSACTIONS

P. 396

A loan made by the plan to a disqualified person who is a participant or beneficiary of the plan is not a prohibited transaction **if the loan**

1. is available to all such participants or beneficiaries,
2. is not made available to highly compensated employees in an amount greater than the amount made available to other employees,
3. is made in accordance with specific provisions regarding such loans as set forth in the plan,
4. bears a reasonable rate of interest, and
5. is adequately secured

Practitioner Note: Prohibited Transaction Exemptions – Issued by DOL

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## REAL PROPERTY IN A SELF-DIRECTED IRA

PP. 396-398

A self-directed IRA **can purchase real property**, but must avoid prohibited transaction rules must comply with the following:

1. IRA cannot purchase property from the owner or a Disqualified Person
2. Must title the property in the name of the IRA
3. Purchase the property using IRA funds
4. Must be Nonrecourse financing and IRA owner or DQO **is not** borrower/guarantor

**Financing Real Property**

**Example 10.18 see ex. 10.17, pg. 395** – self directed IRA purchased rental prop. For \$125 k IRA has \$100 k, lender must finance \$25k with nonrecourse note, c/n be guaranteed by Ray or his wife.

**Managing Rental Property** - can be done through an IRA owned LLC.

Rental income may be Unrelated Business Taxable Income (UBTI)/Unrelated debt financed income (UDFI) – If >\$1,000 UDFI then file Form 990-T-pay tax @ trust & estate rate

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## REAL PROPERTY IN A SELF-DIRECTED IRA

P.P. 396-398

**Taxation of Rental Income:** @ Estates & Trusts rates

- Unrelated Business Taxable Income (UBTI) > \$1,000, file F-990-T
- Unrelated Debt Financed Income (UDFI) > \$1,000, File F-990-T

Ex. 10.19, Pg. 397

Rebecca's IRA has a \$100,000 balance, purchases rental prop. for \$125,000, IRA borrows \$35,000. Yr. 1 IRA collected \$11,400 rent, had \$3,000 property expense. Avg. adj. basis of the property or yr. 1 was \$120,000. UDFI for yr. 1 Ratio (debt to val. of prop.) is calculated:  $\$30,000/\$120,000 = .25$

$.25 \times \$11,400$  rent inc. = \$2,850. Rent Exp. =  $.25 \times \$3,000$  or \$750. + \$1,000 specific deduction.

See Fig. 10.13 pg. 398

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## RISK OF FRAUD WITH SELF-DIRECTED IRA

PP. 399-400

SEC issued Investor Alert: Self-Directed IRAs and Risk of Fraud (8/8/2018)

**Summary:**

- **Custodial Responsibilities and Information Misrepresented**
- **Avoiding Fraud**
  - Verify Self-Directed IRA Account Statement Information
  - Avoid Unsolicited Investment Offers
  - Ask Questions
  - Be Wary of Guaranteed Returns
  - Consult a Professional
- **Recourse for Fraud Victims**
  - See list p. 400

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## ISSUE 6: INDIV. COVERAGE HRA (ICHRA)

PP. 404-405

I.R.C. § 105 allows for **reimbursement of medical expenses** under an employer-sponsored health plan.

- As of Jan 1, 2020, regulations allow employers to establish **Individual Coverage Health Reimbursement Arrangement (ICHRA)s**.
- Funded solely by employer
- Required Insurance
  - Employees and dependents must be covered by health insurance (or Medicare A or B) to receive reimbursements from an ICHRA. Reimb. Can include premiums for indiv. Health coverage and Medicare.
- Integration of an HRA can occur with individual health coverage –
  - **See the list on page 405**

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## TAX SAVINGS

P. 405

ICHRA **reimbursements** for employee, employee's spouse, and dependents for medical care **are excluded from the employee's income and wages for federal income tax and employment tax.**

**Example 10.21** ICHRA Tax Savings

H&W no children, their t.i. = \$200,000. W pays for her own indiv. Ins. coverage she paid 1200 per month. W's employer has a ICHRA and pays reimbursement up to \$12,000 per year. \$12,000 is excluded from W's income, which can provide a federal income tax savings \$2,880 (24% rate). The exclusion is also exempt from FICA and state income tax.

