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As the saying goes, there's no such thing as a free lunch. This holds true for a popular employee incentive: restricted stock units (RSUs). While RSUs can be a boost to your portfolio (and your net worth), there are strings attached. First, you likely have to stay with your company for at least a few years to unrestricted all of shares. Second, you need to be wary of taxes. In this article, we'll cover what RSUs are, how they work, when they're taxed, and the steps you can take to minimize the tax consequences and make the most of your stock compensation. What Are Restricted Stock Units (RSUs)? RSUs are a common type of equity compensation through which an employer promises to give you shares of company stock, assuming certain conditions are met (known as vesting requirements). They do this through a Grant, this grant document outlines all of the details of the vesting requirements. It is key to note, you have no ownership of the shares upon this grant, only upon vesting. Until they vest, RSUs hold no immediate financial value and cannot be sold or transferred. Fortunately though, unlike stock options, RSUs don't require any upfront purchase you simply need to meet your vesting requirements to receive your shares. Vesting is the process of gradually earning ownership, often by staying with the company or meeting performance milestones. The vesting schedule for your RSUs will be explicitly outlined in your grant documents, but you can expect one of the following methods: Cliff vesting: All shares vest at once, after a fixed vesting period (e.g., four years with the company). Graded vesting: Shares vest in increments such as 25% annually for four years. Hybrid vesting: This is a blend of cliff and graded vesting. For example, 25% of your RSUs could vest after one year, while the remaining shares vest in regular, monthly lots over the subsequent three years. As said, if you work for a private company that intends to go public, your RSUs might require a double trigger to fully vest. In other words, you may have to meet time-based requirements and wait for a liquidity event (such as an IPO) to receive your shares. This could lead to a materially longer holding period. This double trigger is helpful to nonpublic company employees, as it delays a taxation event to a point when shares could be sold to pay for the tax burden of the vesting. Once vested, RSUs turn into actual shares that you own outright, but they also become subject to tax considerations. How Restricted Stock Units Are Taxed at Vesting RSUs are taxed as ordinary income when they vest. So, if your shares vest in four installments over four years, that means you'll owe taxes on your RSUs each year. The taxable amount is based on the fair market value (FMV) of the stock on the vesting date. For instance, if 1,000 of your RSUs vest today, and the FMV is \$30 per share, then \$30,000 is added to your income for the year. For tax purposes, this is essentially like receiving a \$30,000 bonus in cash, except it's in company stock. That's fairly straightforward, but there's another wrinkle to consider: the process to actually pay the tax (RSU Tax Withholding) RSUs are a form of supplemental income. The IRS mandates a 22% withholding rate for supplemental income up to \$1 million. There are several ways to manage this liability: Sell-to-Cover: This is the default method for handling taxes on vested RSUs. In this approach, your employer automatically sells a portion of the vested shares, usually assuming a 22% withholding rate. For instance, if you have 100 shares vesting, your employer might sell 22 of these shares to cover your tax obligation. This typically covers federal, state, and payroll taxes. Withhold-to-Cover: Rather than selling shares, your employer could choose to retain shares and pay the exact tax liability with cash on hand. This can help avoid overselling or underselling shares that can happen with Sell-to-Cover, as many brokerages don't allow fractional sales. For example, if you need to withhold \$100 for taxes and the current share price is \$90, then 2 shares may need to be sold. Same-Day Sale: Upon vesting, you could elect to sell all vested shares immediately. This method not only covers the tax liability but also converts most shares to cash, which could be particularly useful if you need the cash and your shares are already concentrated in the company's long-term strategy. If you prefer to hold more vested shares, your employer may allow you to pay the withholding tax with cash. This requires you to have sufficient liquidity on hand to cover the tax bill, which can be significant depending on the number of shares and their market value. Each of these strategies has its benefits and trade-offs, and the best choice depends on your financial situation, market conditions, investment