FREE PROFESSIONAL'S GUIDE

# The Equity Comp Tax Cheat Sheet

RSUs, options, ESPP — every type is taxed differently, and the defaults aren't built for you. Here's the whole map on one page.

## Know how each one is taxed

| TYPE | WHEN IT'S TAXED | THE MAIN TRAP |
|---|---|---|
| RSUs | As ordinary income at vesting, on the full value | Default withholding (often 22%) is too low for high earners → April surprise |
| NSOs | Spread taxed as ordinary income at exercise | You control the timing of a taxable event — most people don't plan it |
| ISOs | No regular tax at exercise; capital gains if you hold long enough | The spread triggers **AMT** — a tax bill on gains you haven't sold |
| ESPP | Depends on how long you hold after buying | Selling too soon turns a capital gain into ordinary income |

THE COSTLIEST MISTAKE WE SEE

**The ISO / AMT trap** is the costliest equity mistake we see — a big exercise can create a real tax bill on paper gains. Model it *before* you exercise, not after.

## Three moves that save real money

1

**Close the withholding gap**

Plan the estimated payment so a big year isn't a penalty.

2

**Manage concentration**

Diversify on a schedule, not by accident.

3

**Time it across tax years**

Choose your tax year instead of letting the vesting calendar choose it.

## The grant is easy. The tax is where it's won or lost.

If you have equity and you've been letting withholding and the vesting calendar decide, let's build a plan around your actual schedule.

**Book a planning call:** (717) 576-6546 contactus@manadatax.com manadatax.com