

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.

Jeffrey P. Crandall

+1 212 450 4880
jeffrey.crandall@davispolk.com

Edmond T. FitzGerald

+1 212 450 4644
edmond.fitzgerald@davispolk.com

Kyoko Takahashi Lin

+1 212 450 4706
kyoko.lin@davispolk.com

Chaoyuan (Charles) Shi

+1 212 450 3346
charles.shi@davispolk.com

Veronica M. Wissel

+1 212 450 4794
veronica.wissel@davispolk.com

This communication, which we believe may be of interest to our clients and friends of the firm, is for general information only. It is not a full analysis of the matters presented and should not be relied upon as legal advice. This may be considered attorney advertising in some jurisdictions. Please refer to the firm's privacy notice for further details.

Related materials

[Read the full update](#)