strategy, and overall portfolio allocation. It's important to note that the default withholding may not fully cover your tax obligation. You could owe more (potentially a lot more) beyond what's initially withheld. If you know this applies to you, consider setting aside funds or selling additional shares as they vest. How Restricted Stock Units Are Taxed at Sale Once your RSUs have vested and you decide to sell them, any profit you make from the sale is subject to capital gains tax. This tax rate depends on how long you've held the shares after they've vested. Short-term capital gains: If you sell your RSUs within a year of vesting, any profit is taxed at the same rate as your ordinary income. Long-term capital gains: If you hold your shares for more than one year after they vest and then sell, your profit is taxed at the long-term capital gains rate, which is lower than the ordinary income tax rate for most taxpayers. To put this in context though, let's assume you have 1,000 RSUs that vested exactly 11 months ago; at that time, the stock price was \$50 per share. If you sell those shares today for \$70 each, the profit of \$20 per share (\$20,000 in total) will be taxed as ordinary income. If you wait another month + a day, your profit would be taxed at the long-term capital gains rate (0%, 15%, or 20% as of 2025). RSU Tax Strategy Needless to say, the extra month in this particular situation could provide sizable tax savings, assuming the stock price holds steady. However, volatility is an equally important factor. Single stock sales are often prone to price fluctuations, so waiting could erase the tax benefits if the stock price declines. For most employees, selling RSUs as they vest and diversifying the proceeds into a broader portfolio offers the most secure and tax-efficient strategy because capital gains would be negligible if sold immediately. However, if you believe in your company's growth and want skin in the game, we recommend limiting your exposure to no more than 10% of your portfolio. Key Factors to Consider When Managing RSUs RSUs don't have exercise prices or purchase requirements (like NSOs and ISOs), so they aren't the most complicated form of equity compensation. But they aren't cookie-cutter either; there can be unique conditions and considerations, especially if you work for a private company with public aspirations or unusual vesting scenarios. Let's review a few things to keep in mind as you explore your options. RSAs and 83(b) Elections: If you have Restricted Stock Awards (RSAs), you might have the opportunity to elect for an 83(b) tax treatment. Making an 83(b) election allows you to pay taxes on the fair market value of the stock on the grant date, rather than at the time of vesting. This could reduce your tax liability substantially if the stock appreciates over time. This does NOT apply to RSUs however. Impact on Tax Bracket: The value of RSUs as they vest can materially affect your taxable income, potentially pushing you into a higher tax bracket. This is something you should plan for when you're granted shares, so you don't stumble across tax surprises down the road. Vesting Triggers: If you work for a startup or a private company, your RSUs may be subject to double-trigger vesting, which likely hinges on public offerings or other exit events. This can result in a large, unexpected tax event if your shares appreciate significantly in the process. Your Equity Compensation Has Tax Implications: A Strategy Can Help! You're at a point in your career that you're receiving restricted stock or other forms of equity compensation, it's very likely you could benefit from wealth management. Tax professionals and financial advisors well-versed in equity like the team at Plancor can help you look ahead to incorporate, diversify, and maximize your earning potential. RSUs aren't a free lunch, but they are a compelling incentive that can seriously boost your portfolio and overall financial plan when properly managed. If you're looking to make informed decisions around your equity to maximize it's impact, professional guidance is key. We'd be happy to help build RSUs into your overall financial plan. Schedule some time with a member of our team to start making the most of your equity compensation. Employee Compensation is a major expense for most corporations. As a result, many employees find it easier to pay at least a portion of employee compensation in the form of stock. This type of compensation offers two main advantages: It reduces the amount of cash that employers must distribute to serve as an incentive for employee productivity. There are many types of stock compensation, each with its own set of rules and regulations. Executives who receive stock options face a special set of rules that restrict the circumstances under which they can exercise and sell those