



State of California
Franchise Tax Board

Equity-Based Compensation Guidelines

FTB Publication 1004

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A. Introduction

Equity-based compensation, or noncash compensation, represents a form of ownership interest in a company. The most common form is stock options; however, employers also issue restricted stock and employee stock purchase plans (ESPP).

An employee stock option is the right or privilege granted by a corporation to purchase the corporation's stock at a specified price during a specified period.

Stock option plans that meet the requirements of Internal Revenue Code (IRC) Sections 421-424 are referred to as *statutory* stock options; those that do not meet requirements are referred to as *nonstatutory stock options*. IRC Section 83 governs nonstatutory stock options and restricted stock.

Statutory stock options consist of incentive stock options and employee stock purchase plans. Nonstatutory stock options are all other options.

California law conforms to federal law concerning the taxation of statutory and nonstatutory stock options. For additional information on the taxations of stock options, get IRS Publication 525, *Taxable and Nontaxable Income*, at irs.gov.

In addition to these stock options, California Revenue and Taxation Code (R&TC) Section 17502 provides for California qualified stock options.

This publication provides information on the taxation of the various types of equity-based compensation and how California taxes this income when you change your residency status. For information on determining residency status, refer to FTB Pub. 1031, *Guidelines for Determining Resident Status*. Go to ftb.ca.gov and search for **1031**.

B. Key Terms Used in This Publication

Key Terms

Grant date

The date the company grants the option to you.

Option price

The price you will pay for the stock option.

Exercise date

The date you purchase the stock at the option price.

Vesting date

The date your options become exercisable. For restricted stock, this is the date your options become taxable.

Qualifying disposition

A disposition that meets the following IRC Section 422 or 423 holding period requirements:

- No sale of the stock within 2 years from the grant date of the option.
- No sale of the stock within 1 year after the date you exercise the option.

Disqualifying disposition

A disposition that does not meet the holding period requirements of IRC Section 422 or 423.

C. Nonstatutory Stock Options

Generally, you recognize taxable wage income upon the exercise of a nonstatutory stock option. The difference between the fair market value of the stock on the exercise date and the option price is the taxable wage income.

If you paid tax on this wage income to California and another state, California may allow a credit for taxes paid on this double-taxed income. For more information, refer to California Schedule S, *Other State Tax Credit*. Go to ftb.ca.gov and search for **schedule s**.

California Resident on Exercise Date

If you exercise your nonstatutory stock options while a California resident, California will tax the difference between the fair market value of the shares on the exercise date and the option price because you are a California resident when the income is recognized. (*Appeal of Earl R. and Alleene R. Barnett*, 1980-SBE-122, October 28, 1980)

Example 1

On March 1, 2010, while a resident of Michigan, your employer grants you nonstatutory stock options. On June 1, 2013, you retire and permanently move to California. On August 1, 2013, you exercise your options.

Determination:

Because you are a California resident when the nonstatutory stock option income is recognized, the difference between the fair market value of the shares on August 1, 2013, and the option price is wage income taxable by California. If you also paid tax to Michigan on the wage income, California allows a credit for taxes paid to Michigan on this double-taxed income.

Nonresident of California on Exercise Date

If you exercise your nonstatutory stock options while a nonresident, the character of the stock option income recognized is compensation for services rendered. California will tax the wage income you receive to the extent you performed services in this state, whether you were always a nonresident or were formerly a California resident. (*Appeal of Charles W. and Mary D. Perelle*, 1958-SBE-057, December 17, 1958)

All services performed within California

If you performed services for the corporation entirely within California, the difference between the fair market value of the stock on the exercise date and the option price has a source in California – the state where you performed the services.

Example 2

On February 1, 2010, while a resident of California, your company grants you nonstatutory stock options. You perform all of your services in California from February 1, 2010 to May 1, 2013, the date you leave the company and permanently move to Texas. On June 1, 2013, you exercise your nonstatutory stock options.

Determination:

The difference between the fair market value of the shares on June 1, 2013, and the option price is characterized as compensation for services having a source in California – the state where you performed all of your services.

Services performed within and outside of California

If you performed services for the corporation both within and outside California, you must allocate to California that portion of total compensation reasonably attributed to services performed in this state. (California Code of Regulations, Title 18, Section 17951-5(b))

One reasonable method is an allocation based on the time worked. The period of time you performed services includes the total amount of time from the grant date to the exercise date (or the date your employment ended, if earlier).

