



Tax Filing Basics for Stock Plan Transactions

For U.S. Participants

Tax reporting for stock plan transactions can be confusing, as you need to understand federal income tax laws and regulations, as well as know which Internal Revenue Service (IRS) forms must be filed.

If you sell stock as a result of participation in your company's stock plan, you may need to:

- Refer to the cost basis in your account
- Make any adjustments to it, if necessary
- Determine whether you have realized a capital gain or loss

To simplify the process, here is some basic information about stock sales that may help you have a less stressful tax season.

Table of Contents

- IRS Tax Documents You Will Need
- How to Calculate Your Cost Basis
- Wash Sales
- Assemble Your Transaction Details
- Frequently Asked Questions
- Have Additional Questions?

Important Note: Morgan Stanley and its affiliates do not provide tax advice. This guide is not intended to be comprehensive tax advice or to replace the advice of a tax advisor. We recommend you seek the counsel of a tax advisor to obtain personalized and comprehensive guidance.

Tax Documents You Will Need

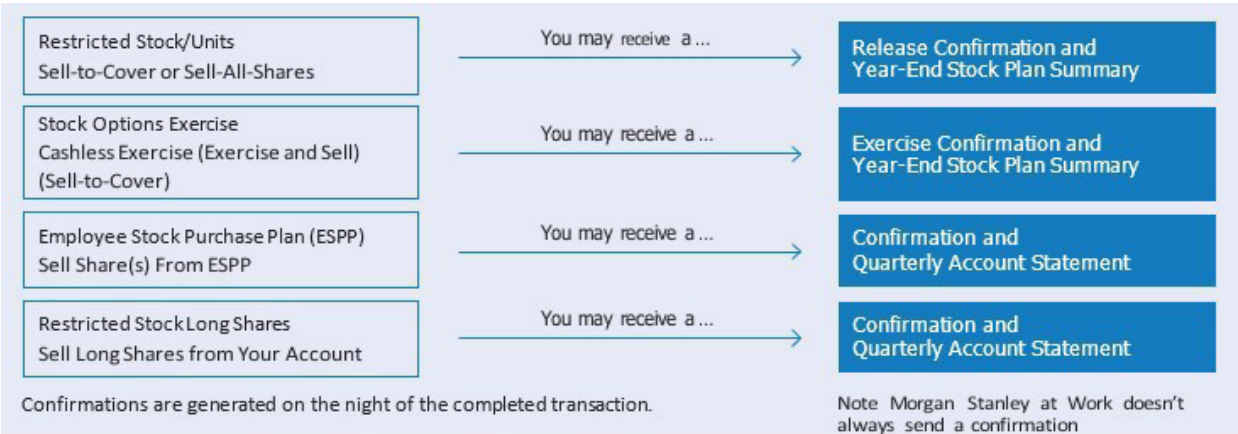
Morgan Stanley at Work has continually made improvements to your stock plan experience including some Morgan Stanley Access Direct accounts being converted to E*TRADE from Morgan Stanley Brokerage accounts. As a result, you may receive multiple tax forms from Morgan Stanley, including Morgan Stanley at Work, E*TRADE from Morgan Stanley, Morgan Stanley (MSAD) depending on where your stock plan transaction occurred in 2024.

These tax statements contain information related to different transactions, and you and your tax advisor should consider and review all tax forms received when preparing your 2024 income tax return. Please note, not all tax forms may be received at the same time.

You may need various documents and forms to report your sales of stock related to a stock plan on your tax return. The table below lists the common tax forms, what they're used for and how to obtain them.

FORMS		WHAT IS THE FORM FOR?	HOW DO I OBTAIN?
Company Form	Form W-2 ¹	Form W-2 is the Wage and Tax Statement that your employer uses to report employee wage and salary information and the amount of taxes withheld from an employee's paycheck for the year to the IRS	Your Company will send this to you.
IRS Forms	Form 8949	Form 8949 is used to report sales and other dispositions of capital assets to the IRS.	Your Visit your local IRS office or call 800-TAXFORM.
	Schedule D (Form 1040)	Schedule D (Form 1040) is used to report your capital gains and losses to the IRS.	Go to www.irs.gov
Morgan Stanley at Work and/or E*TRADE from Morgan Stanley	Form 1099-B ²	Form 1099-B reports any sale transactions completed during the year and backup withholding applied to the transaction (if any). You may receive more than one Form 1099-B from Morgan Stanley at Work and/or E*TRADE from Morgan Stanley at Work.	Morgan Stanley at Work generally sends this to you by February 15 of the year following your transaction. Go to https://www.morganstanley.com/atwork/login/employee From the home page select Documents> Tax Documents, or Tax Resources> Document.

Depending on the type of stock plan transaction, Morgan Stanley at Work may send you the following documents:



Note: If you've received a distribution from a cash-settled award, such as a restricted cash plan, the ordinary income and taxes will generally be reported on your Form W-2 provided by your company. Morgan Stanley at Work does not report on this type of transaction. This summary does not address tax forms and reporting applicable to U.S. non-residents, such as Form 1042-S. Please contact your company with any questions.

1 If you are not an employee but received compensation, the company may send Form 1099-NEC instead of Form W-2. You will also receive information about your exercise of an ISO on Form 3921 and your transfer of stock acquired through an ESPP on Form 3922. These statements include exercise date, exercise price and fair market value at exercise, as well as additional information.

2 Keep in mind, not all transactions generate a Form 1099-B.

Any gain or loss you realize from the sale of shares from an equity compensation plan will need to be reported on your federal income tax return. To determine if you had a gain or a loss, you will need to know the cost basis of the shares. When available, we will provide the original purchase price plus any applicable fees to assist in making this calculation. In addition, you may need to adjust the cost basis to reflect any compensation income reported by your employer.

It is important to understand how to calculate and report cost basis when filing your taxes. We will report cost basis information to the IRS for securities considered “covered” under IRS cost basis reporting regulations. Whether a security is “covered” or “noncovered” is generally determined by the type of security and when and how it was acquired. You will see this identified on Form 1099-B. It is possible to have both covered and noncovered shares of the same security.

Regardless of the covered or noncovered status of a security, an adjustment to cost basis may need to be reported on IRS Form 8949 and Schedule D of Form 1040. Refer to the instructions on the next page for assistance in calculating cost basis.

Tax Reporting on Shares Transferred Out of Your Stock Plan Account

Shares transferred out of your Morgan Stanley at Work stock plan account and into another account are still subject to cost basis reporting rules. It's important that you maintain the details of your stock plan transactions (Confirmation, Statements and Forms W-2 or 1099-NEC) in preparation for future tax reporting years. It's important that you remember to adjust the cost basis for future transactions in which you already paid the taxes on your income within a prior tax- reporting year.