options. This article explores the nature of restricted stock and restricted stock units (RSUs) and how they are taxed. Restricted stock is granted to executives, cannot be transferred, and may be subject to forfeiture under certain circumstances, such as termination or failure to meet corporate benchmarks. Restricted stock is available to employees under a graded vesting schedule that lasts for several years. RSUs represent a promise to grant stock once a vesting schedule is completed. Unlike stock options, RSUs are given for free and have value only after vesting. Both restricted stock and RSUs are taxed only once the vesting schedule is completed. With restricted stock, the full amount of the vested stock is taxed as ordinary income in the vesting year. Restricted stock is a type of stock granted to an executive that is nontransferable and subject to forfeiture under certain conditions, such as termination of employment or failure to meet corporate or personal performance benchmarks. Typically, restricted stock becomes available to the recipient under a graded vesting schedule that spans several years. While there are exceptions, most restricted stock grants are made to executives who are considered to have "insider" knowledge of a corporation. As a result, these grants are subject to insider trading regulations under SEC Rule 144. Failure to adhere to these regulations can lead to forfeiture. Restricted stockholders have voting rights, just like any other type of shareholder. Restricted stock grants have become more common in the mid-2000s when companies were required to expense stock option grants. RSUs resemble restricted stock options conceptually, but differ in some key respects. RSUs represent an unsecured promise by the employer to grant a set number of shares of stock to the employee once the vesting schedule is completed. Some RSU plans offer the option of a cash payout instead of stock, but most plans require that the actual shares be issued though not until vesting and forfeiture conditions are met. RSUs differ from restricted stock in that shares cannot be delivered until vesting and forfeiture requirements are satisfied. In some cases, employees can decide when to receive their RSUs, which may be useful for tax planning. Unlike restricted stockholders, RSU holders have no voting rights during the vesting period, as no shares have been issued yet. The rules of each plan determine whether RSU holders receive dividend equivalents. Restricted stock and RSUs are taxed differently from other stock options, such as statutory or non-statutory employee stock purchase plans (ESPPs). Those plans generally have tax consequences at the date of exercise or sale, whereas restricted stock usually becomes taxable upon the completion of the vesting schedule. For restricted stock plans, the entire amount of the vested stock must be counted as ordinary income in the year of vesting. The taxable amount is determined by subtracting the original purchase or exercise price of the stock (which may be zero) from the fair market value of the stock when it becomes fully vested. The difference is reported as ordinary income. If the stock is not sold at vesting, but later, any difference between the sale price and the fair market value at vesting is treated as a capital gain or loss. Restricted stockholders have the option to elect to report the fair market value of the shares as ordinary income at the time they are granted, rather than when they vest. This election allows for capital gains treatment, beginning at the time of the grant, instead of vesting. This strategy can significantly reduce taxes, as the stock price at grant is typically much lower than at vesting. The election is especially advantageous when there is a longer time frame between when shares are granted and when they vest (five years or more). Sam and Alex are both key executives in a large corporation. They each receive restricted stock grants of 10,000 shares for zero dollars. The company stock is trading at \$20 per share on the grant date. Sam decides to decline the stock at vesting while Alex elects for Section 83(b) treatment. Therefore, Sam declares nothing in the year of grant while Alex must report \$200,000 as ordinary income. Five years later, when the stock becomes fully vested, the stock price has risen to \$90 per share. Sam will have to report a whopping \$90,000 of the stock balance as ordinary income in the year of vesting, while Alex reports nothing unless the shares are sold, which would then be eligible for capital gains treatment. Therefore, Alex pays a lower rate on the majority of the proceeds, while Sam must pay the highest rate possible on the entire gain realized during the vesting period. Unfortunately, there is a substantial risk of forfeiture associated with the Section 83(b) election that goes above and