



QAPITA

RSA vs ***RSU***

A practical guide to restricted stock awards and restricted stock units how they differ, how they are taxed, and when to use each.

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SECTION 01

Two ways to grant restricted stock

Equity compensation ties an employee's rewards to the company's success. Alongside stock options, the two most common ways to grant actual stock are the **restricted stock award (RSA)** and the **restricted stock unit (RSU)**. Both eventually put shares in an employee's hands, and both are usually earned over a vesting period. But they differ in one foundational way.

An RSA delivers real shares on the grant date, the recipient owns them immediately, subject to the company's right to buy them back if vesting conditions are not met. An RSU delivers nothing at grant; it is a contractual promise to issue shares later, once vesting conditions are satisfied. That single difference in *when ownership transfers* drives almost everything else: how and when the award is taxed, what rights the holder has before vesting, and how much risk they carry if they leave the company or the share price falls.

This guide defines each award, compares them across the dimensions that matter, walks through the US tax treatment, including the Section 83(b) election and RSU withholding, and offers a framework for choosing between them at different company stages.

A NOTE ON SCOPE

Tax figures and rules reflect United States federal treatment as of 2026. Award structures and outcomes differ in other jurisdictions, and state taxes apply on top of the federal figures shown. Nothing here is tax, legal, or investment advice.

SECTION 02

What is a restricted stock award (RSA)?

A restricted stock award grants actual company shares in the recipient's name on the grant date. The employee may pay a nominal purchase price or receive them outright, but either way the shares land in their account immediately. They are the legal owner from day one which typically means they can vote the shares and, in many plans, receive dividends, even before the award has vested.

The shares are "restricted" because the company keeps a repurchase right over any unvested portion. As each vesting milestone passes, that clawback right lapses. A common structure vests 25% per year over four years; leave after two years and the company can reclaim the unvested half, usually at whatever the employee originally paid.

Why companies grant RSAs

RSAs are typically issued by very early-stage companies, when the fair market value of common stock is a fraction of a cent letting employees take ownership for very little money and little tax at grant.

ADVANTAGES

- Ownership from the grant date.
- 83(b) can shift growth to capital gains.
- Holding period can start at grant.

CONSIDERATIONS

- May require an upfront cost.
- Impractical once the price rises.
- 83(b) tax not refunded on forfeiture.

SECTION 03

What is a restricted stock unit (RSU)?

An RSU is not stock. It is a bookkeeping entry that tracks the value of one share, paired with a contractual promise that the company will deliver a real share once the recipient satisfies the vesting conditions. Until that delivery called settlement happens, the holder owns nothing: no shares, no votes, and no dividends as a matter of ownership.

Once vesting conditions are met, the company settles the units by depositing actual shares into the recipient's account. At that moment they become a full shareholder. The most common structure is four years with a one-year cliff: nothing vests for twelve months, then shares release over the remaining three years.

Why companies grant RSUs

As a company matures and its share price climbs, RSAs and options become impractical: granting shares worth real money would trigger an immediate tax bill, and high option strike prices become unaffordable. RSUs solve this by deferring the tax event until shares are actually delivered when the employee holds liquid stock that can be partly sold to cover the tax. This is why virtually every large public company uses RSUs as its primary equity vehicle.

ADVANTAGES

- No purchase cost, no tax until delivery.
- No risk of taxing forfeited shares.
- Simple to administer at scale.

CONSIDERATIONS

- No ownership rights until settlement.
- No 83(b) election available.
- Full value taxed as ordinary income.

SECTION 04

RSA vs RSU at a glance

	RSA	RSU
At grant	Actual shares, issued immediately	A promise, tracked as a unit
Rights before vesting	Vote and usually dividends	None until settlement
Cost to acquire	Often a nominal price	Typically none
Typical stage	Very early stage, low FMV	Late-stage and public
83(b) election	Available; file within 30 days	Not available
Default tax timing	Ordinary income at vesting (or grant with 83(b))	Ordinary income at settlement
Unvested at exit	Repurchased by the company	Forfeited
Risk if you leave early	May lose tax paid under 83(b)	Lose units, but never out of pocket

SECTION 05

Vesting schedules

Vesting is the mechanism that requires an employee to earn their equity over time. The most common conditions are **time-based** a schedule such as four years with a one-year cliff designed to encourage employees to stay. Some awards add or substitute **milestone or performance** conditions tied to individual or company achievements.

