



ZAG/S&W LLP BENEFITS BRIEF

Reminder of ISO/ESPP Reporting Obligations

No later than January 31, 2007, every corporation that issued stock pursuant to the exercise of an incentive stock option (an "ISO") during 2006 must provide the optionee a statement containing certain information. The statement, which at present need not be filed with the Internal Revenue Service, is required even if the optionee disposed of the stock in a "disqualifying disposition." However, if there was a disqualifying disposition, there are also additional reporting obligations. The tax law also requires corporations to provide certain information to an individual who transfers shares acquired pursuant to an employee stock purchase plan. A failure to satisfy either of these requirements, absent reasonable cause, can result in a \$50 penalty with respect to each failure. (Penalties are capped at \$100,000 per calendar year.)

Note that a recent change in applicable law may for 2007 or later years result in the reporting of this information to the Internal Revenue Service.

If you would like a sample statement, please let us know.

**IF YOU WOULD LIKE
ADDITIONAL INFORMATION,
PLEASE CONTACT:**

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