beyond the standard forfeiture risks inherent in all restricted stock plans. If Alex should leave the company before the plan becomes vested, all rights to the entire stock balance could be relinquished, even though the \$200,000 of stock granted had been declared as income. Alex will not be able to recover the taxes paid as a result of this election. Some plans also require the employee to pay for at least a portion of the stock at the grant date, and this amount can be reported as a capital loss under these circumstances. The taxation of RSUs is a bit simpler than for standard restricted stock plans. Because there is no actual stock issued at grant, no Section 83(b) election is permitted. This means that there is only one date in the life of the plan on which the value of the stock can be declared. The amount reported will equal the fair market value of the stock on the date of vesting, which is also the date of delivery in this case. Therefore, the value of the stock is reported as ordinary income in the year the stock becomes vested. Although both RSUs and stock options are forms of employee compensation, they differ significantly. RSUs are granted to employees for free and only gain value after vesting. By contrast, stock options provide employees the right though not the obligation to purchase company stock at a set price (the "strike price"). Stock options are valuable only if the market price exceeds the strike price. RSUs are generally more advantageous because they are free and have value as long as the market price remains positive. Stock options, on the other hand, require the employee to purchase the stock, and they only gain value if the market price exceeds the strike price. If the stock price falls below the strike price, stock options become worthless. Once RSUs have vested, employees have the option to hold, or transfer the shares, just like any other type of stock. Restricted stock and RSUs are two types of stock-based employee compensation with distinct tax and forfeiture rules. The tax implications of each can be complex, and this article only covers the basics. For specific advice, consult a tax professional or financial advisor. RSUs become taxable as soon as they vest (when the shares are delivered to you), because at that moment their value is considered income to HR. RSUs are treated like a cash bonus paid on stock meaning you owe taxes when you receive the shares, not when you sell them. In this comprehensive guide, we'll break down everything you need to know about RSU taxes in the U.S., from federal laws to state-by-state rules, plus real examples, key terms, and insider tips so you won't get caught off guard. In this article, you'll learn: When RSUs are taxed: the exact timing and why it matters for your finances. Common RSU tax mistakes to avoid (so you don't get hit with a surprise tax bill). Real-life examples of how RSU taxes play out in different scenarios (vesting, selling, moving states, etc.). Key tax terms (like 83(b) elections, vesting, capital gains) explained in plain English. Federal vs. state tax rules for RSUs including a 50-state breakdown and how RSU taxes compare to stock options and other equity compensation. Quick answer: When Do You Pay Taxes on RSUs? Restricted Stock Units are taxable at the time they vest in other words, when the shares actually become yours. Unlike stock options, which you can choose to exercise later, RSUs convert to actual stock automatically upon meeting the vesting conditions (such as staying with the company for a set period or hitting a performance target). At that vesting moment, the fair market value of the stock you receive is counted as part of your ordinary income for that year. This means you'll owe income tax on that value, just as if you received an equivalent cash bonus. To put it simply, if you have RSUs vesting today, today is the taxable event. The IRS will treat the value of those vested shares as wage income. For example, if 100 RSUs vest when your company's stock is \$50 per share, you have \$5,000 in taxable income on that vesting date. Your employer will typically withhold taxes (federal and state income tax, plus Social Security and Medicare) right away, often by keeping some of the shares or selling them on your behalf to cover the bill. When RSUs are granted (when they're awarded), because they're subject to a substantial risk of forfeiture you haven't earned them yet. Since you could lose the RSUs by leaving the company too early or not meeting a performance goal, the IRS waits until the restriction lifts (i.e. they've been paid to you). At vesting, the RSUs become your property with no strings attached, so that's when the IRS says time to pay tax. This is rooted in U.S. tax law (IRC 83): property transferred as compensation isn't taxable until its either not subject to forfeiture or is transferable. With