Make tax season less taxing.

Information to help you determine your 2013 tax-reporting requirements

Only when you sell shares acquired from a qualified ESPP does a taxable event occur. Upon selling shares, you may have taxable ordinary income to report, in addition to any capital gains or losses. To determine your tax-reporting requirements, follow the steps outlined in this document.
1 Gather the following documents.

<table>
<thead>
<tr>
<th>FORM/DATA</th>
<th>WHERE TO FIND IT</th>
<th>WHO TO CALL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Form W-2 (or 1099-MISC if you are a nonemployee)</td>
<td>This form will be provided by your employer/company.</td>
<td>Your company’s payroll department</td>
</tr>
<tr>
<td>IRS Form 1040 (the full 1040, not the 1040EZ or the 1040A), including Schedule D Capital Gains and Losses</td>
<td>Forms are available online at <a href="http://www.irs.gov">www.irs.gov</a>, by calling 800.TAX.FORM (800.829.3676), or by visiting your local IRS office.</td>
<td>Your local IRS office or your tax advisor</td>
</tr>
<tr>
<td>IRS Form 8949</td>
<td>This form is available online at <a href="http://www.irs.gov">www.irs.gov</a>, by calling 800.TAX.FORM (800.829.3676), or by visiting your local IRS office.</td>
<td>Your local IRS office or your tax advisor</td>
</tr>
<tr>
<td>Your ESPP Transaction History</td>
<td>You would have received purchase confirmation and statements from Fidelity at the time of your original share purchases. The information that you need will include the purchase dates, fair market value, total shares purchased, and grant dates. Information is also available online at Fidelity NetBenefits®.</td>
<td>A Fidelity Stock Plan Services Representative at the number provided on the statement</td>
</tr>
<tr>
<td>Form 1099-B</td>
<td>You can access the form online at Fidelity.com/taxforms at the end of January. In addition, a form will be mailed no later than mid-February, if applicable.</td>
<td>A Fidelity Stock Plan Services Representative at the number provided on the statement</td>
</tr>
<tr>
<td>IRS Form 3922</td>
<td>Your employer will arrange to provide you with a Form 3922 whenever you purchase employee stock under a Section 423 qualified ESPP.</td>
<td>Your employer or Fidelity Stock Plan Services</td>
</tr>
</tbody>
</table>
2 Determine if you have a Qualified or Disqualified Disposition

Your ESPP is qualified under Section 423 of the Internal Revenue Code and qualifies for special capital gains tax treatment if you hold your shares for a certain period of time. The first step in preparing your taxes is to determine whether the shares you sold should be treated as a “qualified disposition” or “disqualified disposition.” You will need to do this in order to determine whether you owe any ordinary income and to adjust your cost basis prior to calculating your capital gain or loss when you prepare IRS Form 8949 and Schedule D.

Qualified Disposition:
Favorable capital gains tax treatment happens when two time periods are met. First, shares must be sold two years or more from your plan’s grant date (or beginning of offering period).* Second, the sale should happen more than one year after the purchase date of shares.

Disqualified Disposition:
This occurs when you sell your shares within the first two years of your plan’s grant date (or beginning of offering period)* or one year from the purchase date.

*Sometimes this date is the same as your enrollment date and other times it is not. If you are unsure of the date, check your plan document or the NetBenefits Web site for details.

What is the date shares were purchased and when did you sell those shares?

For Example:
Grant date/Beginning of offering period: 1/1/2011
Date shares purchased for you: 2/1/2012
Date you sold these shares: 1/1/2013

You have a disqualified disposition because even though you sold two years after the grant date, it was not yet a year after the purchase.


3 Report your ordinary income.

Your company may report your ESPP income after you sell your stock on your W-2 as wages in Box 1 if you are a salaried employee or you may receive a 1099-MISC if are a nonemployee of the company. Even if your company does not report the income from an ESPP as compensation on your W-2, you are still responsible for properly reporting and paying tax on the amount of ordinary income. In addition, you may owe tax on any capital gains resulting from the sale of your stock, which is explained in later steps.

