

# New Tax Act Provides Tax Deferral Opportunity for Private Company Equity Compensation Awards

January 8, 2018 | Client Update

On December 22, 2017, President Trump signed the Tax Cuts and Jobs Act (the “TCJA”) into law. The TCJA adds a new Section 83(i) to the Internal Revenue Code of 1986, which allows eligible employees of private companies to defer U.S. federal income taxes on eligible compensatory stock options and restricted stock units (RSUs) for up to five years after exercise of the stock options or settlement of the RSUs. The new Section 83(i) tax deferral treatment applies to stock options that are exercised and RSUs that are settled after December 31, 2017. Currently outstanding stock options and RSUs that satisfy the various requirements described below are presumably eligible for this new tax treatment.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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