RSUs, that moment is vesting (when they become transferable stock). Key point: You owe taxes when RSUs vest, even if you don't sell the shares. Many people are surprised by this they assume they only pay tax when they sell the stock. But no, the initial value is taxed as soon as you receive the stock. Any future gain after vesting (if the stock price goes up) is a separate taxable event (capital gains when you sell), which we'll explain later. So, to answer the question in one sentence: RSUs are taxable upon vesting (or upon delivery of shares, if later than vesting), because that's when their value is treated as ordinary income for federal and state tax purposes. Common RSU Tax Pitfalls (and How to Avoid Them) Even though the rule sounds straightforward, RSU taxes can trip people up. Here are some common pitfalls to watch out for, and tips on how to avoid them: Assuming no sale = no tax: A major mistake is thinking you don't owe tax until you sell the stock. Reality: You owe income tax when the RSUs vest, even if you hold onto them. If you fail to plan for that tax bill, you could be in for a rude awakening at tax time. Avoid it: Understand that vesting = taxable event. Consider selling some shares at vesting to cover the tax (many companies offer an automatic sell to cover or share withholding for this purpose). Not withholding enough taxes: Employers typically withhold a flat 22% federal tax on RSU income (the standard rate for supplemental wages) but if your RSU windfall pushes you into a higher tax bracket, 22% may not cover your full federal tax. For very large RSU payouts, anything like \$1 million or more in a year is a bill, you may need to add extra withholding. Companies might use an average or high-end price of the day or a specific closing price for their plan, but generally use the market value at vest date. Ordinary Income Tax: The tax on RSUs is reported as ordinary income like salary, bonus, and at vesting the value of your RSUs. This is taxed at your marginal income tax rate (which depends on your tax bracket). Local taxes may tax the portion earned while you were a resident or working there. Missing the 83(b) election nuance: You might have heard of an 83(b) election a tax move where you elect to pay tax on restricted stock at grant instead of at vesting. It's a great strategy for some types of stock awards, but pitfall: assuming it applies to RSUs. In almost all cases, 83(b) elections are not available for RSUs. Why? Because an 83(b) election applies when you receive property that's subject to vesting (like actual stock). RSUs, by definition, are not actual stock at grant; they're a promise of future stock. There's no property to elect on until vesting, so 83(b) doesn't apply. Avoid it: Don't confuse RSUs with restricted stock awards (RSAs). If you were given actual stock that is subject to vesting (an RSA), then you could file 83(b) within 30 days of grant to be taxed immediately (often advantageous if the stock is cheap at grant). But with RSUs, you simply can't do this until you pay tax at vesting period. (We'll explain 83(b) more in the glossary, but this is a common point of confusion.) Not planning for FICA/Medicare taxes: RSU income is subject to Social Security and Medicare taxes (FICA) just like a cash bonus. Social Security tax (6.2% from the employee) applies up to the annual wage cap (\$160,200 for 2023; it adjusts yearly), and Medicare tax (1.45% employee portion, plus an extra 0.9% on high earners) has no cap. Employers typically handle FICA at vesting as well, but a pitfall occurs if a company messes up the timing. There was a case (Davidson v. Henkel Corp., 2015) where an employer failed to withhold FICA on deferred compensation (similar concept to RSUs) at vesting and instead took it later when paid, causing employees to pay more FICA than they would have if taxed at vest (because they weren't over the Social Security wage cap later). The court ruled the employer had to make the employees whole. Avoid it: As an employee, you mostly rely on your company to handle payroll taxes correctly. Just be aware that RSU income will increase your Social Security wages in the vesting year. If you have a large RSU vest in a year you're also earning a salary, you might hit the Social Security wage cap, but you won't hit the limit. Its mostly automatic, but understanding this can help you anticipate your net pay. By stating alert to these pitfalls planning for the tax hit at vesting, checking that withholding is sufficient, and selling wisely you can avoid unpleasant surprises. The key is proactive tax planning: treat RSU vesting like a paycheck bonus and set aside money or shares for the tax, especially if your employers default withholding might not cover everything. Key Terms and Concepts for RSU Taxes (Glossary) RSU Taxation involves a mix of tax and finance