What is “cost basis”?

Cost basis refers to the cost of shares plus any adjustments under the tax rules and is used to calculate gains or losses for tax purposes.



What does “covered” versus “noncovered” mean?

“Covered” means the security's cost basis must be reported to the IRS by Morgan Stanley at Work. If “noncovered,” Morgan Stanley at Work is not required to report the cost basis.



You may receive multiple Forms 1099 if:

- You sell shares from different types of equity plans.
- You sell long shares within more than one Morgan Stanley brokerage account.
- You have a linked E*TRADE from Morgan Stanley account that you sold shares in.

Note: You should ensure you've received a Form 1099-B or Form 1099-DIV for all applicable transactions.

Instructions for Calculating Cost Basis

1

Find your Grant/Award type and transaction type in Column A.

2

Refer to Column B to see the cost basis reported on Form 1099-B

3

Determine if an adjustment is necessary in Column C and how it is calculated. (The "full" cost basis is determined by adding Column B and C together.)

4

Consider if the "wash sale" rule applies to you.

Column A

Grant/Award Type and Transaction Taking Place in Your Stock Plan Account

Column B

Cost Basis Shown on Form 1099-B
(Include this amount in the amount reported in column (e) on Part I or Part II of Form 8949 and Schedule D of Form 1040)

Column C

How to Adjust Cost Basis for Form 8949 and Schedule D
(Include this amount in the amount reported in column (g) on Part I or Part II of Form 8949 and Schedule D of Form 1040)

Restricted Stock Where Grant Price = \$0.00 and Performance Stock

Sell-to-Cover (STC)/Sell-All-Shares (SAS) at the time the shares vest	Fair Market Value (FMV) at Vest: ⁴ (Number of shares sold x FMV at Vest) ⁵ + Fees to Acquire Shares	Not Applicable
Sell long shares post-vest	FMV at Vest: ⁴ (Number of shares sold x FMV at Vest) ⁵ + Fees to Acquire Shares	Not Applicable

Incentive Stock Options

Qualifying Disposition	Grant Price: (Number of shares sold x Grant Price) + Fees to Acquire Shares	Not Applicable
Disqualifying Disposition	Grant Price: (Number of shares sold x Grant Price) + Fees to Acquire Shares	Lesser of: 1. The spread between the grant price and the FMV on exercise date; or 2. The actual gain (amount realized on the sale less the aggregate grant price).

Nonqualified Stock Options (Cashless Exercise or Same Day Sale/STC)

Cashless Exercise or Same Day Sale ⁶	Grant Price: (Number of shares sold x Grant Price) + Fees to Acquire Shares	Calculate the difference between the FMV at exercise and the Grant Price multiplied by the number of shares sold.
Sell to Cover (STC)	Grant Price: (Number of shares sold x Grant Price) + Fees to Acquire Shares	Calculate the difference between the FMV at exercise and the Grant Price multiplied by the number of shares sold.

Employee Stock Purchase Plan

Qualifying Disposition (§ 423 Plan)	Purchase Price: (Number of shares sold x Purchase Price) + Fees to Acquire Shares	Lesser of: 1. The Purchase Price per share minus the grant date FMV per share, multiplied by the number of shares sold; or 2. The sales price per share minus the Purchase Price per share, multiplied by the number of shares sold.
Disqualifying Disposition (§ 423 Plan) or sale of shares acquired under a non-§ 423 Plan with a discount	Purchase Price: (Number of shares sold x Purchase Price) + Fees to Acquire Shares	The spread between the purchase price and the FMV of the stock on the purchase date.
Sale of shares acquired under a Nondiscounted Plan	Purchase Price: (Number of shares sold x Purchase Price) + Fees to Acquire Shares	Not Applicable

Stock Settled SARs

Sell to Cover (STC) Net Exercise and Remaining Shares Sold	Stock Appreciation: Number of shares sold x (Stock Appreciation) + Fees to Acquire Shares	Not Applicable
---	---	----------------

⁴ Assuming no Section 83(b) election was made.

⁵ Assuming you did not make a payment in exchange for the restricted stock.

⁶ If your company relies on IRS relief from Form 1099-B reporting for cashless exercise, you will not receive a Form 1099-B for your cashless exercise(s). Your company will report your taxable income on your Form W-2. Please consult with your employer to determine if this exception applies to your specific situation.

Wash Sales (if applicable)

Wash sales need to be reported on IRS Form 8949. A sale is considered a wash sale when shares or securities are sold at a loss and “substantially identical” shares or securities are purchased within 30 days before or after the sale. The loss is disallowed and must be added to the cost basis of the newly purchased shares or securities.



Your actual cost basis for your shares may differ from the cost basis reported on Form 1099-B depending on your particular facts and circumstances, including whether a section 83(b) election was made or the timing of vesting. Please consult your tax advisor to determine the accurate cost basis in your particular circumstances.

As a broker-dealer we are required to report certain wash sales. In general, a reportable wash sale occurs when covered shares are sold at a loss and identical shares are repurchased in the same account within 30 days before or after the sale. In the event of a reportable wash sale, we will report the loss as a “disallowed loss” on Form 1099-B and adjust the basis and holding period of the replacement shares. The participant may still be obligated to report wash sales that are not reported by us (including wash sales of non-covered securities) on his or her own tax return. Participants should consult their own tax advisors regarding their own reporting obligations. Covered and non-covered securities generally include:

Covered Securities	Non-Covered Securities
<ul style="list-style-type: none">• Shares acquired via ESPP post January 1, 2011• Shares acquired via Stock Options post January 1, 2011• Shares acquired via Restricted Stock Awards acquired for cash after January 1, 2011• Shares acquired via Dividend Reinvestment post January 1, 2012	<ul style="list-style-type: none">• Shares acquired via Restricted Stock Awards not acquired for cash• Shares acquired via Stock Appreciation Rights (SARs)• Long shares acquired prior to January 1, 2011

Reportable Wash Sale Examples

Buy, Sell, Buy Example:

A participant purchases 100 shares of ABC for \$2,000 on October 3, 2023. On April 15, 2025, the participant sells those shares for \$1,600 at a \$400 loss. On May 5, 2025, the participant purchases 100 shares of ABC for \$1,500 in the same account. The repurchase on May 5, 2025, causes the sale on April 15, 2025, to be treated as a wash sale. In addition to reporting the sales proceeds, cost basis, and holding period for the 100 shares sold on April 15, 2025, \$400 is reported on Form 1099-B as a disallowed loss. The cost basis of the replacement ABC shares is increased by the amount of the disallowed loss from \$1,500 to \$1,900, and the holding period should be adjusted to reflect the adjusted acquisition date from May 5, 2025, to October 23, 2023.

