

IV. Items of General Interest

New Code V for Form W-2, Box 12 is Optional for the 2001 Form W-2

Announcement 2001-7

Purpose

The purpose of this announcement is to advise employers of a change to Announcement 2000-97. Announcement 2000-97 advised employers that a new code (Code V—Income from the exercise of nonstatutory stock options) was added for use in box 12. In response to employer concerns about implementing the reporting procedures, the use of Code V is **optional** for the 2001 Forms W-2.

Nonstatutory Stock Options

When an employee (or former employee) exercises nonstatutory stock option(s), employers are currently required to include the excess of the fair market value of the stock received upon exercise of the option(s) over the amount paid for that stock on Form W-2 in boxes 1, 3 (up to the social security wage base), and 5. Any compensation related to the exercise of the nonstatutory stock option(s) currently included in boxes 1, 3 (if applicable), and 5 should also be reported separately in box 12, using **Code V**. This separate reporting in box 12 is optional for the 2001 Forms W-2.