The allocation ratio is:

$$\frac{\text{California workdays from grant date to exercise date}}{\text{Total workdays from grant date to exercise date}}$$

Income taxable by California = Total stock option income x allocation ratio

Example 3

On July 1, 2009, while a resident of Texas, your company grants you nonstatutory stock options. On July 1, 2010, your company permanently transfers you to California. On July 1, 2013, you leave the company and permanently move to Florida. From July 1, 2009 through July 1, 2013, you worked for the company a total of 700 days in California and 300 days in other states. On August 1, 2013, you exercise your options.

Determination:

The difference between the fair market value of your shares on August 1, 2013, and the option price is stock option income characterized as compensation for services. The total workdays from grant date to exercise date equal 1000 workdays (700 California workdays + 300 other state workdays). Your allocation ratio is .70 (700 California workdays ÷ 1000 total workdays). Therefore, California will tax 70 percent of your total stock option income.

D. Incentive Stock Options

Qualifying Disposition

You do not include any amount in income when an incentive stock option is granted to you or when you exercise the option. You recognize capital gain or loss when you sell the stock if the holding period requirements under IRC Section 422 are met.

Disqualifying Disposition

A disqualifying disposition results when you sell the stock before meeting the holding period requirements. The difference between the fair market value (FMV) of the stock on the exercise date (or the sale price, if lower) and the option price is treated as ordinary income (wages). The increase between the stock's FMV on the exercise date and the sale date is a capital gain.

Incentive Stock Option Tax Treatment Summary Table

Disposition Type	Computation	Character
Qualifying disposition	Sales price minus option price	Capital gain
Disqualifying disposition: Sales price > FMV on exercise date	FMV on exercise date minus option price Sales price minus FMV on exercise date	Ordinary income Capital gain
Disqualifying disposition: Sales price < FMV on exercise date	Sales price minus option price	Ordinary income

If you paid tax on the wage income to California and another state, California may allow a credit for taxes paid on this double-taxed income. For more information, refer to California Schedule S, *Other State Tax Credit*. Go to ftb.ca.gov and search for **schedule s**.

Alternative Minimum Tax

For federal and California alternative minimum tax (AMT), you must treat stock acquired through the exercise of an incentive stock option as if the option were a nonstatutory stock option. You must generally include as an AMT adjustment, the difference between the fair market value of the stock on the exercise date and the option price in the year the option is exercised.

For more information on California AMT, refer to California Schedule P (540), *Alternative Minimum Tax and Credit Limitations — Residents*, or California Schedule P (540NR) *Alternative Minimum Tax and Credit Limitations — Nonresidents and Part-Year Residents*. Go to ftb.ca.gov and search for **schedule p (540)** or **schedule p (540NR)**.

Increase your AMT basis in the stock you acquired from exercising your incentive stock option by the amount of the adjustment. California may allow an AMT credit in a subsequent year. For more information, refer to California form FTB 3510, *Credit for Prior Year Alternative Minimum Tax – Individuals or Fiduciaries*. Go to ftb.ca.gov and search for **3510**.

No AMT adjustment is required if you dispose of the stock in the same year you exercise the option.

\$100,000 Limit

IRC Section 422 (d) imposes a \$100,000 per year limitation on the aggregate fair market value of the incentive stock options exercisable for the first time by an individual during any calendar year. If this limit is exceeded during any year, the remaining options will be treated as nonstatutory stock options. The aggregate fair market value is determined by applying the fair market value **at the time the option is granted** – not at the time the option vests. The calculation is based on the order in which the options are granted.

Example 4

On January 1, 2008, your company grants you 30,000 shares of incentive stock options with a grant price of \$20 per share. These options will vest (or become exercisable) equally over a four year period. You plan on exercising these options during tax year 2012.

Determination:

We must determine if the annual \$100,000 limit for incentive stock options has been exceeded.

Vest Date	Shares Vested	Vest Value	Value Over Limit	Shares Over Limit	ISO Shares Granted	NQ Shares Granted
01/01/2009	7,500	\$150,000	\$50,000	2,500	5,000	2,500
01/10/2010	7,500	\$150,000	\$50,000	2,500	5,000	2,500
01/01/2011	7,500	\$150,000	\$50,000	2,500	5,000	2,500
01/01/2012	7,500	\$150,000	\$50,000	2,500	5,000	2,500
Totals	30,000				20,000	10,000

As you can see, you have exceeded the limit each year by \$50,000 or 2,500 shares. If you exercised all of these options during 2012, only 20,000 shares would be treated as incentive stock options while the remainder would be considered nonstatutory stock options. See **Section C**, Nonstatutory Stock Options, of this publication for more information on nonstatutory stock options.

