

Don't overpay your taxes. Learn more about tax reporting and cost basis facts for stock plans.

As a participant in your company's stock plan program, it's important that you understand the basics of tax reporting on these transactions to avoid overpayment. **You are responsible for accurate tax reporting to the IRS on the sale of all securities when you file your tax return.**

Please click the links below to jump to specific sections that may pertain to your situation:

[Cost basis basics >](#)

[Cost basis calculations >](#)

[Reporting on RSUs >](#)

[Cost basis resources >](#)

Please carefully review the information in this document with your tax advisor.

Why does cost basis matter for stock plan transactions?

Cost basis is used to compute capital gains and losses. You have to determine the correct cost basis on stock plan transactions in order to accurately file your taxes and avoid being taxed twice on the income portion included in the W-2 your company sends you.

Cost basis for stock plan transactions

Cost basis is the price paid to acquire shares, plus commissions and any fees. Stock plans enable employers to issue company stock for services rendered. Employers issue company stock as part of compensation to their employees. As a result, ordinary income (compensation) may be earned as part of the stock plan transaction.

The event that triggers the ordinary income varies and is dictated by tax law but can include grant, vest, or exercise of the award, or purchase of employee stock purchase plan (ESPP) shares and the subsequent sale or disposition of those shares. Ordinary income is a factor in determining cost basis when stock plan shares are sold.

About the Internal Revenue Code

Since tax year 2015 regulations and moving forward, regulators have required brokers to report the award price (i.e., the price at which the award was granted to you).

Brokers are not allowed to adjust the cost basis for shares for which ordinary income has already been recognized. The responsibility to adjust now falls to you, the participant.

You may need to adjust your cost basis on Form 8949 for ordinary income already recognized. We will explain this in greater detail later in this document.

Important items to consider

If you use TurboTax® or other tax software, transactions in your Schwab Equity Award Center® account cannot be automatically downloaded into the tax software and must be entered manually.

Keeping detailed records of transactions can help you manage your tax obligations. Schwab does not provide tax advice. Consult a tax advisor to address your specific circumstances.

What is cost basis?

Original cost basis is the purchase price you paid for an investment, plus commissions and any fees.

Adjusted cost basis is the original acquisition cost plus any adjustments due to the following:

- Stock plan and ESPP transactions
- Corporate actions
- Wash sales
- Amortizations and accretions
- Standardized options

This fact sheet covers cost basis reporting for stock plan transactions and ESPP transactions. Learn more about cost basis at schwab.com/costbasis by logging in to your account.

What are covered and non-covered securities?

For stock plan awards, covered securities include shares acquired on or after January 1, 2011:

- Upon the exercise of an incentive (ISO) or nonqualified (NQ) stock option
- Upon the purchase of shares through an employee stock purchase plan (ESPP)

Restricted stock units (RSUs), restricted stock awards (RSAs), performance stock units (PSUs), and performance stock awards (PSAs) are typically non-covered.

For covered securities, Schwab reports cost basis to the IRS. For non-covered securities, Schwab will not report cost basis to the IRS.

For stock plan participants with retail account transactions, Schwab will provide cost basis for covered and non-covered securities, as available, on a Form 1099 Composite statement.

Participants with multiple accounts will receive tax forms for each account. Tax forms are sent only if you had a sale transaction in your account(s).

Which values are used to calculate the cost basis of various stock plan transactions?

Ultimately, you need to take into account taxable income and taxes already paid when determining your final cost basis. It is extremely important to understand how Schwab reports cost basis to the IRS and the adjustments to make when completing your tax return.

Consult with a tax advisor to ensure proper reporting at tax time. For more information, log in to Schwab.com and go to your **Equity Awards** account. On the **Equity Award** dashboard, navigate to the section titled Knowledge Center and select the type of award you have received. Click on the link to access in-depth premium content. A screen will pop up asking you to click to continue to myStockOptions.com. The Tax Center will populate once you click the myStockOptions.com link.

The following table can be used as a guide to understand the cost basis price Schwab reports to the IRS, the cost basis price Schwab provides on our tax reporting documents to you, and which equity award types require an adjustment to the cost basis reported to the IRS to account for the income portion.

Cost basis tax reporting by equity award type

Equity award type	Cost basis price Schwab is required to report to the IRS	Cost basis price Schwab provides to participants on 1099-B portion of tax document	Will I need to adjust my cost basis on Form 8949 to account for ordinary income?
Restricted Stock Units (RSUs)	Non-covered: cost basis not reported to IRS	FMV*	You will not need to adjust your cost basis, but you will need to use Form 8949 to report cost basis and the proceeds for these transactions.

*Fair market value (FMV) is defined by the stock plan and/or award agreement and can vary across equity award types. Typically, it is a value equal to the closing price or the average of the high and low stock prices of company common stock on the date of, or the date prior to, the taxable event. If this value cannot be determined, the purchase price is typically used.

Important wash sales information

Wash sale processing in your employee stock plan account

Please note that your Schwab 1099-B will not reflect wash sale activity in your brokerage account(s) for FB shares acquired as a result of an RSU vest because of IRS guidelines that do not allow for such reporting. Therefore, if your sale of shares previously acquired from an RSU vest results in a wash sale, it will be reported to the IRS without wash sales or disallowed losses. However, your Schwab 1099-B will reflect applicable wash sale reporting for FB shares bought on the open market.

It will be your responsibility to adjust your cost basis for the amount reported on your W-2 and to disallow losses for any applicable wash sales that are not included on your 1099-B. Please work with your tax advisor or call your Facebook Concierge team for more information on what wash sales mean for you.