Vesting means something slightly different for each award. Because an RSA holder already owns the shares, vesting only governs whether the company can repurchase them on departure; it does not, by itself, change the timing of tax. For an RSU, vesting is what triggers settlement the delivery of shares and therefore also the tax event.

For **RSAs**, vesting governs...

Whether the company can buy shares back if you leave. Vested shares are yours; unvested shares can be repurchased.

For **RSUs**, vesting governs...

When shares are delivered to you. Settlement creates both your ownership and your tax obligation at once.

SECTION 06

Single-trigger and double-trigger vesting

RSUs at private companies often carry an extra condition. With **single-trigger** vesting, one condition releases the award either time-based (shares vest over a schedule) or event-based (they vest when a specific event occurs). With **double-trigger** vesting, two conditions must both be met before shares are delivered.

For private-company RSUs, the second trigger is almost always a liquidity event usually an IPO or acquisition. An employee can complete a four-year time schedule but receive no shares, and owe no tax, until the company becomes liquid. That is an advantage in one sense: no tax on stock you cannot yet sell. But if no liquidity event occurs within the award's term typically seven to ten years the RSUs are forfeited entirely.

WHY DOUBLE-TRIGGER EXISTS

The structure largely reflects Section 409A of the tax code, which penalises improperly deferred compensation. Tying settlement to a defined liquidity event, rather than an open-ended delivery date, helps companies stay onside and avoids taxing employees on illiquid private shares they cannot sell to fund the bill.

SECTION 07

How equity is taxed

Two kinds of tax apply to restricted stock. **Ordinary income tax** applies to the value the employee receives as compensation — the shares themselves, at the point they are earned. **Capital gains tax** applies later, to any change in the share price between the time the employee takes ownership and the time they sell.

The distinction matters because the rates differ. Shares held for more than a year after ownership qualify for long-term capital gains rates of 0%, 15%, or 20% depending on income meaningfully below ordinary income rates, which reach 37% at the top. The central tax question for both awards is therefore how much of the total gain is taxed as ordinary income versus capital gains, and when the holding period starts.

Ordinary income

The compensation value of the shares when earned taxed at your marginal rate, up to 37%.

Long-term capital gains

Appreciation after ownership, if held over a year taxed at 0%, 15%, or 20%.

SECTION 08

The Section 83(b) election

By default, an RSA holder owes ordinary income tax as the shares vest, on the difference between the FMV at each vesting date and the price originally paid. For a startup employee this can become a serious problem: if shares worth \$0.10 at grant vest three years later at \$15, the employee owes ordinary income tax on \$14.90 per share potentially a large bill on stock they may not be able to sell.

A Section 83(b) election lets the recipient choose to be taxed at grant instead of at vesting. When the shares are worth almost nothing at grant, that immediate tax bill is minimal, and all subsequent appreciation is then taxed as capital gains. The election also starts the capital gains holding clock at the grant date. It must be filed with the IRS within 30 days of grant, and it is irrevocable.

THE RISK THAT GETS OVERLOOKED

If you file an 83(b) election, pay the tax, and then forfeit the shares by leaving before they vest, the tax is not refunded the law allows no deduction for the forfeiture. When shares are nearly worthless at grant the downside is small. But making the election on shares that already carry real value is a genuine gamble: assess honestly how likely you are to stay through vesting before filing.

SECTION 09

Termination and forfeiture

With both awards, leaving before vesting usually means losing the unvested portion but the mechanics differ. For RSAs, the company exercises its right to repurchase unvested shares, generally at the lower of the original purchase price or current FMV. For RSUs, unvested units simply disappear from the ledger, because they were never shares to repurchase. In both cases, whatever has vested is kept.

	RSA	RSU
Vested shares	You keep them	You keep them
Unvested shares	Repurchased by the company	Forfeited at termination

Grant agreements often distinguish voluntary departure from involuntary termination. Being laid off without cause may trigger more favourable treatment such as partial accelerated vesting while resigning or being fired for cause typically forfeits everything unvested. Most plans also accelerate vesting on death, and treat disability under specific provisions.

SECTION 10

Taxes on RSUs

RSUs follow a simpler path because there is no stock to tax until it arrives. No 83(b) election is available no property transfers at grant. When the units settle and shares are delivered, the full FMV of those shares counts as ordinary income. The IRS treats that amount as supplemental wages, withheld at a flat 22% for the first \$1 million in a calendar year and 37% on anything above \$1 million.

