

## **Secrets of tax planning for employee stock options live seminar**

As a person with stock options or stock purchased by exercising an option, you need to be aware that there are many pitfalls for which there can be unexpected tax consequences. **WILL YOU OWE A TAX WITHOUT HAVING THE CASH TO PAY IT?**

The tax rules for employee stock options include many tax traps. What seems like a simple, reasonable transaction can have severe tax results. Some taxpayers have ruined their finances by making innocent decisions. When taxpayers try to negotiate settlements, the response of the IRS is, “We’re terribly sorry, but you must pay the tax.”

In the current tax environment, tax strategies may not work as expected. More and more middle-class taxpayers are finding they are subject to the alternative minimum tax (AMT).

Federal tax rates are expected to increase after 2010, adding complexity and possibilities to the planning mix.

In this lunchtime seminar, Michael Gray, CPA, author of the *Michael Gray, CPA Option Alert* newsletter and the 2009 edition of *Secrets of Tax Planning For Employee Stock Options*, will discuss key issues relating to tax planning for employee stock options. Michael Gray has worked in taxation in Silicon Valley continuously since 1974. He is also the host of a television series, *Financial Insider Weekly*.

Here are some of the items he will cover:

### **Incentive Stock Options**

1. What are four alternative scenarios to consider when evaluating risk and tax results when planning?
2. What is the “escape hatch” and when should you use it?
3. What tax rates apply in different scenarios, and how do they relate to evaluating risk? How will higher federal tax rates after 2010 affect tax planning for ISOs?
4. What are the mechanics of the alternative minimum tax and the minimum tax credit?
5. How does the new refundable minimum tax credit work?
6. What rules apply for regular tax and the alternative minimum tax for non-vested stock?
7. How can the estimated tax rules be used to manage cash flow?
8. What are the tax results of “hedging” strategies?
9. What are special considerations when an early exercise is allowed?
10. What special considerations apply for “insider” stock?
11. Special issues for stock that isn’t publicly traded.

### **Non-Qualified Stock Options**

1. Who is eligible to receive non-qualified options as compared to incentive stock options and employee stock purchase plans?
2. What general rules apply when non-qualified stock options are exercised?
3. What tax rates apply for withholding? When does withholding apply? Is the withholding sufficient to eliminate a balance due on April 15 after the year-end?
4. When is stock considered “restricted,” and what special elections apply in those situations?
5. Issues relating to employee “lockouts.”
6. Issues for stock that isn’t publicly traded.
7. What “hoops” have been created for non-qualified stock options under the non-qualified deferred compensation rules (Section 409A)?

### **Employee Stock Purchase Plans**

1. How does an employee stock purchase plan compare to incentive stock options?
2. What is the disqualifying disposition tax trap?
3. Does the alternative minimum tax apply to ESPPs?

For employees with stock options, this presentation will help you build a framework for understanding planning for your options that you may build on for consulting with tax and investment advisors. This is an opportunity to ask questions that you have been wondering about.

### **Free gifts for coming**

As free gifts for coming to the seminar, you will receive a copy of Michael’s 46 page book *Employee Stock Options – Executive Tax Planning, 2008 edition*, a \$24.97 value and two DVDs of Michael Gray’s *Financial Insider Weekly* interviews with options trader John Olagues about Employee Stock Option Basics and Hedging Strategies For Employee Stock Options

Here are the details:

**Date:** Friday, June 18, 2010

**Time:** noon to 1:30 p.m.

**Place:** Hobeas Restaurant at The Pruneyard in Campbell. (1875 S. Bascom Ave., next to the Camera Theaters in the back of the shopping center.) 408-369-0575

**Investment:** \$97 per person. (Visa, Mastercard, American Express or Discover cards accepted. Make any payments to “Michael Gray, CPA.”)

**Lunch is included!**

**Guarantee:** You must agree this is a valuable seminar experience or we will immediately issue a check for a 100% refund.

Please take action on this notice now. Seating is limited to 35. FAX the registration form to us at 408-998-2766 today or call Dawn Siemer at 408-918-3162 on Monday, Wednesday or Friday to make your reservation.

I'm looking forward to seeing you at the seminar!



Michael C. Gray

P.S.-1 Making a wrong decision with your stock options can cost you thousands of tax dollars. Thousands of option holders have found themselves owing taxes without the cash to pay them! You may have some critical decisions to make before the end of the year. Don't miss this opportunity to get the information you need. Send in your registration form for the "Secrets of Tax Planning For Employee Stock Options Seminar" today!

P.S.-2 Remember you will receive a *free* copy of Michael's 46 page book *Employee Stock Options – Executive Tax Planning, 2008 edition*, a \$24.97 value, and two DVDs of Michael Gray's *Financial Insider Weekly* interviews with options trader John Olagues about Employee Stock Option Basics and Hedging Strategies For Employee Stock Options when you come to the seminar!

