Startup Equity Tax Timeline

Every tax event from grant to exit, mapped chronologically

● Gold = hard deadline or irreversible tax consequence ● Navy = administrative or recurring

1 GRANT

DAY 0–30

Grant Date & the 83(b) Election Window

Restricted stock (not RSUs) starts a strict 30-day clock under IRC §83(b). Filing an 83(b) election locks in ordinary income tax on the value at grant, generally low or zero for early-stage founders, and starts capital-gains treatment on future appreciation. The window does not extend for weekends, holidays, or company delay. Missing it is not curable.

2 VESTING & EXERCISE

PER GRANT SCHEDULE

Vesting Begins: Cliff & Vest Schedule

A typical schedule runs a one-year cliff followed by monthly or quarterly vesting over four years. RSUs generally recognize ordinary income at each vest date. Options (ISOs and NSOs) become exercisable as they vest, but exercise is a separate, elective event with its own tax consequence.

ELECTIVE, ANY TIME AFTER VEST

ISO Exercise: the AMT Trigger

Incentive stock options are governed by IRC §421–§424. Exercising an ISO generally creates no regular-tax income at exercise, but the spread between strike price and fair market value is an alternative minimum tax preference item under IRC §55–§59. A large exercise in a single calendar year can trigger substantial AMT liability even though no shares were sold.

ELECTIVE, ANY TIME AFTER VEST

NSO Exercise: Ordinary Income

Non-qualified stock options do not receive ISO treatment. The spread at exercise is taxed as ordinary income (and subject to payroll withholding) in the year of exercise, generally reported on Form W-2.

3 PRE-IPO

STARTS AT EXERCISE OR ISSUANCE

QSBS 5-Year Clock Starts

If the company is a qualifying C-corporation, stock acquired at original issuance may be Qualified Small Business Stock under IRC §1202(b)(2)(A). The five-year holding clock generally starts at exercise for options, not at grant. Exercising late restarts this clock at the worst possible time.

COMPANY-INITIATED

Secondary Sales & Tender Offers

A tender offer or secondary sale is a taxable sale. If QSBS shares have not yet crossed the five-year mark, participating triggers gain with no Section 1202 exclusion available.

4 IPO

PRICING DATE

IPO / Direct Listing: RSU Dual-Trigger Vests

Many pre-IPO RSU grants use a dual-trigger structure: time-based vesting plus a liquidity event condition. At IPO, tranches that satisfied the time condition generally vest and recognize ordinary income all at once, creating a large single-year income spike.

~180 DAYS POST-IPO

Lockup Expiry

The underwriter-imposed lockup period generally prevents insiders from selling for a set number of days after the offering. The first sale window after lockup expiry is often the first point at which capital-gains planning becomes actionable.

BEFORE OR AFTER LOCKUP

10b5-1 Plan Adoption

Executives and insiders subject to trading restrictions often adopt a Rule 10b5-1 trading plan to schedule sales in advance and reduce insider-trading exposure. Plan timing interacts with holding-period math and should be set up with a securities attorney alongside your tax advisor.

5 POST-IPO

5 YEARS FROM EXERCISE/ISSUANCE

QSBS 5-Year Mark: Exclusion Available

Once the five-year holding period under IRC §1202 is satisfied and all qualification gates were met at issuance, a sale can qualify for a 100% federal exclusion on gain up to the greater of $10 million (or $15 million for stock acquired after July 4, 2025, per OBBBA) or ten times adjusted basis, per taxpayer, per issuing corporation. Selling one day early forfeits the entire exclusion on that lot.

2 YRS FROM OFFERING / 1 YR FROM PURCHASE

ESPP Qualifying Disposition

Under IRC §423, an ESPP sale is a "qualifying disposition" only if held more than two years from the offering date and more than one year from the purchase date. Meeting both generally shifts most of the gain from ordinary income to capital gain.

ANY EARLY SALE

Disqualifying Disposition (ISO or ESPP)

Selling ISO shares within one year of exercise or two years of grant, or selling ESPP shares before the §423 holding periods, is a disqualifying disposition. The bargain element generally becomes ordinary income in the year of sale.

6 ONGOING, EVERY YEAR

QUARTERLY: APR 15, JUN 15, SEP 15, JAN 15

Quarterly Estimated Taxes & the 110% Safe Harbor

NSO exercise income, RSU vest income above withholding, and QSBS or capital-gain sales generally are not fully covered by employer withholding. Form 1040-ES estimated payments are usually required. For taxpayers with prior-year AGI over $150,000, the safe harbor under IRC §6654(d)(1)(B) requires paying in the lesser of 90% of the current year's tax or 110% of the prior year's tax to avoid an underpayment penalty. California generally does not conform its own supplemental-withholding rate to actual marginal liability, which routinely leaves a state gap that estimated payments must close.

Questions about your own equity timeline?

Schedule a complimentary consultation: calendly.com/siliconvalleytaxes/30min | (408) 383-9870