On top of income tax, settlement triggers payroll taxes that the employer withholds automatically:

Payroll tax	2026 treatment
Social Security	6.2% on wages up to the \$184,500 cap
Medicare	1.45% on all wages, no cap
Additional Medicare	Extra 0.9% over \$200,000 (single) / \$250,000 (joint)

SELL-TO-COVER AND THE WITHHOLDING GAP

Most companies use a sell-to-cover arrangement: enough vesting shares are sold automatically to cover the combined income and payroll taxes, and the rest land in the employee's account. Note that the flat 22% often under-withholds for higher earners RSU income can push someone into a higher bracket and create an additional bill at tax time.

SECTION 11

Mergers, acquisitions, and acceleration

When a company is acquired, the grant agreement and the deal terms together decide what happens to unvested awards. Two acceleration patterns dominate. **Single-trigger acceleration** vests some or all unvested equity immediately on the change of control, regardless of whether the employee keeps their job. **Double-trigger acceleration** vests only if the acquisition happens *and* the employee is involuntarily terminated within a defined window afterwards often twelve months.

Double-trigger acceleration has become the more common approach: it spares the acquirer from vesting all outstanding equity at once, while still protecting employees who are let go after the deal. For an RSA holder, acceleration lifts the repurchase restriction early; for an RSU holder, it settles the units into shares sooner. In either case the tax arrives when the shares become unrestricted, so a large accelerated grant can create a concentrated income spike in a single tax year.

Single-trigger

Vests on the change of control whether or not you keep your job.

Double-trigger

Vests only if the deal happens and you are let go within a set window.

SECTION 12

Choosing between RSAs and RSUs

Neither award is inherently better; the right choice depends almost entirely on the company's stage, its share price at grant, and how confident the employee is about staying. The decision tends to track the value of the common stock.

Reach for **RSAs** when...

The company is very early and common stock is worth a fraction of a cent. Employees can take ownership for almost nothing, file an 83(b) election for pennies, and convert all future growth into capital gains. The upside math is compelling provided they stay through vesting.

Reach for **RSUs** when...

The share price has risen enough that granting real shares would create an immediate tax bill. RSUs defer the tax to delivery, when the employee holds liquid stock that can partly cover it. This is why nearly every mature and public company relies on RSUs.

The transition typically happens between the late-private stage and the IPO. Some companies move from RSAs to stock options during the growth phase, then to RSUs once option strike prices become prohibitive for most employees.

SECTION 13

Worked examples

These simplified scenarios illustrate how timing shapes the tax outcome. They ignore state tax and assume shares are held more than a year before sale, so gains qualify as long-term. Figures are illustrative only.

Example A — RSA with an 83(b) election

Grant: 10,000 shares at \$0.01 FMV, purchased for \$100. An 83(b) election is filed within 30 days.

- **At grant:** income is \$0 (price equals FMV), so essentially no tax.
- **At vesting:** no further income tax the holding clock has been running since grant.
- **At sale for \$20/share:** the full ~\$19.99 gain per share is taxed as long-term capital gains.

Example B — RSA with no 83(b) election

Same grant: 10,000 shares at \$0.01, but no election is filed.

- **At vesting (FMV \$8):** ordinary income tax is due on roughly \$8 per share as each tranche vests.
- **At sale for \$20/share:** the \$12 gain above the \$8 vesting basis is taxed as capital gains.
- **Net effect:** more of the total gain is taxed at higher ordinary rates than in Example A.

Example C — RSU at a private company (double-trigger)

Grant: 4,000 RSUs that vest over four years but settle only on a liquidity event.

- **During vesting:** no shares delivered and no tax, because the liquidity trigger has not occurred.
- **At IPO settlement (FMV \$25):** \$100,000 is taxed as ordinary income; sell-to-cover funds the withholding.
- **At later sale above \$25:** only the further appreciation is taxed as capital gains.

SECTION 14

How Qapita helps

Whether a company grants RSAs, RSUs, or a mix as it scales, the complexity lives in the administration vesting schedules, cliffs, double-trigger conditions, 83(b) tracking, and a clean cap table. Qapita's equity management platform is built for exactly this.

**Design plans and grants**

Create RSA and RSU plans, issue grants, and generate agreements in one workflow.

**Automate vesting**

Model time, milestone, and single- or double-trigger conditions automatically.

**Keep the cap table clean**

See ownership, dilution, and every grant's status in real time.

**Give employees clarity**

A portal lets grantees see what they hold, what has vested, and what it may be worth.

Get Started With *Qapita*

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Educational overview of US federal treatment as of 2026. Not tax, legal, or investment advice.