P.S.-2 Are you receiving our *free* email newsletter, *Michael Gray, CPA's Option Alert*? You can sign up at [www.stockoptionadvisors.com](http://www.stockoptionadvisors.com). If you need help, call Dawn Siemer at 408-918-3162.

## *Praise for Michael Gray's advice on stock options*

“During the tech boom, Silicon Valley workers had surprisingly few places to turn for help with their stock options. Mike Gray was one of them, providing an authoritative voice of prudence in a time of irrational exuberance. Steeped in the complexities of tax laws and strategies, he was among the first to co-author a primer to help workers understand how options worked and how to take money off the table. *Secrets of Tax Planning* delves much deeper, providing detailed explanations that should serve as a helpful resource for tax pros, investment managers and financial planners – and undoubtedly a few do-it-yourself engineers.”

--Mark Schwanhausser  
Personal finance reporter  
San Jose Mercury News  
San Jose, California

“To Whom It May Concern:

I first met Mike Gray in 1999 to ask his assistance with stock option tax issues. Little did I know back then that over the next few years, Mike would help me with a hairy tax documentation problem, help my wife and me set up our will, provide me with advice on starting my new company, and become our company tax advisor. Along the way, Mike has provided me with excellent legal contacts and even sales reference materials.

Adding it all up, you soon realize that Mike is much more than just a CPA – he is a very knowledgeable advisor and guide in all facets of our financial life. I'm very glad to count Mike Gray as one of my most trusted advisors.

--Dean Haritos  
President  
Cloudbreak Software, LLC”

“Mr. Gray really knows his stock options and he is an expert with ‘AMT’ – Alternative Minimum Tax. Mr. Gray helped me receive a \$94,988.00 credit towards my tax liability. The savings in penalty, interest, and stress are worth much, much more – Thanks a \$ Million!”

--John Simon

“I contacted Michael Gray on April 12 of this year (2007) out of desperation. I had a somewhat complicated situation with stock options that were exercised in 2005 and flipped in 2006 resulting in an early disposition of qualifying options. I had given my papers to a local CPA who gave me the news that I owed the IRS a large mortgage for the transaction with an overall tax rate of over 70% for the options. I then took my papers to a top notch national CPA firm who had their top tax researchers give me the same unbelievable news. An internet search turned up Michael's firm as stock option experts, and after emailing documents to him, he called me with the news that I in fact was getting a refund because of the early disposition, and had my extensions prepared before the April 15<sup>th</sup> deadline. Advice, service and client relationship are unsurpassed. If you have ISOs that you are considering exercising, contact an expert such as Michael Gray before you choose to exercise them.

--Bob Kalish

“I exercised some incentive stock options during 2005 and had a substantial alternative minimum tax. Early in 2006, my employer was acquired, resulting in a disqualified disposition of my ISO stock.

“My local accountant wasn't familiar with handling something like ISO stock. A fellow employee at my company said you helped him with the same transaction, resulting in a big refund.

“Your firm prepared amended 2006 income tax returns, resulting in a recovery of most of the alternative minimum tax paid in 2005.

“The IRS selected the amended return for audit. I was impressed that the IRS agent said he researched the issue and found that Michael Gray, CPA was an expert on the subject of incentive stock options and alternative minimum tax, which the agent hadn’t dealt with before!

“You explained what happened to the agent and provided requested documentation. With a minimum of hassles, our amended return was accepted as filed. The entire examination to report process took just slightly over two months.

“I would recommend your firm to anyone who has incentive stock options.”

--Richard Gold  
Carmel, New York

## Registration Form

**Yes!** Sign me up to participate in your “Secrets of Tax Planning For Employee Stock Options” luncheon seminar. I want to learn how to get the maximum tax benefits from my options under the tax laws while avoiding expensive tax traps.

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Name \_\_\_\_\_

Name(s) of other person(s) attending \_\_\_\_\_

Company Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Home Phone \_\_\_\_\_ Business Phone \_\_\_\_\_

FAX \_\_\_\_\_ Email \_\_\_\_\_

\_\_\_\_ Payment is enclosed (mail orders only)

\_\_\_\_ Charge my Mastercard \_\_\_\_ Visa \_\_\_\_ American Express \_\_\_\_

Discover \_\_\_\_

Credit card number \_\_\_\_\_

Expiration \_\_\_\_\_ Security Code \_\_\_\_\_

Card billing address, if different \_\_\_\_\_

Name on card \_\_\_\_\_

Signature \_\_\_\_\_

FAX to 408-998-2766

Call Dawn Siemer at 408-918-3162 on Monday, Wednesday or Friday  
or mail to Michael Gray, CPA

2190 Stokes St., Ste. 102  
San Jose, CA 95128-4512