New IRS Form Simplifies Section 83(b) Elections: What You Need to Know

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On November 7, 2024, the IRS introduced new Form 15620 (Section 83(b) Election) that a taxpayer may use to make a Section 83(b) election, aiming to streamline the election process for taxpayers. Section 83(b) allows individuals who receive property subject to vesting—often in the form of stock or other equity compensation—to elect to include the property's value as taxable income at the time of receipt, rather than when it vests.

This new form standardizes the election, reducing the likelihood of errors and making compliance easier for both taxpayers and employers. Importantly, taxpayers are not required to use IRS Form 15620 to make a Section 83(b) election and may continue to use "substitute" election forms that are often attached to equity incentive award agreements. Also, the introduction of the form does not change the 30-day deadline for filing an election from the date the "property" is received. Missing this window results in the forfeiture of the opportunity to make the election, often leading to significantly higher taxes in the future.

We suggest incorporating this new form into the equity award process. By attaching it to executive compensation awards, it ensures that elections are both complete and compliant with IRS requirements, providing a smoother experience for all.

Employers should review their internal processes to incorporate the new form and consider educating employees about the benefits of making timely Section 83(b) elections where applicable. If you have questions about how this new form may impact your equity compensation plans or employees, feel free to reach out to a member of Frost Brown Todd's tax planning team. You can also visit our Tax Law Defined® Blog for more insight into the latest developments in federal, state and local tax planning and tax administration.

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