

Compensation Concepts: Understanding 83(b) Elections

Compensation Concepts adds clarity to complex compensation issues, helping advisors guide clients toward smarter decisions.

Authors	Date	Topic
Holly Swan	12/18/2025	Tax: Compensation Concepts

Understanding 83(b) Elections

The Internal Revenue Code states that an 83(b) election allows recipients of restricted stock to pay taxes on the fair market value (FMV) of the stock at the time of grant rather than when it vests. Restricted stock is typically taxed at ordinary income rates at the time it vests. Employees who expect the value of the stock to increase dramatically over time can opt to lock in a lower tax bill early on and convert future appreciation into capital gains (typically taxed at a lower rate than ordinary income) by filing an 83(b) election.

83(b) elections are most beneficial when the FMV of the restricted stock grant is very low but can be used at any point during a company's life cycle. Keep in mind that 83(b) elections are not without risks. Because these elections are being made on stock that has not yet vested, the employee runs the risk that if the stock is later forfeited (e.g., they leave the company before vesting), they will not receive a refund on the taxes paid. Additionally, should the value of the stock take an unexpected turn and decrease between the time of the grant and the time of vesting, the taxes paid pursuant to the 83(b) election will not be refunded. For these reasons, it's important that employees fully understand the risks associated with 83(b) elections before making their decision.

Employees choosing to make an 83(b) election must file within 30 days of the grant date using IRS Form 15620. This is a strict deadline, so consulting a tax advisor early in the process is imperative.

Allspring Global Investments does not provide accounting, legal, or tax advice or investment recommendations. Any tax or legal information on this page is merely a summary of our understanding and interpretations of some of the current income tax regulations and is not exhaustive. Investors should consult their tax advisor or legal counsel for advice and information concerning their particular situation.

This material is provided for informational purposes only and is intended for retail distribution in the United States.

ALL-12112025-p54wmm49

This content and the information within do not constitute an offer or solicitation in any jurisdiction where or to any person to whom it would be unauthorized or unlawful to do so. It should not be considered investment advice, an investment recommendation, or investment research in any jurisdiction.

INVESTMENT RISKS: All investments contain risk. Your capital may be at risk. The value, price, or income of investments or financial instruments can fall as well as rise and is not guaranteed. You may not get back the amount originally invested. Past performance is not a guarantee or reliable indicator of future results. Returns may increase or decrease as a result of currency fluctuations.

Allspring Global Investments™ (Allspring) is the trade name for the asset management firms of Allspring Global Investments Holdings, LLC, a holding company indirectly owned by certain private funds of GTCR LLC and Reverence Capital Partners, L.P. These firms include but are not limited to Allspring Global Investments Luxembourg, S.A.; Allspring Funds Management, LLC; Allspring Global Investments, LLC; Allspring Global Investments (UK) Ltd.; Allspring Global Investments (Singapore) Pte. Ltd.; Allspring Global Investments (Hong Kong) Ltd.; Allspring Global Investments (Japan) Ltd.; and Galliard Capital Management, LLC.

Unless otherwise stated, Allspring is the source of all data (which is current or as of the date stated). Content is provided for informational purposes only. Views, opinions, assumptions, or estimates are not necessarily those of Allspring or its affiliates, and there is no representation regarding their adequacy, accuracy, or completeness. They should not be relied upon and may be subject to change without notice.

© 2026 Allspring Global Investments Holdings, LLC. All rights reserved.