Example: IRS W-2 for ESPP & 1040

For illustrative purposes only.

Your employer might also use this area to report additional compensation.

ESPP income will usually be included with your other compensation in box 1.

ESPP income could be included in boxes 16 and 18 if state and local tax withholding applies.

W-2 or 1099-MISC income is reported on Line 7 of Form 1040.

For illustrative purposes only.

Continues
Your Employee Stock Purchase Plan

3 Report your ordinary income.

Your W-2 will more than likely aggregate all your income together, including ESPP amounts. However, you may need to figure out what the ESPP amount was per lot sold, so you can properly adjust your tax cost basis. You’ll use this information for Step 5, where you report any capital gains or losses. If you don’t make this adjustment, you could end up being taxed twice on this income.

The calculation depends on whether you had a qualified or disqualified disposition:

<table>
<thead>
<tr>
<th>QUALIFIED DISPOSITION</th>
<th>DISQUALIFIED DISPOSITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ordinary Income =</td>
<td>(Fair Market Value at purchase – Discounted purchase price) × number of shares sold</td>
</tr>
<tr>
<td>The lesser of:</td>
<td></td>
</tr>
<tr>
<td>1. Discount amount (at grant date or offering period begin date) × number of shares sold</td>
<td></td>
</tr>
<tr>
<td>OR</td>
<td></td>
</tr>
<tr>
<td>2. (Sale price – Purchase price) × number of shares sold</td>
<td></td>
</tr>
<tr>
<td>Cost Basis =</td>
<td>(Purchase price × number of shares sold) + Ordinary Income</td>
</tr>
</tbody>
</table>
4 Assemble information on the purchase and sale of your stock.

Your employer is required to provide you with Form 3922 whenever you purchase employee stock under a Section 423 qualified ESPP. You should expect to receive Form 3922 in January of the year following the purchase. Even if you don’t have a tax-reporting event in 2013, you will still receive this form. Please save this Form 3922 as it contains important tax information to help you file your taxes when you sell this stock. Remember, when you sell stock acquired under an ESPP, you may have taxable ordinary income to report in addition to any gains or losses you may incur.

Note: This information is also available on NetBenefits.com. Go to the ESPP link, then click Transaction History > View History Details.

<table>
<thead>
<tr>
<th>COLUMN</th>
<th>DESCRIPTION, AS IT APPLIES TO ESPP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Date option granted (grant date, offering period begin date)</td>
</tr>
<tr>
<td>2</td>
<td>Date option exercised (purchase date)</td>
</tr>
<tr>
<td>3</td>
<td>Fair market value per share on grant date (grant date FMV, beginning FMV)</td>
</tr>
<tr>
<td>4</td>
<td>Fair market value per share on exercise date (purchase date FMV)</td>
</tr>
<tr>
<td>5</td>
<td>Exercise price paid per share (purchase price)</td>
</tr>
<tr>
<td>6</td>
<td>No. of shares transferred (total shares purchased)</td>
</tr>
<tr>
<td>7</td>
<td>Date legal title transferred (purchase date)</td>
</tr>
<tr>
<td>8</td>
<td>Exercise price per share determined as if the option were exercised on the date shown in box 1</td>
</tr>
</tbody>
</table>

For illustrative purposes only. Actual form may vary based on point of origin (your employer, transfer agent, or third-party service provider).

1For Fidelity-administered purchases.
4 Assemble information on the purchase and sale of your stock.

