

4. In paragraph (e)(2), the language “§ 1.421–7” is removed and “§ 1.421–1” is added in its place.

5. In paragraph (g)(1) concluding text, first sentence, the language “§ 1.421–7” is removed and “§ 1.421–1” is added in its place.

6. In paragraph (g)(1) concluding text, second sentence, the language “§ 1.421–7” is removed and “§ 1.421–1” is added in its place.

7. In paragraph (j), second sentence, the language “§ 1.421–7” is removed and “§ 1.421–1” is added in its place.

8. In paragraph (j), last sentence, the language “425” is removed and “424” is added in its place.

9. In paragraph (k)(2), second sentence, the language “§ 1.421–8” is

removed and “§ 1.421–2” is added in its place.

§ 1.425–1 [Redesignated]

Par. 13. Section 1.425–1 is redesignated as § 1.424–1 and is amended by:

1. Revising paragraphs (a)(1) through (a)(6).

2. Redesignating paragraph (a)(7) as paragraph (a)(9).

3. Adding paragraph (a)(7).

4. Revising paragraph (a)(8).

5. Adding paragraph (a)(10).

6. In paragraph (b)(1), first, second, and last sentences, the language “425” is removed wherever it appears and “424” is added in their places.

7. In paragraph (c)(1), first sentence, the language “425” is removed and “424” is added in its place.

8. In paragraph (c)(1), first sentence, the language “disposition” is removed and “disposition of stock” is added in its place.

9. Adding paragraph (c)(1)(iv).

10. Redesignating paragraph (c)(3) as (c)(4).

11. Adding new paragraph (c)(3).

12. Adding newly designated paragraph (c)(4), *Examples 7 through 9*.

13. In the list below, for each section indicated in the left column, remove the language in the middle column and add the language in the right column:

Newly designated section	Remove	Add
1.424–1(c)(4), <i>Example 1</i> , first sentence.	1964	2004.
1.424–1(c)(4), <i>Example 1</i> , first sentence.	qualified stock option	statutory option.
1.424–1(c)(4), <i>Example 1</i> , second and fourth sentences.	1965	2005.
1.424–1(c)(4), <i>Example 1</i> , third sentence.	1968	2006.
1.424–1(c)(4), <i>Example 2</i> , first sentence.	1968	2006.
1.424–1(c)(4), <i>Example 2</i> , last sentence.	long-term	
1.424–1(c)(4), <i>Example 3</i> , first sentence.	1968	2006.
1.424–1(c)(4), <i>Example 4</i> , first sentence.	1968, two years and 11 months after the transfer of shares to him.	2006.
1.424–1(c)(4), <i>Example 4</i> , last sentence.	three years from the date	two years from the date the options were granted and within one year of the date that.
1.424–1(c)(4), <i>Example 5</i> , first sentence.	1965	2005.
1.424–1(c)(4), <i>Example 5</i> , first sentence.	qualified stock option	statutory option.
1.424–1(c)(4), <i>Example 6</i> , first sentence, wherever it appears.	1965	2005.
1.424–1(c)(4), <i>Example 6</i> , third sentence.	three years	2 years.
1.424–1(c)(4), <i>Example 6</i> , third sentence.	income	compensation income.
1.424–1(c)(4), <i>Example 6</i> , third sentence.	a qualified stock option	the option.
1.424–1(c)(4), <i>Example 6</i> , last sentence.	paragraph (b)(2) of § 1.421–8	§ 1.421–2(b)(2).

14. Revising paragraph (d).

15. Revising paragraphs (e)(1) and (e)(2).

16. In paragraph (e)(3), first sentence, remove the phrase “Except as otherwise provided in subparagraph (4)” and add “If section 423(c) applies to an option then,”.

17. In paragraph (e)(3), first sentence, remove the language “, and 424(b)(1).”

18. Removing paragraph (e)(4).

19. Redesignating paragraph (e)(5) as paragraph (e)(4).

20. Revising newly designated paragraph (e)(4).

21. Redesignating paragraph (e)(6) as paragraph (e)(5) and removing the second and third sentences.

22. Adding and reserving a new paragraph (e)(6).

23. In list below, for each section indicated in the left column, remove the language in the middle column and add the language in the right column:

Newly designated section	Remove	Add
1.424–1(e)(7) <i>Example 1</i> , first sentence.	1964	2004.
1.424–1(e)(7) <i>Example 1</i> , first sentence.	1966	2006.