

## Part IV – Items of General Interest

### Separate Reporting of Nonstatutory Stock Option Income in Box 12 of the Form W-2, Using Code V, Optional for Year 2002

#### Announcement 2001-92

##### I. PURPOSE

This announcement extends through year 2002, the relief from mandatory reporting of compensation resulting from employer-provided nonstatutory stock options in box 12 of the Form W-2, using Code V. In particular, this announcement provides that, with respect to Forms W-2 issued for the year 2002, the use of Code V is optional.

The announcement also invites public comment and suggestions regarding potential methods that would enable more efficient and cost effective means of collecting the information that would be reported using Code V. Specifically, this announcement requests proposals for better and less burdensome methods of collecting the information about employee income that arises from the exercise of nonstatutory stock options, including information about the presence and amount of nonstatutory stock option income on an employee (or former employee) basis.

##### II. BACKGROUND

When an employee (or former employee) exercises nonstatutory stock options, employers are required to report the excess of the fair market value of the stock received upon exercise of the option over the amount paid for that stock. That amount is reported on Form W-2 in boxes 1, 3 (up to the social security wage base), and 5.<sup>1</sup>

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<sup>1</sup> For purposes of the special rule under § 1.83-6(a)(2) that provides that an employee or former employee is deemed to have included the amount in gross income, an employer's inclusion of the nonstatutory stock option income in Box 1 of the Form W-2 will be sufficient.

Announcement 2000-97, 2000-48 I.R.B. 557, advised employers that, beginning for 2001 Forms W-2, income from the exercise of nonstatutory stock options would also be required to be reported in box 12 and identified by a new code, Code V – Income from the exercise of nonstatutory stock options

In response to employer concerns, Announcement 2001-7, 2001-3 I.R.B. 357, provided that the use of Code V would be optional for the 2001 Forms W-2.

### III. EXTENSION OF RELIEF

The separate reporting of the amount of any compensation relating to the exercise of a nonstatutory stock option in box 12, using Code V, is optional for the 2002 Forms W-2.

Treasury and the Service will consider replacing the separate reporting of this compensation in Box 12, using Code V, now mandatory for 2003 Forms W-2, with other cost effective alternatives that would allow for collection of the information regarding the presence and amount of income from the exercise of nonstatutory stock options that employers would otherwise be required to report under Code V. However, if the comment process outlined in Section IV, below, does not result in the development of cost effective alternatives, the new Code V reporting requirement will be mandatory for the 2003 Forms W-2. Therefore, absent future guidance modifying or eliminating this reporting requirement, beginning with year 2003 Forms W-2, any amounts of compensation relating to the exercise of a nonstatutory stock option included in boxes 1, 3 (if applicable) and 5 of the Form W-2 must also be shown separately in box 12, using Code V.

### IV. REQUEST FOR COMMENTS

This announcement requests comments and suggestions proposing cost effective alternatives that would allow the collection of information regarding the presence and

amount of income from the exercise of nonstatutory stock options that employers will be required to report under Code V beginning with 2003 Forms W-2. The information to be collected refers not only to the aggregate amount of nonstatutory stock option income, but also information about the presence and amount of nonstatutory stock option income on an employee (or former employee) basis.

Comments must be submitted by December 14, 2001. Treasury and the Service will carefully consider all of the comments received, although Treasury and the Service will not be able to respond to each comment. Comments should reference Announcement 2001-92, and be addressed to:

Internal Revenue Service  
Tax Forms and Publications Division  
W:CAR:MP:FP:F:R—GPF  
1111 Constitution Ave., NW  
Washington, DC 20224

#### V. Drafting Information

The principal author of this announcement is Stephen Tackney of the Office of Division Counsel/Associate Chief Counsel (Tax Exempt and Government Entities). For further information regarding this announcement contact Stephen Tackney at (202) 622-6040 or Gerald Fournier at (202) 622-3186 (not toll-free calls).