Buy, Buy, Sell Example:

A participant purchases 100 shares of ABC for \$2,000 on October 3, 2023. On April 15, 2025, the participant purchases 100 more shares for \$1,500 in the same account. Then on May 5, 2025, the participant sells the shares acquired on October 3, 2023, for \$1,600 at a \$400 loss. The 100 shares purchased on April 15, 2025, are considered replacement shares and cause the sale on May 5, 2025, to be treated as a wash sale. In addition to reporting the sales proceeds, cost basis and holding period for the 100 shares sold on May 5, 2025 \$400 is reported on Form 1099-B as a disallowed loss. The cost basis of the replacement ABC shares is increased by the amount of the disallowed loss from \$1,500 to \$1,900, and the holding period should be adjusted to reflect the adjusted acquisition date from April 15, 2025, to September 13, 2023.

Morgan Stanley at Work will only report wash sales for transactions occurring within the same Morgan Stanley at Work account. Participants may be required to report additional wash sales, including sales triggered by activity in other accounts at Morgan Stanley at Work or at another brokerage firm, on their own tax return. Morgan Stanley at Work does not provide tax advice, and participants should consult their own tax advisors regarding their own wash sale reporting obligations.

Please note, you may be required to report wash sales that are not reported on Form 1099-B when filing your own tax return. Please consult your tax advisor.

How Does the Wash Sale Enhancement Get Reported?

Form 1099-B

As part of Morgan Stanley at Work’s commitment to delivering world class service, enhancements were made to US cost basis reporting, effective January 1, 2024.

As a result of the reporting enhancement, if a wash sale is determined to occur on noncovered securities, the loss on the initial sale will be reported as a disallowed loss. Individuals that receive a Form 1099-B (generally US taxpayers) will see Box 7 checked with a dollar amount in Box 1g as represented in the example below (Table 1.a). The cost basis and holding period of the shares acquired will be adjusted per the Account View as seen in Table 1.b.

Table 1.a

Form 1099-B Proceeds From Broker and Barter Exchange Transactions										(OMB No. 1545-0715)
The gross proceeds from each transaction is reported individually to the IRS and is net of deductions and commissions. Consider the Gross proceeds box checked in IRS Box 6 (Reported to IRS).										
Short Term – Noncovered Securities* (Short-term transactions for which basis is not reported to the IRS—Report on Form 8949, Part I, with Box B checked.)										
Description of property (Box 1a)/ CUSIP Number	Quantity (Box 1a)	Date acquired (Box 1b)	Date sold (Box 1c)	Proceeds (Box 1d)	Cost or other basis (Box 1e)	Wash sale loss disallowed (Box 1g)	Federal income tax withheld (Box 4)	Check if loss not allowed based on amount in Box 1d (Box 7)	State Name (Box 14)/ State ID No. (Box 15)	State tax withheld (Box 16)
CUSIP-SECURITY CUSIP-101	100.000000	07/15/23	01/18/24	\$1,000.00	\$1,500.00	\$500.00		<input checked="" type="checkbox"/>		
CUSIP-SECURITY CUSIP-101	100.000000	08/15/23	01/25/24	\$1,500.00	\$2,000.00	\$200.00		<input checked="" type="checkbox"/>		
Total Short Term – Noncovered Securities				\$2,500.00	\$3,500.00	\$700.00				

Account View on Repurchased Shares

Once you have logged into your account and selected “Account View,” you’ll see a table like shown below which includes data for each share lot of securities you hold. If the wash sale indicator is triggered, you’ll see adjusted data by default for any applicable repurchased lots where a wash sale occurred. As it relates to wash sales, you’ll see columns for Original Acquisition Date, Adjusted Acquisition Date (for a wash sale, this is adjusted by subtracting days from the Original Acquisition Date for the days the wash sale shares were held), Cost Basis (for a wash sale, this will include the amount of the disallowed loss which was added to the original cost basis) and an “H” indicating a Wash Sale in the column furthest to the right. The toggle button in the top right corner will show a blue highlighted bar indicating you’re viewing the adjusted cost basis data.

Table 1.b

Table 1.b

Show adjusted cost basis☒

Dates changed due to wash sale adjustment

Amount increased where a wash sale has been recognized

Toggle “On”

Wash Sale Indicator

Summary									
Original Acquisition Date	Adjusted Acquisition Date	Lot	Capital Gain Impact	Cost Basis *	Cost Basis Per Share *	Total Shares You Hold	Current Price per Share	Current Value	
Type of Money: Employee									
25-Jan-2024	25-Oct-2023	1	Long Term	\$800.00 USD	\$80.00 USD	10	\$5.00 USD	\$50.00 USD	H
25-Jan-2024	25-Oct-2023	1	Long Term	\$800.00 USD	\$80.00 USD	10	\$5.00 USD	\$50.00 USD	H
25-Jan-2024	25-Oct-2023	1	Long Term	\$800.00 USD	\$80.00 USD	10	\$5.00 USD	\$50.00 USD	H
28-Jan-2024		1	Long Term	\$800.00 USD	\$80.00 USD	10	\$5.00 USD	\$50.00 USD	
28-Jan-2024		1	Long Term	\$800.00 USD	\$80.00 USD	10	\$5.00 USD	\$50.00 USD	
28-Jan-2024		1	Long Term	\$800.00 USD	\$80.00 USD	10	\$5.00 USD	\$50.00 USD	
				\$4,800.00 USD		60		\$300.00 USD	

H Trigger purchase: This purchase was made within 30 days of a wash sale. Its cost basis and holding period have been adjusted as required by IRS rules.
* The cost basis displayed here may not be equal to the original purchase price and may have been adjusted after this transaction has settled. In the event of a gift transfer, the recipient and broker may also need to track the transferred securities' fair market value on the transfer date to calculate tax gains and losses when those securities are eventually sold.

How Does the Wash Sale Enhancement Get Reported?

Account View on Repurchased Shares (Continued)

Switching the toggle to the “off” position changes the columns included in the view. When viewing the original cost basis data, there is no “Adjusted Acquisition Date” column. The “Cost Basis” and “Cost Basis Per Share” columns will also show different values for any of the share lots where a wash sale was indicated with an “H” while in the adjusted cost basis view. This data may be useful for non-US taxpayers whose local tax jurisdiction maintains different rules related to calculating cost basis.