California Resident on Date of Stock Sale

Qualifying Disposition

If you exercise an incentive stock option while a nonresident of California and later sell the stock in a qualifying disposition at a gain while a California resident, California will tax the resulting capital gain because you are a California resident when you sold the stock.

Example 4

On February 1, 2010, while a resident of Ohio, your company grants you incentive stock options. On April 1, 2013, you exercise your options. On September 1, 2014, you permanently move to California and sell your stock on October 15, 2014, for a gain.

Determination:

Because you are a California resident when you sell the stock, California will tax the resulting capital gain.

Disqualifying Disposition

If you exercise an incentive stock option while a nonresident of California and later sell the stock in a disqualifying disposition while a California resident, California will tax the resulting wage income and capital gain (if applicable) because you are a California resident when you sold the stock.

Example 5

On February 1, 2010, while a resident of Ohio, your company grants you incentive stock options. On April 1, 2014, you exercise your options. On June 1, 2014, you permanently move to California and sell your stock on October 1, 2014. The sale price is greater than the stock fair market value on the exercise date.

Determination:

California will tax the resulting wage income and capital gain because you were a California resident on the date you sold the stock. If you also paid tax to Ohio on the wage income, California may allow a credit for taxes paid to Ohio on this double-taxed income. For more information, refer to California Schedule S, *Other State Tax Credit*. Go to ftb.ca.gov and search for **schedule s**.

Nonresident of California on Date of Stock Sale

Qualifying Disposition

If you exercise an incentive stock option while a California resident or a nonresident and later sell the stock in a qualifying disposition while a nonresident, the income is characterized as income from the sale or disposition of intangible personal property having a source in your state of residence at the time you sold the stock. Accordingly, you are not subject to income tax by California even though the services that gave rise to the grant may have been performed in this state.

An AMT adjustment must be made in the year you exercise the incentive stock option. Determine the source of the adjustment in the same manner as income from the exercise of nonstatutory stock options for regular income tax purposes.

Example 6

On March 1, 2010, your company grants you incentive stock options. On March 1, 2012, you exercise your options. From the grant date to the exercise date, you were a California resident and performed all of your services in California. On February 1, 2013, you permanently moved to Illinois. On June 1, 2013, you sell your stock at a gain.

Determination:

You must make an AMT adjustment on your 2012 California return because you did not dispose of the stock in the year you exercised your option. California does not tax the capital gain in 2013 because you are a nonresident of California when you sell the stock.

Disqualifying Disposition

If you exercise an incentive stock option while a California resident or a nonresident and dispose of the stock in a disqualifying disposition while a nonresident, the transaction is treated as if you exercised a nonstatutory stock option. The difference between the option price and the fair market value on the exercise date is wages. (Sun Microsystems, Inc., 69 TCM 1884 (1995)) The income source is where you performed services between the grant date and the exercise date.

No AMT adjustment is required if you dispose of the stock in the same year you exercise the option. However, if the stock is disposed of in a later year, then an AMT adjustment must be made in the year you exercised your incentive stock option. The AMT adjustment source is determined in the same manner as income from the exercise of a nonstatutory stock option for regular tax purposes.

Example 7

You were a California resident and worked for X Company. You performed all of your services in California during your entire career. On April 1, 2011, you were granted an option to purchase stock under your company's incentive stock option plan. The option price on April 1, 2011, was \$10 per share. On April 1, 2013, while still living and working in California, you exercised your option to purchase 30,000 shares of your company's stock. The fair market value on April 1, 2013, was \$50 per share. On July 1, 2013, you retired and permanently moved to Florida. On October 15, 2013, you sold the 30,000 shares for \$35 per share.

Determination:

The character of the income from the disqualifying disposition is wages. Because you performed all your services in California between the grant date and the option exercise date, 100 percent of the income will be wages from a California source.