jargon. Understanding these key terms and entities will help you navigate your RSU tax situation like a pro. Restricted Stock Unit (RSU): A form of equity compensation representing a promise by your employer to give you a certain number of shares in the future, once specified conditions (like vesting) are met. RSUs are usually forfeited (you lose them and owe no tax because you never received them). Grant Date: The date you are awarded the RSUs. This is when the clock on vesting starts. No taxes are due at grant because the RSUs haven't vested yet and you have no actual stock or income at this point. Fair Market Value (FMV): The stock price used to value your RSUs for tax. Typically, the FMV at the moment of vesting (for a publicly traded stock, this might be the market closing price on vesting day) is multiplied by the number of shares vested to determine your taxable amount. Companies might use an average or high-end price of the day or a specific closing price for their plan, but generally use the market value at vest date. Ordinary Income Tax: The tax on RSUs is reported as ordinary income like salary, bonus, and at vesting the value of your RSUs. This is taxed at your marginal income tax rate (which depends on your tax bracket). Federal taxes, this could be anywhere from 10% up to 37% in 2025, depending on your total income. RSU vesting income is added on top of your salary and other income for the year. Its reported on your W-2 form as part of your wages. Tax Withholding (on RSUs): When your RSUs vest, your employer will withhold a portion of the shares (or cash) to cover required taxes, similar to withholding from your paycheck. Federal income tax withholding on RSU income is typically a flat 22% (the IRS supplemental wage rate) up to \$1 million of income. If you have more than \$1 million of RSUs vesting in a year, the excess is withheld at 37%. State income tax is also withheld based on your states rules (if applicable), and Social Security/Medicare are withheld as well. Withholding methods: Companies often use one of two methods sold to cover (they sell just enough of your vesting shares on the market to cover the tax and you keep the rest) or net share withholding (they withhold the appropriate number of shares and give you the rest in shares, effectively the same as if you sold them for tax). Either way, the idea is to automatically pay the tax so you don't have to come up with cash. You may also have the option to pay cash to cover the taxes and keep all the shares (this is less common unless you proactively choose it and have savings set aside). Internal Revenue Service (IRS): The U.S. federal tax authority. The IRS sets the rules on how RSUs are taxed federally. It considers RSU vesting value as W-2 compensation income. The IRS also requires employers to report RSU income and to withhold taxes appropriately. While the IRS doesn't require a separate form for RSUs, your employer will include the income on your W-2 and usually a supplemental statement or a Form 3921/3922 is not needed for RSUs (those forms are for stock option exercises and ESPPs). Essentially, when you wonder does the IRS know about my RSUs?, the answer is yes on your W-2 and they'll tax it accordingly. State Income Tax: State-level tax that may apply to your income from RSUs. Not all states have income tax (we'll detail each state below). If you live and work in a state with income tax, that state will treat your RSU vesting income just like a bonus or salary. You'll owe state tax in the year of vesting based on that states tax rates. If you work in multiple states during the vesting period, more than one state might tax a portion, also note, local taxes: some cities (like New York City) or localities have income taxes too, which would also apply to RSU income if you're subject to them. Capital Gains Tax: A tax on the profit when you sell an asset like stock. After your RSUs vest and you've paid ordinary income tax (on that initial value, any subsequent change in the stock price from vesting to the time you sell will be taxed as a capital gain (or loss). Short-term capital gains (if you sell the stock within one year of vesting) are taxed at your ordinary income rate (basically no special benefit for tax purposes its as if you got more salary). Long-term capital gains (if you hold the stock for more than one year after vest) are taxed at preferential rates (0%, 15%, or 20% federally, depending on your income level; plus possibly a 3.8% Net Investment Income Tax for very high earners). Many people choose to sell RSU shares immediately at vesting to avoid market risk (no capital gain to worry about, just pay your income tax and youre done). Others hold the stock hoping for appreciation; any gain from the vesting price is then taxed at capital gains rates. Example: Your RSUs vest at \$50/share. If you sell a year later at \$70/share, you'll pay capital gains tax on the \$20 gain. If you sell a month later at \$70, that \$20 is short-term gain taxed at ordinary rates. If you sell at \$40 instead, you have a capital loss of \$10 per share which could offset other gains. 