Toggle “Off”

Table 1.c

Show adjusted cost basis ☐

Summary							
Acquisition Date	Lot	Capital Gain Impact	Cost Basis *	Cost Basis Per Share *	Total Shares You Hold	Current Price per Share	Current Value
Type of Money: Employee							
25-Jan-2024	1	Long Term	\$700.00 USD	\$70.00 USD	10	\$5.00 USD	\$50.00 USD
25-Jan-2024	1	Long Term	\$700.00 USD	\$70.00 USD	10	\$5.00 USD	\$50.00 USD
25-Jan-2024	1	Long Term	\$700.00 USD	\$70.00 USD	10	\$5.00 USD	\$50.00 USD
28-Jan-2024	1	Long Term	\$800.00 USD	\$80.00 USD	10	\$5.00 USD	\$50.00 USD
28-Jan-2024	1	Long Term	\$800.00 USD	\$80.00 USD	10	\$5.00 USD	\$50.00 USD
25-Jan-2024	1	Long Term	\$800.00 USD	\$80.00 USD	10	\$5.00 USD	\$50.00 USD
			\$4,500.00 USD		60		\$300.00 USD

Assemble Your Transaction Details

You will likely need the following information for each exercise of options and sale of shares. If you made a single sale that included shares purchased as the result of different exercises, you would need this information for each group of shares. The steps below will help assist you with this process.

PLEASE NOTE: Not all of the items below may apply to you.

Where to find it: On your 1099-B

Step 1: Purchase Date

This is the date you exercised the option. The purchase date is displayed as Date Acquired on Box 1b of Form 1099-B. Tax software may ask for “Date option exercised” or “Date of acquisition.”

2024 FORM 1099-B: PROCEEDS FROM BROKER AND BARTER EXCHANGE TRANSACTIONS, CONTINUED

OMB

Noncovered Long-Term Gains or Losses on Gross Proceeds

Report on Form 8949, Part II with Box E checked

Box 6: Gross Proceeds

Box 5: Box Checked (Noncovered Security)

Box 3: Basis Not Reported to the IRS

Box 2: Type of Gain or Loss

The 1099-B data referenced by a Box Number is reported to the IRS. The additional information not referenced by a Box Number is not reported to the IRS, but may be helpful to complete your return.

Security Description CUSIP	Quantity Sold	Date Acquired	Date Sold or Disposed (Box 1c)	Proceeds/ Reported to IRS (Box 1d)	Cost or Other Basis	Accrued Market Discount	Wash Sale Loss Disallowed	Gain/Loss Amount	Additional
(Box 1a)									
DemoCorp	56.00000	10/15/2014	03/27/2024	\$7,890.10	\$0.00	\$0.00	\$0.00	\$7,890.10	
CUSIP: 123456789	65.00000	10/15/2014	03/27/2024	\$9,158.15	\$0.00	\$0.00	\$0.00	\$9,158.15	
	79.00000	10/15/2014	03/27/2024	\$11,130.68	\$0.00	\$0.00	\$0.00	\$11,130.68	
	38.00000	10/15/2014	03/27/2024	\$19,443.46	\$0.00	\$0.00	\$0.00	\$19,443.46	
Subtotals	338.00000			\$47,622.39	\$0.00	\$0.00	\$0.00	\$47,622.39	

Step 2: Sale Date

This is the date you sold the shares. You should have received a trade confirmation from Morgan Stanley at Work and/or E*TRADE from Morgan Stanley for this transaction. Sale date is displayed as “Date Sold or Disposed” on Box 1c of Form 1099-B.

Where to find it: On your 1099-B

2024 FORM 1099-B: PROCEEDS FROM BROKER AND BARTER EXCHANGE TRANSACTIONS, CONTINUED

OMB NO. 1545-0715

Noncovered Long-Term Gains or Losses on Gross Proceeds

Report on Form 8949, Part II with Box E checked

Box 6: Gross Proceeds

Box 5: Box Checked (Noncovered Security)

Box 3: Basis Not Reported to the IRS

Box 2: Type of Gain or Loss - Long-Term

The 1099-B data referenced by a Box Number is reported to the IRS. The additional information not referenced by a Box Number is not reported to the IRS, but may be helpful to complete your return.

Security Description CUSIP (Box 1a)	Quantity Sold	Date Acquired	Date Sold or Disposed (Box 1c)	Proceeds/ Reported to IRS (Box 1d)	Cost or Other Basis	Accrued Market Discount	Wash Sale Loss Disallowed	Gain/Loss Amount	Additional Information
DemoCorp	56.00000	10/15/2014	03/27/2024	\$7,890.10	\$0.00	\$0.00	\$0.00	\$7,890.10	
CUSIP: 123456789	65.00000	10/15/2014	03/27/2024	\$9,158.15	\$0.00	\$0.00	\$0.00	\$9,158.15	
	79.00000	10/15/2014	03/27/2024	\$11,130.68	\$0.00	\$0.00	\$0.00	\$11,130.68	
	38.00000	10/15/2014	03/27/2024	\$19,443.46	\$0.00	\$0.00	\$0.00	\$19,443.46	
Subtotals	338.00000			\$47,622.39	\$0.00	\$0.00	\$0.00	\$47,622.39	
4 ITEMS - TOTAL				\$47,622.39	\$0.00	\$0.00	\$0.00	\$47,622.39	

Step 3: Amount Paid for the Stock You Sold

This is your exercise price. Shortly after exercising, you should have received a confirmation of exercise or a similar document from your employer. Your exercise price is also displayed as the cost basis for the security on Box 1e of Form 1099-B. Tax software may ask for “Exercise price paid.”

