



Dbriefs U

Supplemental Material

How Tax Influences HR Decisions – And Why You Have a Vested Interest

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About the Supplemental Material

Each Dbriefs U webcast is accompanied by teaching material including discussion or homework questions, activities, and related resources. Material is distributed by email in conjunction with the live broadcast of each webcast. For questions or more information, email dbriefsu@deloitte.com.

❖ To request the solutions for this material, email dbriefsu@deloitte.com.

Discussion/Homework Questions

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1. Compare the differences between a nonqualified stock option and an Incentive Stock Option (ISO) for both the employer and the employee.

2. Calculate the amount taxed for both a nonqualified and an ISO on the following dates: grant, exercise and disposition:
 - Exercise Price \$10
 - FMV 2 years after grant, on date of exercise \$25
 - FMV 4 years after grant, on the date of disposition \$30

Nonqualified Stock Option	Incentive Stock Option
At grant:	At grant:
At exercise:	At exercise:
At disposition:	At disposition:

3. Using the facts listed above, calculate the taxes due for each taxable event. Describe why employees may prefer to receive ISO grants while employers may prefer to grant nonqualified stock options.

- Ordinary income rate 30%
- Capital gains rate 15%

Nonqualified Stock Option	Incentive Stock Option
At grant:	At grant:
At exercise:	At exercise:
At disposition:	At disposition:

Activity

To request the solutions for this material, email dbriefsu@deloitte.com.

Overview

Internet Activity: Review Starbucks' compensation and benefits

Length: 30-45 minutes

Type: Individual activity

Materials: Internet access and Dbriefs U presentation

Learning Objectives: Research and analyze the benefit programs of a potential employer.

Activity: Using the Starbucks' public SEC filings and information posted on the corporate Web site, research the company's benefits structure and prepare written answers to two questions.

Activity

To request the solutions for this material, email dbriefsu@deloitte.com.

Internet Activity: Review Starbucks' compensation and benefits

You impressed the Human Resources department at Starbucks during your interview and have received a full time job offer. Congratulations! You know the starting salary, but have not received much information on the non-cash benefits. Using the company's public SEC filings (specifically, the Form 10k and Proxy Statement) and information posted on their Web site, research the company's benefits structure to fully understand if this is the right job offer for you.

Step 1: Make a list of all the company's benefits for new employees, focusing especially on arrangements discussed during the Dbriefs U presentation. Include a sentence or two on why this is a benefit valuable to you. If the program was discussed during the Dbriefs U's webcast, include a sentence or two on the tax implications.

Step 2: You plan on rising quickly up the Starbucks' ranks so also include a similar list of benefits provided solely to top executives.

Related Resources

To access these materials, visit www.deloitte.com/us/dbriefsu.

U.S. Department of Labor
www.dol.gov/dol/audience/aud-workers.htm

Tax-Efficient Rewards Transformation: Reengineering your rewards programs for the 21st century (Deloitte whitepaper)

Global Insight: A quarterly newsletter keeping international human resources professionals up to date with global tax developments and trends for their employees. (Deloitte newsletter)

2006 International Stock Plan Design and Administration Survey: Presented by The National Association of Stock Plan Professionals and Deloitte Tax LLP (survey results)

National Compensation Survey (NCS), conducted by the U.S. Bureau of Labor Statistics (BLS), U.S. Department of Labor, March 2007. www.bls.gov/ncs/ebs/sp/ebsm0006.pdf

Webcast Poll Questions

To request the solutions for this material, email dbriefsu@deloitte.com.

Question

Which is not a feature of a defined contribution plan?

- Employee makes contributions to the plan
- Employer makes contributions to the plan
- The benefit is calculated based on a formula, typically including years of service and average compensation
- The risk is absorbed by the employee

Question

An nonqualified stock option with an exercise price of \$10 is exercised 3 years after grant when the fair market value of the stock is \$30. What amount is included as income for the employee and deductible by the employer upon exercise?

- \$0
- \$20
- \$30
- Not enough information to determine

Question

TRIVIA QUESTION: According to a 2007 survey, what percentage of private sector workers have access to an employee stock option plan?

- 15%
- 30%
- 8%
- 2%

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