FMV of stock, date of sale:	\$ 1,050,000	(30,000 shares @ \$35* per share)
Less option price, date of grant:	<u>- 300,000</u>	(30,000 shares @ \$10 per share)
Wage income, CA source:	\$ 750,000	

*The sale price of \$35 is used to compute wage income because it is less than the exercise price of \$50. There was no increase in the share's fair market value from the exercise date to the sale date, thus there is no capital gain.

You do not need to make an AMT adjustment in tax year 2013 because you disposed of the stock in the same year you exercised your option.

Example 8

Assume the same facts as Example 7, except you sold the stock on March 15, 2014, when the fair market value of the stock was \$60 per share.

Determination:

You must make an AMT adjustment in tax year 2013 because you did not dispose of the stock in the same year you exercised your option. Because you performed 100 percent of your services in California, 100 percent of the AMT adjustment will have a California source. The adjustment is determined as follows:

Tax Year 2013

FMV of stock, date of exercise:	\$ 1,500,000	(30,000 shares @ \$50 per share)
Less option price:	<u>- 300,000</u>	(30,000 shares @ \$10 per share)
AMT adjustment, CA source:	\$ 1,200,000	

Your AMT basis in the stock is determined as follows:

Option price:	\$ 300,000
Plus AMT adjustment:	<u>1, 200,000</u>
AMT basis:	\$1,500,000

Tax Year 2014

Wage income from a California source is determined as follows:

FMV of stock, date of exercise:	\$ 1,500,000	(30,000 shares @ \$50 per share)
Less option price:	<u>- 300,000</u>	(30,000 shares @ \$10 per share)
Wage income, CA source income:	\$ 1,200,000	

The increase in the fair market value of the stock from the exercise price of \$50 to the sale price of \$60 is characterized as capital gain. The capital gain has a source in Florida, your state of residence when you sold the stock.

FMV of stock, date of sale:	\$ 1,800,000	(30,000 shares @ \$60 per share)
Less FMV of stock, date of exercise:	<u>- 1,500,000</u>	(30,000 shares @ \$50 per share)
Capital gain, FL source income:	\$ 300,000	

California may allow an AMT tax credit for prior year AMT.

E. Restricted Stock

Generally, you recognize taxable wage income upon the vesting of restricted stock. The taxable wage income is the difference between the fair market value of the stock on the vesting date and the price you paid for the stock.

If you pay taxes on this wage income to California and another state, you may be allowed an Other State Tax Credit (OSTC) on this double-taxed income.

California Resident on Vesting Date

If you are a California resident on the date the stock vests, California will tax the difference between the fair market value of the stock on the vesting date and the price you paid for the stock because you are a California resident when the income is recognized.

Example 1

On March 1, 2009, while a resident of Maine, you purchase stock from your employer that was subject to substantial risk of forfeiture for a 5 year period. On June 1, 2013, your employer permanently transferred you to California. On March 1, 2014, your stock vested.

Determination:

Because you were a California resident when the stock vested, the difference between the fair market value of the shares on March 1, 2014, and the price you paid for the stock on March 1, 2009, is wage income taxable by California.

If you also paid tax to Maine, you are allowed an OSTC against California taxes paid to Maine on this double-taxed income.

Nonresident of California on Vesting Date

If you are a nonresident of California on the date the stock vests, the character of the income attributable to the vesting is compensation for services rendered. California will tax the income to the extent you performed services in this state.

All Service Performed Within California

If you perform services for a corporation entirely within California but the stock vests after you terminate employment and become a nonresident, the income attributable to the difference between the fair market value of the stock on the vesting date and the price you paid for the stock has a source in California, the location where you performed the services.

Example 2

On February 1, 2011, while a California resident, you purchase stock from your employer that was subject to substantial risk of forfeiture for a 3 year period. You performed all of your services in California from February 1, 2011, to December 31, 2013, the date you left the company and permanently moved to Wyoming. On February 1, 2014, your stock vested.

Determination:

The difference between the fair market value of the stock on February 1, 2014, and the price you paid for the restricted stock on February 1, 2011, is characterized as compensation for services having a source in California, the state where you performed all of your services.

Services Performed Within and Outside California

If you performed services both within and without California, you must allocate to California that portion of total compensation reasonably attributed to services performed in this state. (CCR Regulations Sections 17951-5)

One reasonable method is an allocation based on the time worked. The period of time you performed services includes the total amount of time from the purchase of the restricted stock to the vesting date (or the date your employment ended, if earlier).

