2026 · CAN I DO A NET UNREALIZED APPRECIATION (NUA) DISTRIBUTION?

Brooks Wealth Management

START HERE

Do you have employer stock (or stock resulting from a corporate re-org, merger or spinoff) in an employer retirement plan?

- No → Sorry, you cannot do an NUA distribution.
- Yes → Is it phantom stock or stock options?
  - Yes → Did this distribution occur after a triggering event, such as death, separation from service, or reaching age 59 ½?
    - No → Was part or all of the employer stock distributed in-kind to a taxable brokerage account?
      - No → Do you have investments in the retirement account, other than employer stock (such as mutual funds)?
        - No → Was the entire vested account balance (not just the employer stock) distributed from the employer plan in a single tax year?
          - No → Sorry, you do not qualify for an NUA distribution. You must wait until the next triggering event before doing an NUA distribution.
          - Yes → You qualify for an NUA distribution for the portion of the employer stock rolled over to a taxable brokerage account. Continue on to determine your tax liability.
            - Are you over the age of 59 ½?
              - Yes → The cost basis of the shares is subject to ordinary income tax upon distribution from the retirement plan.
                - If on Medicare, you may be subject to IRMAA surcharges. See "Will I Avoid IRMAA Surcharges On Medicare Part B & Part D?" flowchart.
                - Unrealized gains that occurred within the retirement plan will be taxable as LTCG (regardless of the holding period) when the employer stock is sold, but not subject to the 3.8% Medicare surtax (NIIT).
              - No → The cost basis of the shares is subject to ordinary income tax and possibly a 10% penalty upon distribution from the retirement plan.
                - Unrealized gains that occurred within the retirement plan will be taxable as LTCG (regardless of the holding period) when the employer stock is sold, but not subject to the 3.8% Medicare surtax (NIIT).
                - In addition, you may be subject to the 3.8% Medicare surtax (NIIT).
                - Subsequent gains incurred beyond the date of the distribution will be taxed as STCG or LTCG based on the holding period from the distribution date until the time of sale.
        - Yes → If you do an NUA distribution, you can roll the non-employer stock investments into an IRA or an eligible retirement plan (or convert to a Roth IRA) to potentially minimize your tax liability.
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