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KPMG report: Vesting schedule and non-compete agreement, substantial risk of forfeiture

A case from the Fourth Circuit turns on the income tax treatment of stock issued to an executive officer and owner of a company.

The U.S. Court of Appeals for the Fourth Circuit in *QinetiQ US Holdings v. Commissioner* upheld the Tax Court's finding that the stock granted to an employee-owner was not deductible several years later because there was no substantial risk of forfeiture at the time of the grant. The finding of "no substantial risk of forfeiture" was based on a variety of factors, including that the employee was a 49.75% owner, had a close working relationship with the other owner, and played a vital role in the company.

Read a [February 2017 report](#) [PDF 79 KB] prepared by KPMG LLP: *What's News in Tax: Fourth Circuit Holds Vesting Schedule and Non-Compete Agreement Did Not Create a Substantial Risk of Forfeiture*

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