

StockOpter Pro White Paper

Work-Around to Disqualify ISOs in the Next Year

Description:

This work-around will enable StockOpter Pro to model the tax consequences of a disqualifying disposition that is done in the next tax year. It requires a formula change in the grant block of each affected ISO.

Steps:

1. Unprotect the worksheet (Tools/Protection)
2. Go to “SO Views” and select “All Rows” to display the intermediary calculations in the grant block
3. In the year of the disqualifying disposition *replace* the formula in the “Capital Gains” cell with zero
4. In the year of the disqualifying disposition change the formula in the “Ordinary income” cell as follows:
 - a. Change the formula from pointing at the “Disqualifying disposition” row to point at the “# of shares to sell (qualified)” row
 - b. For example, change: $\text{MAX}(((\text{IF}(\text{D8}>0, \text{D8}, \text{D\$2})-\$B10)*\text{D15}),0)$ to $\text{MAX}(((\text{IF}(\text{D8}>0, \text{D8}, \text{D\$2})-\$B10)*\text{D21}),0)$
5. Model the disqualifying disposition as follows:
 - a. Year 1: enter the number of shares to “exercise as qualified”
 - b. Year 2: enter the number of shares to “sell as qualified”
6. The income from the sale will flow as “ordinary income” instead of an AMT adjustment thru the tax calculations
7. Repeat from step 3 for other grants

Notes:

- Use caution when working with an unprotected worksheet because inadvertent formula changes can occur