Where to find it: On your 1099-B

2024 FORM 1099-B: PROCEEDS FROM BROKER AND BARTER EXCHANGE TRANSACTIONS, CONTINUED							OMB NO. 1545-0715		
Noncovered Long-Term Gains or Losses on Gross Proceeds Report on Form 8949, Part II with Box E checked									
Box 6: Gross Proceeds		Box 5: Box Checked (Noncovered Security)		Box 3: Basis Not Reported to the IRS		Box 2: Type of Gain or Loss - Long-Term			
The 1099-B data referenced by a Box Number is reported to the IRS. The additional information not referenced by a Box Number is not reported to the IRS, but may be helpful to complete your return.									
Security Description CUSIP (Box 1a)	Quantity Sold	Date Acquired	Date Sold or Disposed (Box 1c)	Proceeds/ Reported to IRS (Box 1d)	Cost or Other Basis	Accrued Market Discount	Wash Sale Loss Disallowed	Gain/Loss Amount	Additional Information
DemoCorp	56.00000	10/15/2014	03/27/2024	\$7,890.10	\$0.00	\$0.00	\$0.00	\$7,890.10	
CUSIP: 123456789	65.00000	10/15/2014	03/27/2024	\$9,158.15	\$0.00	\$0.00	\$0.00	\$9,158.15	
	79.00000	10/15/2014	03/27/2024	\$11,130.68	\$0.00	\$0.00	\$0.00	\$11,130.68	
	38.00000	10/15/2014	03/27/2024	\$19,443.46	\$0.00	\$0.00	\$0.00	\$19,443.46	
Subtotals	338.00000			\$47,622.39	\$0.00	\$0.00	\$0.00	\$47,622.39	
4 ITEMS - TOTAL				\$47,622.39	\$0.00	\$0.00	\$0.00	\$47,622.39	

Assemble Your Transaction Details

Step 4: Adjustment To Cost Basis

You may need to identify how much of the ordinary (compensation) income reported on your Form(s) W-2 is attributable to the stock you sold in order to calculate your cost basis for those shares. Depending on the award and transaction type, cost basis for shares acquired through an exercise may include the amount paid for the stock plus the difference between the fair market value at exercise and the exercise price.

On Form W-2 or 1099-NEC, the compensation income for the shares sold is combined with your wages and other compensation in the year of purchase and/or sale.

Because it may be difficult to determine how much of the income in Box 1 of Form W-2 is attributable to the stock you sold, your employer may have given you a separate statement detailing this information or may have listed this income separately for you in Box 14. If you engaged in more than one transaction during the year, you would need to know this amount for each separate transaction. Tax software may ask for "Compensation income" or "Ordinary income."

Where to find it: On your W-2 from your employer (Box 14, if included)

9 Verification code		10 Dependent care benefits	
Suff.	11 Nonqualified plans	12a See instructions for box 12	
	13 Statutory employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>	12b	
	14 Other	12c	
		12d	
tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax
			20 Locality name

Step 5: Sale Proceeds

Your sale proceeds are the amount received from the sale of shares, less any applicable fees, commissions, or taxes. This amount is displayed in Box 1d of Form 1099-B. Tax software may ask for "Gross proceeds from the sale."

Where to find it: On your 1099-B

ORIGINAL09/26/2022

2024 FORM 1099-B: PROCEEDS FROM BROKER AND BARTER EXCHANGE TRANSACTIONS, CONTINUED										OMB NO. 1545-0715
Noncovered Long-Term Gains or Losses on Gross Proceeds										
Report on Form 8949, Part II with Box E checked										
Box 6: Gross Proceeds										Box 3: Basis Not Reported to the IRS
Box 5: Box Checked (Noncovered Security)										Box 2: Type of Gain or Loss - Long-Term
The 1099-B data referenced by a Box Number is reported to the IRS. The additional information not referenced by a Box Number is not reported to the IRS, but may be helpful to complete your return.										
Security Description CUSIP (Box 1a)	Quantity Sold	Date Acquired	Date Sold or Disposed (Box 1c)	Proceeds/ Reported to IRS (Box 1d)	Cost or Other Basis	Accrued Market Discount	Wash Sale Loss Disallowed	Gain/Loss Amount	Additional Information	
DemoCorp CUSIP: 123456789	56.00000	10/15/2014	03/27/2024	\$7,890.10	\$0.00	\$0.00	\$0.00	\$7,890.10		
	65.00000	10/15/2014	03/27/2024	\$9,158.15	\$0.00	\$0.00	\$0.00	\$9,158.15		
	79.00000	10/15/2014	03/27/2024	\$11,130.68	\$0.00	\$0.00	\$0.00	\$11,130.68		
	38.00000	10/15/2014	03/27/2024	\$19,443.46	\$0.00	\$0.00	\$0.00	\$19,443.46		
Subtotals	338.00000			\$47,622.39	\$0.00	\$0.00	\$0.00	\$47,622.39		
4 ITEMS - TOTAL				\$47,622.39	\$0.00	\$0.00	\$0.00	\$47,622.39		

Frequently Asked Questions

When I sold my stock, the sale price was below the FMV of the stock on the purchase date. Why did my employer report ordinary (compensation) income based on the FMV?

When you engage in a disqualifying disposition of shares from a plan that is qualified under Section 423, your employer is required by tax law to report the difference between the fair market value of the stock on the purchase date and the amount you paid for the stock as ordinary (compensation) income. This is required even if the stock was sold for less than the FMV on the purchase date. If the sale price is lower than the FMV, the difference may be reportable as a capital loss, subject to the wash sale and other rules.

The same is required for ESPP shares purchased from a plan that is not tax-qualified under Section 423. For these shares, your employer is also required to report the difference between the FMV of the stock on the purchase date and the amount you paid for the stock as ordinary income. This amount is reported on Form W-2 or 1099-NEC in the year of the purchase. If the sale price is lower than the FMV, the difference may be reportable as a capital loss, subject to the wash sale and other rules.

How could I have a long-term capital gain or loss on a sale that is a disqualifying disposition?

The holding periods to qualify for favorable tax treatment under Section 423 are different than the holding period for long-term capital gains purposes. It is possible to meet the long-term capital gains holding period but still not have met the holding period for the disposition to qualify for favorable tax treatment.

To qualify for favorable tax treatment under Section 423, you must hold the stock for more than two years from the grant date and more than one year from the date of purchase.

However, for the gain or loss on your sale to be taxed as long term, you only need to hold the stock for more than one year after purchase. For example, an individual enrolls in his employer's qualified employee stock purchase plan on January 1, 2024 and purchases stock under the plan on June 30, 2024. For the sale to be a qualifying disposition, they must hold the stock until January 2, 2026 (more than two years after grant date). But for the gain or loss on the sale to be considered long term, they only need to hold the stock until July 1, 2025 (more than one year after the purchase date). If they sell stock at any time between July 1, 2025 and January 1, 2026, the sale will be considered a disqualifying disposition, but any capital gain or loss reported on the sale will generally be considered long term.

Does the cost basis that appears on the Form 1099-B reflect all necessary adjustments?

No, the cost basis that appears on Form 1099-B does not reflect any ordinary income adjustments that may apply because you recognized ordinary (compensation) income when you acquired or sold shares attributable to stock plan awards from your employer. As a result, you may want to consider whether an adjustment to the cost basis is applicable when you complete your tax return(s). Please also consult your tax advisor to determine how to prepare and file your tax return.