83(b) Election: A provision in the tax code (Section 83(b)) allowing an employee receiving restricted property (like restricted stock awards, not units) to choose to pay taxes on the value at grant rather than at vesting. By filing an 83(b) election within 30 days of receiving the restricted stock, you lock in the current value as taxable income value and then you don't pay tax at vesting any growth becomes capital gains. Important: As mentioned, this does not apply to RSUs. If you work in multiple states during the vesting period, more than one state might tax a portion, also note, local taxes: some cities (like New York City) or localities have income taxes too, which would also apply to RSU income if you're subject to them. Capital Gains Tax: A tax on the profit when you sell an asset like stock. After your RSUs vest and you've paid ordinary income tax (on that initial value, any subsequent change in the stock price from vesting to the time you sell will be taxed as a capital gain (or loss). Short-term capital gains (if you sell the stock within one year of vesting) are taxed at your ordinary income rate (basically no special benefit for tax purposes its as if you got more salary). 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underexecuted, received a large RSU payout on his exit that immediately vested, because of securities law restrictions, he couldn't sell the stock, which then tanked. He ended up suing the company, not for the tax law itself (he owed the tax by law), but for the company's failure to withhold taxes and perhaps for the predicament he was put in. This is a common problem for RSUs, especially for insiders. David V. Henkel Corp. (2015). In this case, a group of employees had nonqualified deferred compensation (not exactly RSUs, but analogous in that it vested earlier and paid later). The employer didn't apply the special timing rule for FICA taxes which says you should withhold FICA at vesting for deferred comp. By failing that, they withheld FICA at payout when some employees were no longer hitting the Social Security cap with other wages, causing them to pay more Social Security tax than they would have if taxed earlier. The court sided with employees under an ERISA (retirement law) argument that the employer had not administered the plan properly. This doesn't change employee tax obligations (you still owe FICA either way), but it shows that employers have a duty to follow tax timing rules. For RSUs, most employers do withhold FICA at vesting (you see Social Security and Medicare come out on your paycheck when you vest). The legal precedent simply means if an employer somehow gets you, employees might have recourse but better to have it done right in the first place. Section 409A and RSUs: Section 409A governs nonqualified deferred compensation and imposes strict rules to avoid employees manipulating when they get income. RSUs that deliver at vesting are exempt as short-term deferrals. However, if an RSU plan lets you or forces you to defer delivery beyond the vest date (other than a brief administrative period), it must comply with 409A's rules (which often it will by structuring a fixed payment date or event like IPO). Violating 409A is harsh (20% extra tax penalty on the individual). Most standard RSU plans are set up to avoid these issues, but just in case, the law enforces generally grant cliff delays and avoid acceleration in plan from the start. International/Foreign: The IRS also considers RSUs in other countries on taxation. If you're an expatriate, you'll need to understand the tax treatment of RSUs in your home country and the foreign country where the stock is issued. The IRS has issued guidance on RSUs for expatriates, but it's complex. For example, in California, the state has a "double tax" rule for RSUs, meaning you pay state tax on the RSU when it vests and then again when it's sold. This is a common issue for RSUs in high-tax states. Tax treatment of RSUs: RSUs are generally treated as income when they vest. The IRS has issued guidance on RSUs, but it's complex. For example, in California, the state has a "double tax" rule for RSUs, meaning you pay state tax on the RSU when it vests and then again when it's sold. This is a common issue for RSUs in high-tax states. Tax treatment of RSUs: RSUs are generally treated as income when they vest. The IRS has issued guidance on RSUs, but it's complex. For example, in California, the state has a "double tax" rule for RSUs, meaning you pay state tax on the RSU when it vests and then again when it's sold. This is a common issue for RSUs in high-tax states.