FREQUENTLY ASKED QUESTIONS
Relating to IRS Form 3922 for Lowe’s Companies Inc. Employee Stock Purchase Plan (ESPP)

The information below is provided to you in anticipation of the questions you may have related to Form 3922, which you should receive for any 2013 Lowe’s ESPP share transfers. Please review the document in its entirety and, should you have further questions, please contact your accountant or tax professional.

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Q1. What transactions are reported on the new forms?
A1. Transfers of shares acquired under tax-qualified employee stock purchase plans are now required to be reported on IRS Form 3922. Lowe’s ESPP is such a tax-qualified plan.

Q2. What are the forms?
A2. Pursuant to new IRS regulations, companies are required to provide plan participants with Form 3922 annually upon first transfer of legal title of shares acquired pursuant to an ESPP. In addition, companies are required to file these forms with the IRS.

Q3. What does “upon first transfer of legal title of shares acquired pursuant to an ESPP” mean, as referenced in Q2?
A3. When you purchase shares through Lowe’s ESPP, the shares are immediately deposited into your account at E*Trade. Once the shares are deposited into your account, they are considered to be held in "street name," which means that the shares have been registered to E*Trade. If you haven't yet instructed E*Trade to sell the shares, you still own them and retain the right to vote the shares, to direct a sale or transfer of the shares, and to receive any proceeds realized upon sale, but the shares are registered to E*Trade in our shareholder records. This registration is necessary to facilitate your eventual sale of the shares. Because the shares are not registered in your name, the deposit of the shares into your account at E*Trade is considered to be a transfer of legal title of the shares. Because the deposit occurs immediately upon completion of your purchase, your transfer date is the date you purchased the shares.

Q4. Why haven’t I gotten this form before?
A4. Form 3922 is required under regulations that went into effect as of January 1, 2010 and apply to any ESPP transactions occurring on or after this date. Prior to 2010, these forms did not exist.

Q5. When can I expect to receive these forms?
A5. Forms will be sent to plan participants via regular mail by January 31, 2014.

Q6. In prior years I recall receiving a statement at year-end outlining the details of my ESPP transactions for the applicable calendar year. Will I still receive this statement?
A6. Previously, the IRS required companies to provide a statement to participants following the exercise of an ISO or transfer of shares purchased under an ESPP by January 31 of the year following the year in which these events occurred. The IRS no longer requires the Statement of Taxable Notice be sent, but for you can obtain one through your E*Trade account.

Q7. I purchased shares under the company’s ESPP on multiple dates during the calendar year. Will I receive a Form 3922 for each purchase?
A7. No. You will receive one Form listing all purchases that occurred in the applicable tax year.
Q8. What do I need to do with Form 3922 once I receive it?
A8. You may not need to do anything with it, other than retain it in your records for future use. Receipt of Form 3922 does not necessarily mean that you have a transaction or income to report on your tax return.

If you did not sell, or otherwise dispose of, the shares reported on Form 3922 before the end of the year, you need report nothing on your tax return for them. You should retain the Form 3922 that you received for your records however so that you have it available when you ultimately sell the shares.

Q9. I purchased ESPP shares in 2010 and did not sell or otherwise dispose of them before the end of the year. When I do eventually sell them, how do I report the sale on my tax return?
A9. When you eventually sell the shares, you must report your sale on Schedule D of Form 1040.

If your sale occurs within two years of the Date entered in Boxes 1 and 2 of Form 3922, it is a disqualifying disposition for which Lowe’s is required to report certain income in your Form W-2. If your sale occurs within one year of the Date entered in these Boxes, you have a short-term capital gain or loss and your sale should be reported as such on Schedule D. Otherwise, you should report your sale as a long-term capital gain or loss. In either case, the Cost or Other Basis that you report is the Fair Market Value per share (box 4 of Form 3922) multiplied by the number of shares that you sold.

If your sale occurs more than two years after the Date entered in Boxes 1 and 2 of Form 3922, your sale is a qualifying disposition. If the sale results in a gain you must recognize ordinary income equal to the lesser of:

- (1) the excess of the fair market value of the stock on the date of grant (Form 3922 Box 3) over its exercise price (Form 3922 Box 5) and;
- (2) the excess of the amount realized on the disposition of the stock (per your Form 1099-B) over the exercise price (Form 3922 Box 5).

You should report the lesser of the two amounts above on Line 21 of Form 1040. Any additional gain/loss should be reported as long-term capital gain or loss on Schedule D. If the sale results in a loss you are not required to report anything as ordinary income. You would report the entire loss as a long-term capital loss on Schedule D.

This document should not be considered as legal, tax or financial advice. Your specific situation may involve circumstances that cause the laws, rules, regulations, standards and principles described herein to apply differently. The tax treatment of stock compensation is very complicated and may be further complicated by your own personal tax situation. Consult your own advisors before deciding what, if any, course of action to take in your own particular situation.