Frequently Asked Questions

What happens if I don't sell the stock on the same day I exercise it?

For ISOs, ordinary income is not recognized until you sell the resulting shares. If you decide to hold the shares, this typically allows you to defer any ordinary income recognition until the sale date. Furthermore, if your sale is a qualifying disposition, there will typically be no ordinary income recognized.

If the shares are held for more than one year from the exercise date and more than two years from the grant date, any gain will typically be taxed as long-term capital gains. If you sell shares from your ISO exercise within one year of the exercise date, any gains or losses from the sale will be considered short-term, and gains will be taxed at ordinary income tax rates (as the sale of shares was a disqualifying disposition due to not meeting the ISO holding requirements).

The following example shows the implications of exercising incentive stock options and holding the resulting shares beyond the exercise date:

EXAMPLE: An employee exercises 1,000 shares of an incentive stock option on July 15. His option price was \$10 per share (his total exercise price was \$10,000). The fair market value of the stock on the exercise date was \$15 per share. Because this was an ISO exercise, he did not recognize any ordinary income at the time of the exercise.

Later, he sells the stock when the fair market value of the stock is \$20 per share (his total sale price was \$20,000). He paid fees and commission of \$100 for the sale.

If the sale occurs within one year of the exercise date, the sale will be considered a disqualifying disposition, and his capital gain will be considered short-term. In a disqualifying disposition, he would

recognize \$5,000 in ordinary income (\$15 FMV on date of exercise – \$10 exercise price = \$5 x 1,000 shares = \$5,000). He would have recognized a short-term capital gain of \$4,900: sales price of \$19,900 (\$20,000 - \$100) less the exercise price of \$10,000 (\$100 x 1,000 shares) less the ordinary income amount of \$5,000.

If the sale occurs more than two years after the grant date and more than one year after the exercise date, the sale will be a qualifying disposition, and his capital gain will be considered long-term. Because the sale is considered a qualifying disposition, he would not recognize any ordinary income. He would recognize long-term capital gains of \$9,900: Sales price of \$19,900 (\$20,000 - \$100) less his exercise price of \$10,000 (\$100 x 1,000 shares).

Frequently Asked Questions

The income that my employer reported on Form W-2 does not equal the difference between my total exercise price and sales price. Did my employer report the wrong amount of income for my exercise on my Form W-2?

Typically, the amount of income reported on your Form W-2 is the difference between your exercise price and the value of the stock on the date of exercise.¹ If you sold your stock on a date after the date of exercise, the W-2 income will not include any gain or loss from the date of exercise through the date of sale. Even if you sell your stock on the date of exercise, the price used for your W-2 income may be different than the price at which the stock is sold. When determining the value of the stock for W-2 income purposes, some employers use the closing or average price on the day the exercise occurred. Other employers use the closing price of the preceding day, while others may use the actual sales price. These could be the reason for any difference. For further information, contact your employer.

The Form 1099-B that I received does not reflect federal withholding for the purchase of my option shares. Is this an error?

No, the withholding for the transaction should be included on the W-2 or you received from your employer.

What happens if I don't sell the stock on the same day I exercise it?

Typically, for non-qualified stock options ordinary income is recognized at the time of exercise and a capital gain or loss is recognized at the time of sale. If you sell your exercised shares within one year of exercise, your capital gain or loss is considered short term. However, if you hold the exercised shares for more than a year before selling them, the gain or loss is considered long term and long-term capital gains may be taxed at a lower rate.

The following example shows the potential implications of exercising non-qualified stock options and holding the resulting shares beyond the exercise date:

EXAMPLE. An employee exercises 1,000 non-qualified stock options on July 15. His option price was \$10 per share (his total option price was \$10,000). The fair market value of the stock on the exercise date was \$15 per share. In the year he exercises the stock options, his Form W-2 would report \$5,000 of ordinary income ($\$15 - \$10 = \$5 \times 1,000 \text{ shares} = \$5,000$).

Does the cost basis that appears on the Form 1099-B reflect all necessary adjustments?

No, the cost basis that appears on Form 1099-B does not reflect any ordinary income adjustments that may apply because you recognized ordinary (compensation) income when you acquired or sold shares attributable to stock plan awards from your employer. As a result, you may want to consider whether an adjustment to the cost basis is applicable when you complete your tax return(s). Please also consult your tax advisor to determine how to prepare and file your tax return.

Frequently Asked Questions

What is restricted stock?

In an equity compensation context, restricted stock generally refers to restricted stock awards and restricted stock units. A restricted stock award is stock that is issued to employees (and directors or other independent contractors) but is subject to certain temporary restrictions. The most common of these is that the stock must be returned to the employer (i.e., forfeited) if employment is terminated prior to a specified date. Further, the stock may not be sold, pledged, transferred or assigned during the period of the restriction. Restricted stock units are similar to restricted stock awards, but the stock is not issued until the units are converted into shares after vesting. Because the stock is not issued prior to vesting, recipients do not hold voting or dividend rights in the stock prior to vesting.

What is performance stock?

In an equity compensation context, performance stock generally refers to performance stock awards and performance stock units. A performance stock award is a type of restricted stock award in which rights to the shares are contingent upon the achievement of certain pre-established performance goals. If the performance goals are met, the employee (or service provider) has a right to receive stock associated with the award.

When is ordinary income (reported on Form W-2 or 1099-NEC) for the stock award recognized?

Generally, a restricted or performance stock award is taxable as ordinary income at the time that the award vests. The amount of income will typically be the difference between the fair market value (FMV) of the stock at the time of vesting over the amount paid for the stock, if any. The ordinary income recognition may be accelerated to the grant date with a timely Section 83(b) election for restricted or performance stock or deferred with a timely Section 83(i) election for restricted or performance stock

units. Note, however, that a Section 83(i) election is only available in limited circumstances. Consult your tax advisor.

EXAMPLE: Jane Doe is awarded 1,000 shares of restricted stock on December 5, 2023. She does not file a Section 83(b) election. The stock vests in three years on December 5, 2026 when it is trading at \$30 per share. She will recognize \$30,000 in ordinary income in 2026.

How will my employer report ordinary income from the restricted stock or performance stock award?

Your employer should report the ordinary income on your Form W-2, Wage and Tax Statement. It should be included in Box 1 as part of your total wages and compensation, Box 3 (Social Security wages) as applicable, and Box 5 (Medicare wages). Also, your employer may include it in Box 14. In the case of non-employees, the income will be reported on Form 1099-NEC in Box 1.

Does the cost basis for the stock award appear on the Form 1099-B?

Yes, cost basis is reported under the non-covered section.