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## SUBSTANTIATION

P. 405

**Employers must require that employees** - To enroll in ICHRA plan, Employee covered by the plan, must **1)** prove enrollment in eligible health care (including Medicare) coverage for employee, spouse, and dependents for each month covered. And **2)** for reimbursement, employee must prove eligible individual was covered by health care, during month medical care expense incurred.

IRS Sample attestation forms @[www.irs.gov/pub/irs-uttl/health-reimbursement-arrangements-faqs.pdf](https://www.irs.gov/pub/irs-uttl/health-reimbursement-arrangements-faqs.pdf).

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## NONDISCRIMINATION

P. 406

Employers can offer group health plans to one class of employees, and an ICHRA to another class of employees. **See list of allowed classes. Pg. 406**

Minimum class size rules may apply.

*Employer with fewer than 100 employees, minimum class size is 10*

New versus grandfathered current employees may have different options.

Can offer increased amounts for older workers & those with more dependents.

Age class cannot discriminate in favor of highly-compensated employees.

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## IMPACT ON THE PREMIUM TAX CREDIT

PP. 406-407

**ICHRA's will provide tax-advantaged savings for many employees purchasing of health care insurance or services.**

However, for some employees, an ICHRA could increase their costs because an offer of an affordable ICHRA makes recipient ineligible for a premium tax credit.

*Cross-Reference to 2020 NITW for calculation of affordability-pg. 395*

Employers must provide **a written notice at least 90 days prior to offer of ICHRA** - impacts of an ICHRA on the employee's premium tax credit eligibility.

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## SAFE HARBORS: APPLICABLE LARGE EMPLOYERS

P.P. 407-408

**ALEs have an average of 50 or more Full Time Equivalent Employees (FTEs)** in the preceding calendar year-

o **Location Safe Harbor**

o Where employee's **employment is located** instead of residence- whether offer is affordable

o **Look-Back Month Safe Harbor**

o Employer-use **any calendar month to determine employees required contribution**

o **Household Income Safe Harbor**

o **W-2: federal poverty line**

o **Example 10.21** Application of the **Safe Harbors**

o Use applicable premium in **work location**

o January 2020 is **lookback month**

o \$2,000/month using **rate-of-pay safe harbor**

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## ISSUE 7: STOCK OPTIONS

PP. 409-410

**Statutory stock options** are incentive stock options (ISOs) under I.R.C. § 422 and options granted under an employee stock purchase plan (ESPP) described in I.R.C. § 423.

- o Exercise of the Option

- o Generally, no income inclusion

- o Disposition of the Stock

- o If stock from an ISO is held 2 years from granting, and 1 year from exercise then capital gain/loss

- o If holding period not met, ordinary income

## NONSTATUTORY STOCK OPTIONS

P. 410

A **nonstatutory stock option** Employee or independent contractor can purchase the employer's stock. Generally, there are no tax consequences for the employer or the employee on the grant of a nonstatutory stock option in connection with the performance of services if the option does not have a readily ascertainable FMV.

- o **Exercise of the Option**

- o Employee has ordinary income

- o **Risk of Forfeiture**

- o If risk exists, then the compensation not included in the employee's income

- o **Section 83(b) Election**

- o Recipient can elect to include the FMV of stock in income in year transferred

## NONSTATUTORY STOCK OPTIONS

P. 411-413

**Section 83(i) Deferral**

- o Allows qualified employees of privately held corps to defer paying income tax for up to 5 years on the exercise

- o Qualified stock options and restricted stock units

**See Notice 2018-97 for additional guidance**



## EXAMPLES

P. 411-414

**10.23 pg. 414** Restricted Nonstatutory Options – No Election  
Emilio doesn't include in income until vested

**\$100,000 income**

**10.24 pg.414** Restricted Nonstatutory Options – With Election  
Emilio makes 83(b) election to include at exercise  
\$50,000 income

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Questions?

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