The allocation ratio is:

$$\frac{\text{California workdays from purchase date to vesting date}}{\text{Total workdays from purchase date to vesting date}}$$

Income taxable by California = Total income from restricted stock x allocation ratio

Example 3

On November 1, 2010, while a California resident, you purchased stock from your employer that was subject to substantial risk of forfeiture for a 4 year period. On October 1, 2014, you left the company and permanently moved to Texas. From November 1, 2010, through October 1, 2014, you worked for the company a total of 700 days in California and 300 days in other states. On November 1, 2014, the stock vested.

Determination:

The difference between the fair market value of your stock on November 1, 2014, and the price you paid for the restricted stock on November 1, 2010, is characterized as compensation for services. The total number of workdays from the purchase date to the vesting date equal 1,000 (700 California workdays + 300 other state workdays). The allocation ratio is .70 (700 California workdays ÷ 1,000 total workdays). Therefore, 70 percent of your income from the restricted stock is taxable by California.

F. Employee Stock Purchase Plans

You do not include any amount in income when you are granted an option under an employee stock purchase plan or when you exercise the option. You recognize income only when you sell the stock. For additional information on the taxations when you sell stock acquired under an employee stock purchase plan, get IRS Publication 525, *Taxable and Nontaxable Income*, at irs.gov.

If you pay taxes to California and another state on any ordinary income recognized when you sell the stock, California may allow a credit for taxes paid on this double-taxed income. For more information, refer to California Schedule S, *Other State Tax Credit*. Go to ftb.ca.gov and search for **schedule s**.

Qualifying Disposition

A qualifying disposition occurs when the holding period requirements under IRC Section 423 are met.

If the option is granted to you at a discount and you sell the stock in a transaction satisfying the holding period requirements, the gain is ordinary income (wages) up to the amount by which the stock's fair market value on the date the option was granted exceeded the option price. Any excess gain is capital gain. If you have a loss from the sale, it is a capital loss and you do not have any ordinary income.

Disqualifying Disposition

A disqualifying disposition results when you sell the stock without meeting the holding period requirements. Your ordinary income is the amount by which the stock's fair market value on the date you exercised the option exceeded the option price. You must increase your basis in the stock by the amount of this ordinary income. The difference between your increased basis and the selling price of the stock is a capital gain or loss.

California Resident on Date of Stock Sale

Qualifying or Disqualifying Disposition

If you exercise an option under an employee stock purchase plan while a nonresident and later sell the stock in a qualifying or disqualifying disposition while a California resident, the resulting ordinary income and capital gain are taxable by California because you are a California resident when you sold the stock.

Example 9

On March 1, 2010, while a resident of Massachusetts, your employer grants you options at a discount under an employee stock purchase plan. On March 1, 2012, you exercise your options. On December 1, 2012, you permanently moved to California and on April 1, 2013, you sell the options at a gain.

Determination:

California taxes the resulting ordinary income and capital gain because you are a California resident when the stock is sold. If you also paid tax to Massachusetts, California may allow a credit against California taxes for taxes paid to Massachusetts on the double-taxed ordinary income.

Nonresident of California on Date of Stock Sale

Qualifying or Disqualifying Disposition

If you exercise an option under an employee stock purchase plan while a California resident or nonresident and later sell the stock in a qualifying or disqualifying disposition while a nonresident, California will tax the resulting ordinary income to the extent you performed services in California from the grant date to the exercise date. Any capital gain has a source in your state of residence at the time you sold the stock.

Example 10

On February 1, 2010, your employer grants you options under an employee stock purchase plan. On February 1, 2012, you exercise these options. From the grant date to the exercise date, you were a California resident and performed 50 percent of your services in California. On June 1, 2012, you permanently moved to Nevada and on January 15, 2013, you sold the stock at a gain.

Determination:

Because you sold the stock before meeting the one-year holding period requirement, the difference between the fair market value of the stock on the date of exercise and the option price is taxable as wages. Since you performed 50 percent of your services in California from the grant date to the exercise date, 50 percent of the wage income would be taxable by California. Any capital gain resulting from the increase in value over the fair market value on the date of exercise would have a source in Nevada, your state of residence when you sold the stock.