Steps to complete your taxes for RSUs

Note: Schwab will NOT report the cost basis information to the IRS. Schwab provides this information to you on your copy of your tax form. You are responsible for reporting the cost basis for the sale to the IRS on Form 8949 and Schedule D. The cost basis is NOT included on the copy Schwab submits to the IRS.

Step 1: Gather your tax documents and forms.

At Facebook, shares from restricted stock that have vested will be deposited into your Schwab One® brokerage account. You will receive a separate **Substitute Form 1099-B** for transactions in your Schwab Equity Award Center® account.

You will need your **1099 Composite statement** (Schwab One brokerage account tax reporting document) to complete your tax returns for stock plan transactions.


Step 2: Locate your cost basis information on your Schwab tax form(s).

This information can be found within the 1099-B section of your 1099 Composite statement. For non-covered securities, the information will be available under the area of the 1099-B that is not reported to the IRS.

In the sample form below, Schwab has indicated the areas to refer to when completing Form 8949.

Note: Do not use the information in this example. This sample form is not a full 1099 Composite statement, and Schwab has focused on the areas where stock plan transactions will be displayed for demonstrative purposes only.

Sample of Form 1099-B

		Schwab One® Account of DANA JONES JOHN JONES		Account Number 1111-9999	TAX YEAR 2020 FORM 1099 COMPOSITE		
Taxpayer ID Number: ***-**-0000				Date Prepared: January 11, 2021			
Proceeds From Broker Transactions—2020 (continued)					Form 1099-B		
Department of the Treasury—Internal Revenue Service				Copy B for Recipient (OMB No. 1545-0715)			
SHORT-TERM TRANSACTIONS FOR WHICH BASIS IS REPORTED TO THE IRS—Report on Form 8949, Part I, with Box A checked.							
A	1a —Description of property (Example -100sh. XYZ Co.) CUSIP Number/Symbol	1b —Date acquired **	1c —Date sold or disposed	1d —Proceeds 6 —Reported to IRS: Gross proceeds (except where indicated)	C 1e —Cost or other basis	1f —Accrued Market Discount 1g —Wash Sale Loss Disallowed Realized Gain or (Loss)	4 —Federal income tax withheld
	300* SAMPLE CORP 30246XXX/XXYY	SS 10/11/20	10/11/20	\$ 16,965.80	18,062.05	-- \$ (1,096.25) \$	0.00
				B		--	

Section A indicates that the cost basis for the transaction was not reported to the IRS.

Section B indicates sales proceeds reported to the IRS (proceeds from the transaction, minus commissions).

Section C indicates the cost basis (FMV) you'll use when completing Form 8949. This price was not reported to the IRS and includes the income portion on your W-2.

Step 3: Complete your IRS tax forms.

When reporting the sale of stock awards to the IRS, you will complete the following:

- **Form 8949:** List the details of each stock award sale on this form.
- **Form Schedule D:** List the totals from Form 8949. Enter the totals under either the long-term or short-term areas of Schedule D.

Sample of Form 8949

Please follow the IRS instructions for completing Form 8949 to adjust the cost basis on non-covered securities, and then complete Schedule D with the totals from Form 8949.

Form 8949	Sales and Other Dispositions of Capital Assets	OMB No. 1545-0074
Department of the Treasury Internal Revenue Service	► Go to www.irs.gov/Form8949 for instructions and the latest information. ► File with your Schedule D to list your transactions for lines 1b, 2, 3, 8b, 9, and 10 of Schedule D.	2020 Attachment Sequence No. 12A
Name(s) shown on return	Social security number or taxpayer identification number	
<i>Before you check Box A, B, or C below, see whether you received any Form(s) 1099-B or substitute statement(s) from your broker. A substitute statement will have the same information as Form 1099-B. Either will show whether your basis (usually your cost) was reported to the IRS by your broker and may even tell you which box to check.</i>		
Part I Short-Term. Transactions involving capital assets you held 1 year or less are generally short-term (see instructions). For long-term transactions, see page 2.		

Important items to consider when completing your taxes

If cost basis information for stock plan transactions is missing, you can update this information online. Please take one of the following actions:

- Log in to your Schwab One® brokerage account and navigate to the **Positions** tab. From there, review the cost basis column. If the word “Missing” appears under this column, you can click it to update the cost basis information.
- Call Schwab at **1-877-546-0370** to speak with a representative who can walk you through the steps above.

In some cases, Schwab may not have the cost basis information needed to update the missing information. Please ensure that you have your cost basis information ready before you call in.

How to view cost basis information online

From within a Schwab One brokerage account.

You can view cost basis information (adjusted cost basis) in the **History** section of your Schwab One account. Unrealized gain/loss information can be viewed in the **Positions** section.

If you do not see your cost basis information in your Schwab One brokerage account, contact the Facebook Concierge team at **1-877-546-0370**.

Resources

For questions regarding your equity awards, please contact the Facebook Concierge team at **1-877-546-0370**.

To learn more about cost basis for non-stock plan awards held at Schwab, visit schwab.com/costbasis, by logging in to your account.

For general information about stock plan awards, including a glossary of common terms, log in to Schwab.com and go to your **Equity Awards** account. On the **Equity Award** dashboard, navigate to the section titled **Knowledge Center** and select the type of award you have received. Click on the link to access in-depth premium content. A screen will pop up asking you to click to continue to myStockOptions.com. The Tax Center will populate once you click the myStockOptions.com link.

For informational purposes only. This information is not intended to provide specific regulatory, financial, tax, compliance, or legal advice. You should consult professionals in these fields to address your specific circumstance.

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CC4876140 (0121-ONVK) MKT105287-02 (01/21)