McCarthy Asset Management, Inc.
Personalized Wealth Management

RESTRICTED STOCK UNITS (RSUS)

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"While the tax treatment of RSUs can be complex, understanding the implications and key features provides significant benefits to the employee."

McCarthy Asset Management, Inc. is an independent, fee-only investment advisory firm that has been helping people invest wisely for over fifteen years. Our mission is to help you better understand and improve your financial situation. We specialize in Retirement Planning, Portfolio Management and Tax Planning.

Features:

- RSUs are an unsecured right to receive shares of stock at a future date or upon a future event, such as vesting.
- Vesting may be service-based or performance-based.
- Many similar features to Restricted Stock. However, the non-existence of the stock at the time of the grant is a critical distinction between normal Restricted Stock and RSUs.
- Dividend equivalents may be paid and are taxable as compensation.

Tax Treatment:

- Grant
  - ◊ The granting of RSUs is not a taxable event. A Section 83(b) election cannot be made for RSUs because there is a non-existence of stock at time of grant for RSUs, as they are the company's promise to give an employee shares of stock.
- Vesting
  - ◊ FMV of RSU shares is income for tax purposes and is subject to income tax, FICA and Medicare Tax withholding.
- Receipt of shares
  - ◊ FMV of vested shares received is compensation income to the employee.
  - ◊ Tax withholding is required.
- Sale
  - ◊ Excess of sale proceeds over FMV of shares upon receipt is taxed as a capital gain. Holding period determines whether short-term or long-term.