How is dividend income paid on unvested awards reported?

Dividends on unvested restricted stock units are known as "dividend equivalents." Dividends on unvested restricted stock awards are actual dividends. Morgan Stanley will not report dividend equivalents or dividends on unvested awards on Form 1099-DIV. They will instead be reported by your company on Form W-2.

Frequently Asked Questions

What is my cost basis for the restricted stock or performance stock?

Your total cost basis for the stock is equal to your acquisition cost—the amount you paid for the stock, if any—plus the amount of ordinary (compensation) income you recognized with respect to those shares. You may want to consider whether an adjustment to the cost basis is applicable when you complete your tax return(s). Please also consult your tax advisor.

If I sell my restricted stock or performance stock immediately once its restrictions lapse, do I need to report the sale on my tax return?

Yes. Even though the income recognized from the restricted stock or performance stock will be included on Form W-2, the sale of the stock is a separate transaction for tax purposes. In most cases, the sale would need to be reported on Form 1040, Schedule D and Form 8949.

In determining whether the sale of the restricted stock or performance stock generated a short- or long-term capital gain or loss, when does the holding period begin: when the stock was issued to me or when it vested?

In most cases, the holding period for restricted or performance stock awards begins when the shares vest. Therefore, you would need to hold the shares for more than a year after vest for any gains to qualify for long-term capital gains treatment. In the case of restricted or performance stock units, the holding period begins when the stock is released to you, which may be after the vesting date. In the case of a Section 83(b) election for a restricted or performance stock award, the holding period begins on the date when the stock is awarded, rather than the date when it vests. When a Section 83(i) election for a restricted or performance stock unit has been made, the holding period for capital gain begins on the date the stock eligible for this type of election (qualified stock) is converted to deferral stock (stock being deferred).

Frequently Asked Questions

Can you provide an example showing taxation for a SAR exercise and the subsequent sale of shares acquired through that exercise?

Jane Doe, is granted 3,000 SARs by her company on September 5, 2023, when the value of the company stock is \$20/share. Jane exercises all 3,000 SARs when they vest two years later, on September 5, 2025. On that date, the company stock is valued at \$30/share. The appreciation value for her SARs is therefore \$10/SAR ($\$30 - \$20 = \10), for a total of \$30,000 ($\$10 \times 3,000$ SARs). Jane receives 1,000 shares of stock as a result of the exercise (appreciation value of \$30,000/per-share market value of \$30 = 1,000 shares). Jane immediately sells all shares from the exercise. She recognizes ordinary (Form W-2) income equal to the appreciation value of \$30,000 but recognizes no capital gain or loss from the sale, because the proceeds from the sale were equal to her cost basis (the ordinary income amount reported on Form W-2).

Is the amount of taxable ordinary (Form W-2 or 1099-NEC) income based on the value of the stock on the grant date for my SARs or the exercise date?

You need to know both values to determine the amount of ordinary (compensation) income. In most cases, you will recognize as ordinary (compensation) income an amount that is equal to the difference between the value of the employer's stock on the date of exercise and the value on the date of grant. See example above.

Is the income I recognize from SAR considered a capital gain or ordinary income?

The full value (fair market value less price paid, if any) of the shares you receive from a SAR exercise is taxed as ordinary income in the year of the

exercise. Any appreciation or depreciation in value of the stock from the exercise date through the sale date would be capital gain or capital loss, respectively.

What is my cost basis for SAR shares?

Although there is no acquisition cost for shares acquired through a SAR exercise, you may be able to report the full fair market value of the shares at the time of the exercise as the cost basis, as long as you recognized the full amount as ordinary (compensation) income. Fair Market Value (FMV) is displayed on Form 1099-B.

If I sell my SAR shares immediately upon exercise, do I need to report the sale on my tax return?

Yes, even though the income recognized from the SAR exercise will be included on Form W-2, the sale of the resulting shares is a separate transaction for tax purposes. Generally, the sale should be reported on your US Individual Income Tax Return (Form 1040), Schedule D and Form 8949 in the year of sale.

Is the income from a SAR exercise subject to payroll taxes?

Yes, ordinary income recognized from exercising the SAR is subject to income tax withholding and payroll taxes such as Social Security and Medicare.

How will the income from a SAR exercise be reported to me?

Your employer should report the ordinary income on your Form W-2, Wage and Tax Statement. In the case of non-employees, the income should be reported on Form 1099-NEC in Box 1.

Frequently Asked Questions

In determining whether the sale of the stock generated a short-term or long-term capital gain or loss, when does the holding period begin: When the SAR was granted or when it was exercised?

The holding period for shares acquired through a SAR exercise begins on the exercise date. You would need to hold the shares for more than a year after your exercise date for any gains upon sale to qualify for long-term capital gains or loss treatment.

I also received cash-settled SARs. Why didn't I receive a Form 1099-B after I exercised those?

With cash settled SAR transactions, you receive the cash value of the stock. There is no sale of stock and therefore a Form 1099-B would not be generated. Instead, the cash value you receive would reflect on your Form W-2 or Form 1099-NEC, similar to a bonus payment.

Frequently Asked Questions

What cost basis enhancement was made?

Effective January 1, 2024, due to Morgan Stanley at Work's enhancement to supplemental cost basis, you will be notified of wash sales for:

- Covered securities (existing functionality) and,
- Noncovered securities (new for 2024)

This notification will come in the form of seeing adjustments made to the cost basis and holding period of the replacement securities purchased in your Morgan Stanley at Work stock plan account (all participants). A release of Restricted Stock or Restricted Stock Units (RSUs) is considered an acquisition of shares. For those who receive Forms 1099-B (in early 2025 for the 2024 tax year), the wash sale indicator and capital loss disallowed will be identified here.

How will I know which shares (if any) are impacted?

When logged into your account, your fund activity page will show the adjusted acquisition dates and cost basis. You'll be able to identify any impacted share lots by a "H" showing up in the column to the far right.

Have the rules around wash sales changed?

No. According to IRS Publication 550:

"A wash sale occurs when you sell or trade stock or securities at a loss and within 30 days before or after the sale you:

1. Buy substantially identical stock or securities,
2. Acquire substantially identical stock or securities in a fully taxable trade,
3. Acquire a contract or option to buy substantially identical stock or securities, or
4. Acquire substantially identical stock for your individual retirement arrangement (IRA) or Roth IRA.

If you sell stock and your spouse or a corporation you control buys substantially identical stock, you also have a wash sale." when shares of stock or securities are sold at a loss and "substantially identical" shares or securities are purchased within

30 days before or after the sale. The loss is disallowed and must be added to the cost basis of the newly purchased shares or securities.

