

**This notice was revoked on November 28, 2001 by Revenue Notice # 01-10.**

## **Revenue Notice #96-21:**

### **Individual Income Tax - Assignability of Income Recognized on Employer Provided Stock Options**

It is the position of the Department of Revenue that income from employee stock options is compensation for personal services. When a nonresident individual recognizes such income, the income is assigned pursuant to Minn. Stat. § 290.17, subd. 2 (a) (1). Income is assigned to Minnesota to the extent that the individual performed services in Minnesota under the employment contract which granted the stock option.

In the case where a non-resident individual recognizes income when the option is granted or when the option is exercised, the Minnesota source income is the income recognized for federal purposes multiplied by the ratio of days worked in Minnesota during the employment contract period granting the option over the total of days worked under the contract.

In the case where a non-resident defers recognition of the income on an employer provided stock option until the stock purchased under the option is sold, the Minnesota assignable income is measured by the lesser of the gain recognized on the sale of the stock or the amount which would have been recognized at the exercise of the option, multiplied by the ratio of the days worked in Minnesota under the employment contract granting the option over the total days worked under the contract.

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