Refer to your Fidelity Brokerage 1099 Tax-Reporting Statement (also available on Fidelity.com/taxforms) to determine:

1. Date of Sale or Exchange
2. Number of Shares Sold (Quantity Event)
3. Cost or Other Basis Provided to IRS/Not Provided
4. Proceeds (Gain/Loss [-])

Example: Fidelity Brokerage 1099-B Tax-Reporting Statement

<table>
<thead>
<tr>
<th>Action</th>
<th>1a Date of Sale or Exchange</th>
<th>1b Date of Acquisition</th>
<th>1e Quantity Sold</th>
<th>2a Sales Price of Stocks, Bonds, etc. (a)</th>
<th>3 Cost or Other Basis (b)</th>
<th>Gain/Loss (-)</th>
<th>5 Wash Sale Loss Disallowed</th>
<th>4 Federal Income Tax Withheld</th>
<th>13 State Tax Withheld</th>
</tr>
</thead>
<tbody>
<tr>
<td>THETA INC, THT, XXXXXXXXXX</td>
<td>03/15/2013</td>
<td>03/12/2013</td>
<td>153.259</td>
<td>30,452.25</td>
<td>28,452.25</td>
<td>-2,008.04</td>
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<tr>
<td>Subtotals</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>36,710.54</td>
<td>34,702.50</td>
<td></td>
</tr>
<tr>
<td>TOTALS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>36,710.54</td>
<td>34,702.50</td>
<td>2,008.04</td>
</tr>
</tbody>
</table>

Box A Short-Term Realized Gain
Box A Short-Term Realized Loss
Box A Wash Sale Loss Disallowed

For illustrative purposes only.
Use the forms to calculate your capital gains and/or losses on IRS Form 8949 and IRS Form 1040, Schedule D.

Even though the ordinary income may be reported on your W-2 or 1099-MISC, you still need to report the sale of the stock on Form 8949 and carry over the amounts to Schedule D.‡

In preparation of completing these forms, consider the following:

1. How long did you hold the shares before you sold them? This determines which section of the 8949 to complete.

   Form 8949 is divided into two parts. Determine which section you will need to complete:
   - Part I is for short-term capital gains or losses. Short term is defined as selling the stock less than one year from the date you acquired it.
   - Part II is for long-term capital gains and losses. Long term is defined as holding the stock for more than one year from the date you acquired it.

   Qualified dispositions are always considered long term; however, disqualified dispositions can be either short term or long term depending on how long you held the shares before selling them.

2. You need to figure out the ordinary income amount that may have been included in your W-2 or 1099-MISC so you can adjust your cost basis on Form 8949, if necessary. Go back to Step 3 for help.

‡State and local taxes may also apply and the rules governing such taxes may vary from federal income tax rules. Please consult your tax advisor.
Use the forms to calculate your capital gains and/or losses on IRS Form 8949 and IRS Form 1040, Schedule D.

To complete Form 8949 and Schedule D, you need to know:

- Number of shares you sold
- The date of sale
- When you acquired/purchased those shares
- The gross proceeds from the sale

Example: ESPP Purchase and Sell after Holding Short Term (held less than 1 year)
5 Use the forms to calculate your capital gains and/or losses on IRS Form 8949 and IRS Form 1040, Schedule D.

Example: ESPP Purchase and Sell after Holding Long Term (held longer than 1 year)

Note: Qualified Dispositions will always be considered long-term holdings.

To complete Form 8949 and Schedule D, you need to know:
- Number of shares you sold
- The date of sale
- When you acquired/purchased those shares
- The gross proceeds from the sale
Use IRS Form 8949 to calculate your capital gains and/or losses on IRS Form 1040, Schedule D.

Gain or loss from the sale of the stock should be reflected on Form 8949 and Schedule D. How this is reflected is dependent on whether the sale is short term (less than one year from the date the stock was acquired to the date it was sold) or long term (more than one year from the date acquired to the date of sale).

Example: Short-Term Gains or Losses

Example: Long-Term Gains or Losses

For illustrative purposes only.

Go back to the Fidelity Resource Center

If you have questions, a Fidelity Stock Plan Services Representative can help. Call 800.544.9354.

Tax laws are complex and subject to change. State and local taxes may also apply, and the rules governing such taxes may vary from federal income tax rules. Your actual income tax consequences depend on your individual circumstances. Therefore, you should always consult a qualified tax advisor regarding your own particular tax situation.

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