

How does an Employee Stock Purchase Plan (ESPP) work?

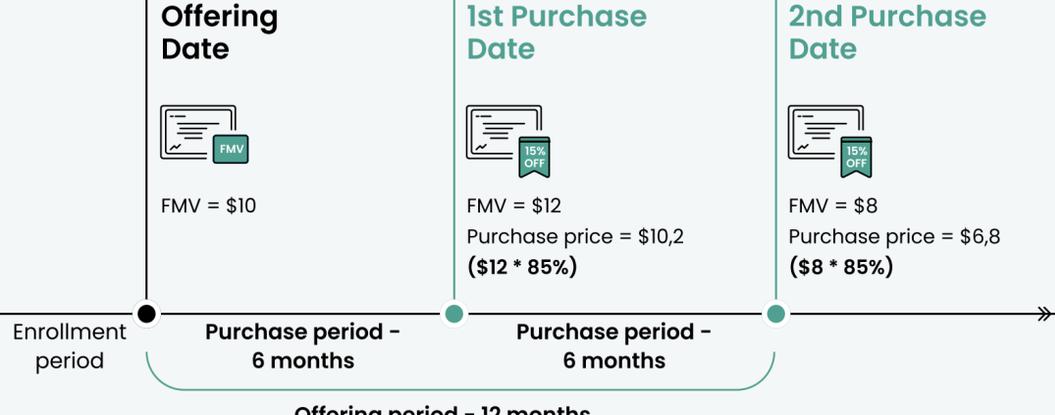


An employee stock purchase plan (ESPP) is a broad-based stock plan that allows participating employees to purchase stock in their company at a discount – often 5%-15% off the fair market value (FMV).

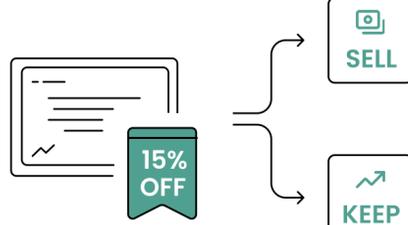
They make after-tax payroll contributions via payroll deductions. The accumulated contributions are then used to buy company shares at the purchase date.



1 year ESPP offering period explained



Once your company stock is purchased, you can hold onto your shares or sell them right away to get cash or diversify your financial portfolio.

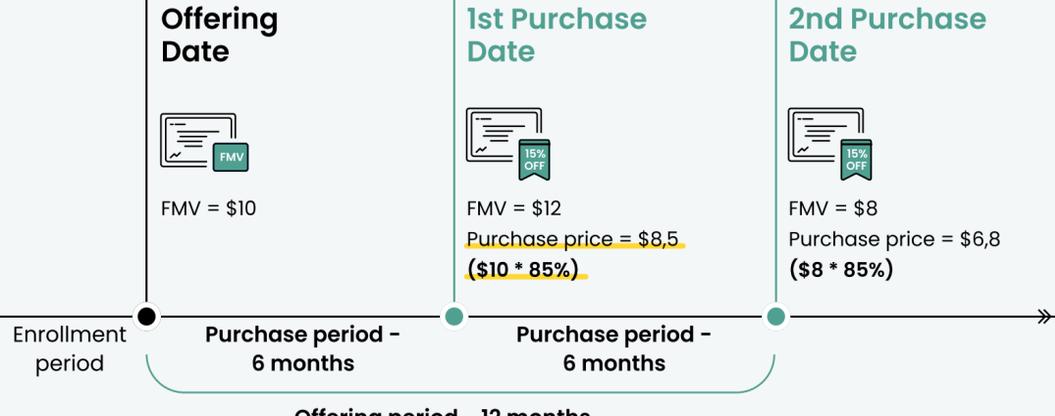


How does it work with lookback provision?

An ESPP lookback allows you to purchase the share price of either:

1. the **offering date** or
2. the **purchase date**, whichever is **lower**.

Lookback provision is on



How is ESPP taxed?

There are generally two types of ESPPs:

1. qualified
2. non-qualified

	Qualified ESPP	Non-Qualified ESPP
Offering Date	No tax	No tax
Purchase Date	No tax	Ordinary income is taxable (i.e. FMV on the purchase date minus the purchase price)
Sale	Depending on the classifications of sales for qualified ESPPs – DD* or QD*	Capital gain/loss is taxable (i.e. Sale price minus FMV on purchase date)

Disqualifying Disposition (DD)* :

Ordinary income is taxable

AND

Capital gain/loss is taxable

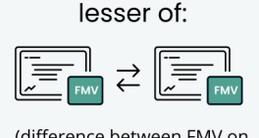


Qualifying Disposition (QD)* :

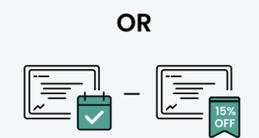
Ordinary income is taxable, the lesser of:

AND

Long-term capital gain/loss is taxable



OR



***Disqualifying Disposition (DD):** occurs when you sell your shares:

1. less than one year after date of purchase **OR**
2. less than two years after date of grant

***Qualifying Disposition (QD):** occurs when you sell your shares:

1. at least one year after date of purchase **AND**
2. at least two years after date of grant

All examples referenced are shown for illustrative purposes only, and are not intended as a recommendation or endorsement by J.P.Morgan in this context.

Please Note: This publication contains general information only and Global Shares is not, through this article, issuing any advice, be it legal, financial, tax-related, business-related, professional or other. The Global Shares Academy is not a substitute for professional advice and should not be used as such. Global Shares does not assume any liability for information provided herein.