For more on wash sales, see pages 5 - 6.

Have my reporting obligations as a taxpayer changed?

No, a US taxpayer is obligated to report wash sales of substantially identical positions across all their accounts regardless of whether the securities are covered securities and regardless of whether the wash sales are reported on Form 1099-B.

Will the cost basis that appears on the 2024 Form 1099-B that I receive in 2025 reflect all necessary adjustments?

No, the cost basis that appears on Form 1099-B may not reflect all necessary adjustments that may apply. For example, you may have wash sales as a result of securities transactions in other accounts or by a spouse which will not be picked up by your Morgan Stanley at Work stock plan account. As a result, you may want to consider whether an adjustment to the cost basis is applicable when you complete your tax return(s).

Please consult your tax advisor to determine how to prepare and file your tax return.

Will this enhancement catch all potential wash sales I encounter?

No, only the wash sales identified within your account for the same security (identical CUSIP¹) will result in cost basis and holding period adjustments. Any securities purchased or sold not in your Morgan Stanley at Work account, including, but not limited to, accounts at other broker-dealers, spousal accounts, 401(k) accounts and Individual Retirement Arrangements (IRAs) will continue to not be identified as wash sales by Morgan Stanley at Work. In addition, purchases or sales of "substantially identical" securities will not be identified as a wash sale by Morgan Stanley at Work.

Please consult your tax advisor to determine how to prepare and file your tax return.

¹A CUSIP is a nine-character numeric or alphanumeric code that uniquely identifies a North American financial security for the purposes of facilitating clearing and settlement of trades.

Frequently Asked Questions

If I use or have used multiple broker dealers for my stock plan account, what happens to my wash sales?

Morgan Stanley at Work will not record wash sales from transactions in other accounts or at other broker dealers.

If my spouse and I work at the same company and have wash sales, is it treated any differently?

Broker dealer wash sale reporting is only performed for identical securities purchased and sold in the same account. Please refer to IRS Publication 550 or consult a tax advisor for taxpayer reporting obligations.

If I trade on a 10b5-1 plan and I have a wash sale, is it treated any differently?

No, the experience is consistent for transactions that occur in the same account, with the same CUSIP. 10b5-1 transactions which occur in accounts separate from your Morgan Stanley at Work account will not be recorded by Morgan Stanley at Work.

Please consult your tax advisor to determine how to prepare and file your tax return.

Is there any difference in how this enhancement is treated for a US individuals versus non-US individuals?

The cost basis calculation and resulting data listed in your online account will be the same for both US and non-US individuals. However, the year-end tax reporting experience may differ as US and non-US participants receive different tax forms.

Could a wash sale be triggered by sell to cover transactions?

A sell-to-cover transaction on its own will not trigger a wash sale. However, because the shares sold in the sell-to-cover could be sold at a loss due to the

Fair Market Value used and the existence of any associated fees, another sale at a loss or repurchase of substantially identical shares (including a release of Restricted Stock or RSUs) within 30 days would result in a wash sale.

Do wash sale rules apply to non-US taxpayers?

Wash sale reporting done in your Morgan Stanley at Work stock plan account is based on the requirements of the US Internal Revenue Code and applicable guidance.

These rules may not apply to non-US taxpayers as there generally are country-specific rules governing the cost basis of your shares. Non-US taxpayers generally do not receive a Form 1099-B from Morgan Stanley at Work. However, there are additional reports you can download from your Morgan Stanley at Work stock plan account (under "Activity > Reports") which provide information, such as original cost basis, that may be used to comply with your local country reporting requirements.

Non-US taxpayers should consult their tax advisor to understand the reporting requirements and any other impact in their local tax jurisdiction.

If I need to review the original cost basis, where can I locate it?

Original cost basis information can be found by turning off the "show adjusted cost basis" toggle on the "Fund Detail" page as well as by utilizing radio buttons when generating statements online or requesting withdrawals. The original cost basis can also be found on the Release Confirmation statement in your Documents tab. On the Release Confirmation, Fair Market Value (FMV) at vest, will indicate your original cost basis.

Have Questions?

If you have questions on:

Form W-2:

Contact your company's payroll department.

IRS Tax Forms:

Visit your local IRS office, call 800-TAXFORM, or go to www.irs.gov

Morgan Stanley at Work Documents:

From the home page, select Documents > Tax Documents or Tax Resources > Documents

Employee stock plan solutions are offered by E*TRADE Financial Corporate Services, Inc., Solium Capital LLC, Solium Plan Managers LLC and Morgan Stanley Smith Barney LLC ("MSSB"), which are part of Morgan Stanley at Work.

Morgan Stanley at Work services and stock plan accounts are provided by wholly owned subsidiaries of Morgan Stanley.

Morgan Stanley at Work stock plan accounts were previously referred to as Shareworks, StockPlan Connect or E*TRADE stock plan accounts, as applicable.

In connection with stock plan solutions offered by Morgan Stanley at Work, securities products and services are offered by MSSB, Member SIPC.

E*TRADE from Morgan Stanley is a registered trademark of MSSB.

All entities are separate but affiliated subsidiaries of Morgan Stanley.

The laws, regulations, and rulings addressed by the products, services, and publications offered by Morgan Stanley and its affiliates are subject to various interpretations and frequent change. Morgan Stanley and its affiliates do not warrant these products, services, and publications against different interpretations or subsequent changes of laws, regulations, and rulings. Morgan Stanley and its affiliates do not provide legal, accounting, or tax advice. Always consult your own legal, accounting, and tax advisors.

This material may provide the addresses of, or contain hyperlinks to, websites. Morgan Stanley is not implying an affiliation, sponsorship, endorsement with/of the third party or that any monitoring is being done by Morgan Stanley of any information contained within the websites. Except to the extent to which the material refers to website material of Morgan Stanley Wealth Management, the firm has not reviewed the linked site. Equally, except to the extent to which the material refers to website material of Morgan Stanley Wealth Management, the firm takes no responsibility for, and makes no representations or warranties whatsoever as to, the data and information contained therein. Such address or hyperlink (including addresses or hyperlinks to website material of Morgan Stanley Wealth Management) is provided solely for your convenience and information and the content of the linked site does not in any way form part of this document. Accessing such website or following such link through the material or the website of the firm shall be at your own risk and we shall have no liability arising out of, or in connection with, any such referenced website. Morgan Stanley Wealth Management is a business of Morgan Stanley Smith Barney LLC.

© 2024 Morgan Stanley. All rights reserved.