



## Robert W. Wood

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# Mark Zuckerberg's \$2 Billion Tax Bill Double Last Year, Higher Than Most Billionaires

Last year [Mark Zuckerberg](#) caused a kerfuffle by generating what many called the biggest tax bill ever for an individual, about \$1 billion in taxes. That was impressive, but much of it was done via withholding as part of his Facebook pay. Besides, Facebook got a tax deduction for every dollar.

The [Facebook](#) founder and CEO is in for an even bigger tax hit now. But as with last year, it seems largely within his control. Company filings say he is selling 41.4 million shares worth approximately \$2.3 billion. Most of the net proceeds are supposed to be used to pay the taxes Mr. Zuckerberg will incur by exercising options to purchase 60 million shares of Facebook Class B common stock.



Mark Zuckerberg, founder of Facebook  
(Photo credit: Wikipedia)

Mr. Zuckerberg now has 58.8% of the voting power, but this whopping sale of shares would take him down to 56.1%. Still, post-sale he will retain more than 444 million shares. And he may still have unexercised options too.

But it is easy to see that even among elite filers, Mr. Zuckerberg is, well, elite. According to IRS data on the top 400 tax returns, the average in that elite group was about \$48 million. And the entire group of 400 paid only \$16 billion.

That was in 2009, but even accounting for inflation and a now somewhat more robust economy, the \$2 billion tax payment is astounding, on top of big numbers last year. Warren Buffett paid less than \$7 million in 2010. Yes, that was million, not billion.

Facebook's IPO left Mr. Zuckerberg with a fortune of about \$13 billion and a 2012 tax bill of about \$1.1 billion. But it wasn't the IPO that triggered the tax. It was Mr. Zuckerberg himself.

On the day of Facebook's IPO, he exercised options and purchased 60 million Facebook shares at 6 cents each. After all, wouldn't you pay 6 cents for a \$38 share? Since Mr. Zuckerberg received the options as part of his compensation, the tax code says he had compensation on the spread when he exercised.

Mr. Zuckerberg had 2012 income of nearly \$2.3 billion just from options, so he sold 30.2 million shares, taking in \$1.135 billion. Executives often exercise options and sell what they need to generate cash for taxes. And while federal taxes and the eerily high 13.3% California taxes may hurt, Mr. Zuckerberg is likely to reduce his bill with charitable contributions. See [Zuckerberg's Facebook Stock Donations](#).

But while you are liking Mr. Zuckerberg for paying billions in taxes, you might want to defriend Facebook for getting billions in paper deductions. When Mr. Zuckerberg has compensation, Facebook is treated as paying cash (even though it didn't). Those huge—some say unfair—deductions have become controversial. “Due to the stock option loophole, Facebook may not pay any corporate income taxes on its profits for a generation,” said Senator Carl Levin, the Michigan Democrat who proposed changing it.

Finally, Mr. Zuckerberg had Facebook pay off \$1.9 billion in federal taxes related to restricted stock units. Facebook net settled the units by withholding

taxes. See [Why Facebook Is Paying the Tax Tab on Employee Compensation](#). Mr. Zuckerberg is a visionary and is paying far more tax than most billionaires, maybe even more than anyone in history.

*You can reach me at [Wood@WoodLLP.com](mailto:Wood@WoodLLP.com). This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.*