G. California Qualified Stock Options

California R&TC Section 17502 provides that a stock option specifically designated as a California qualified stock option will receive the favorable tax treatment applicable to incentive stock options and employee stock purchase plans. In order to receive this treatment, the following conditions must be met:

1. The option is issued after January 1, 1997, and before January 1, 2002.
2. The earned income of the employee from the corporation granting the option for the taxable year in which that option is exercised does not exceed \$40,000.
3. The number of shares of stock granted under the option does not exceed 1,000 and the value of the shares does not exceed \$100,000.
4. The employee must be employed by the company at the time the option is granted or must have been employed within three months (one year if permanently disabled) of the date the option is granted.

If the provisions of R&TC Section 17502 are met, federal law treats a California qualified stock option as a nonstatutory stock option. For federal tax purposes, you recognize taxable wage income upon the exercise of a California qualified stock option. You should make an adjustment to your federal adjusted gross income for the California qualified stock option wage income you included on your federal return. Make the adjustment on one of the following schedules:

- Schedule CA (540), *California Adjustments-Residents*
- Schedule CA (540NR), *California Adjustments-Nonresidents or Part-Year Residents*

In the year you sell the stock, you should report any capital gain or loss differences on California Schedule D, *California Capital Gain or Loss Adjustment*.

See **Section D**, Incentive Stock Options, of this publication to determine the California taxation of these options if you change your residency.

If the provisions of R&TC Section 17502 are not met, the stock option is treated as a nonstatutory stock option. See **Section C**, Nonstatutory Stock Options, of this publication to determine the California taxation of these options if you change your residency.

Equity-Based Compensation Summary Table

Type	If you are a California resident	If you are a California nonresident
Nonstatutory stock option (NSO)	on the date of NSO exercise: <ul style="list-style-type: none"> California will tax the wage income. Possible other state tax credit. 	on the date of NSO exercise: <ul style="list-style-type: none"> California will tax the wage income to the extent services were performed in California from the grant date to the exercise date. Possible other state tax credit.
	on the date of stock sale: <ul style="list-style-type: none"> California will tax the capital gain. 	on the date of stock sale: <ul style="list-style-type: none"> California will not tax the capital gain.
Incentive stock option (ISO)	on the date of ISO exercise: <ul style="list-style-type: none"> If the stock is not sold in the year of exercise, make an AMT adjustment. Increase AMT basis by the AMT adjustment. 	on the date of ISO exercise: <ul style="list-style-type: none"> If the stock is not sold in the year of exercise, make an AMT adjustment. Include AMT adjustment to the extent services were performed in California from the grant date to the exercise date. Increase AMT basis by the AMT adjustment.
	on the date the stock is sold in a qualifying disposition at a gain: <ul style="list-style-type: none"> California will tax the capital gain. Possible AMT credit. 	on the date the stock is sold in a qualifying disposition at a gain: <ul style="list-style-type: none"> California will not tax the capital gain. Possible AMT credit.
	on the date the stock is sold in a disqualifying disposition: <ul style="list-style-type: none"> California will tax the wage income and the capital gain (if any). Possible other state tax credit. Possible AMT credit. 	on the date the stock is sold in a disqualifying disposition: <ul style="list-style-type: none"> California will tax the wage income to the extent services were performed in California from the grant date to the exercise date. California will not tax the capital gain (if any). Possible other state tax credit. Possible AMT Credit.
Restricted stock unit (RSU)	on the vesting date: <ul style="list-style-type: none"> California will tax the wage income. Possible other state tax credit. 	on the vesting date: <ul style="list-style-type: none"> California will tax the wage income to the extent services were performed in California from the grant date to the vesting date. Possible other state tax credit.
Employee stock purchase plans (ESPP)	on the date you sold the stock the stock is sold in a qualifying or disqualifying disposition at a gain: <ul style="list-style-type: none"> California will tax the ordinary income and capital gain. Possible other state tax credit. 	on the date you sold the stock the stock is sold in a qualifying or disqualifying disposition at a gain: <ul style="list-style-type: none"> California will tax the ordinary income to the extent services were performed in California from the grant date to the exercise date. California will not tax the capital gain (if any). Possible other state tax credit.
California qualified stock options (CQSO)	and R&TC Section 17502 provisions are met: <ul style="list-style-type: none"> Same tax treatment as ISO. 	and R&TC Section 17502 provisions are met: <ul style="list-style-type: none"> Same tax treatment as ISO.
	and R&TC Section 17502 provisions are not met: <ul style="list-style-type: none"> Same tax treatment as NSO. 	and R&TC Section 17502 provisions are not met: <ul style="list-style-type: none"> Same tax treatment as NSO.