

Sec. 12-711(b)-18. Nonqualified stock options

(a) Connecticut adjusted gross income derived from or connected with sources within this state includes, to the extent provided in this section, income recognized under section 83 of the Internal Revenue Code in connection with a nonqualified stock option if, during the period beginning with the first day of the taxable year of the optionee during which such option was granted and ending with the last day of the taxable year of the optionee during which such option was exercised (or, if the option has a readily ascertainable fair market value, as defined in 26 C.F.R. § 1.83-7(b), at the time of grant, the taxable year during which such option was granted), the optionee was performing services within Connecticut. In determining whether the optionee was performing services within Connecticut, the regulations of this Part shall apply.

(b) If, during the period described in subsection (a) of this section, the optionee's services were performed wholly within Connecticut, any amount by which (1) the fair market value of the stock, at the time such option was exercised, exceeds (2) the option price, is compensation that is derived from or connected with sources within this state.

(c) If, during the period described in subsection (a) of this section, the optionee's services were performed partly within and partly without Connecticut, the portion of the amount by which the fair market value of the stock, at the time such option was exercised, exceeds the option price, that is derived from or connected with sources within this state is in the same ratio that the total compensation received from the grantor during such period for services performed in this state bears to the total compensation received from the grantor during such period for services performed both within and without this state.

(d) The difference between the amount realized on the disposition of the stock and the fair market value of the stock, at the time such option was exercised, is gain or loss that is not derived from or connected with sources within this state.

(e) While this section pertains to Section 12-711(b) of the general statutes, for purposes of supplementary interpretation, as the phrase is used in Section 12-2 of the general statutes, the adoption of this section is authorized by Section 12-701(c) of the general statutes.

(Effective November 18, 1994)