

# Employee Stock Purchase Plans

Prepared August 2026

# Employee Stock Purchase Plan Spotlight

Through extensive conversations over the past year, we have explored the current landscape of Employee Stock Purchase Plans (ESPPs) and where the benefit is headed. As part of that work, our team examined how ESPPs are structured across Goldman Sachs Ayco corporate partners. This report illustrates plan adoption rates, plan design differences, and which trends and insights are shaping the broader market.

## ESPP Prevalence

At the time of this report, 52% of the employers analyzed have established an ESPP. Whether a plan is offered hinges on several considerations, including:

- Strength of ownership culture across the workforce
- How closely participation tracks market-standard rates
- Expense borne by the company
- Cash flow available to employees

The near-even split between employers that offer and those that do not underscores this variability, suggesting that adoption is driven more by internal circumstances than by any prevailing market direction.

The adoption and continued offering of ESPPs across the corporate landscape is varied, heavily dictated by industry-specific talent dynamics, capital structure, and compensation philosophies. Technology, Media, & Telecommunications (TMT) has the highest allocation of employers offering ESPPs. The “equity culture” in this sector makes broad-based share ownership more of an expectation for attracting and retaining highly competitive talent.

The Healthcare (53%) and Financial Services (52%) industries are more selective in their adoption of ESPPs. Healthcare is more bifurcated:

- High-growth employers in biotech and medical device firms are utilizing aggressive equity ownership strategies to retain talent.
- Traditional healthcare providers rely more on cash-based compensation and have more localized workforces.

We observe the lowest adoption rates among more traditional and capital-intensive sectors (i.e., Industrial, Natural Resources, and Real Estate). Industrial and Natural Resources historically have favored more cash-based compensation paired with a focus on retirement benefits. Real Estate is the outlier at 17% due to the structural reliance on Real Estate Investment Trusts (REITs). REITs must distribute 90% of taxable income as dividends, prioritizing yield over capital appreciation. This makes ESPPs less of an organizational and employee focus.

### Prevalence of ESPPs by Industry

|     |                                         |
|-----|-----------------------------------------|
| 68% | Technology, Media, & Telecommunications |
| 62% | Consumer                                |
| 53% | Healthcare                              |
| 52% | Financial Services                      |
| 45% | Industrial                              |
| 39% | Natural Resources                       |
| 17% | Real Estate                             |

Data is based on a review performed July–August 2026 of the employee stock purchase plans at 121 companies.

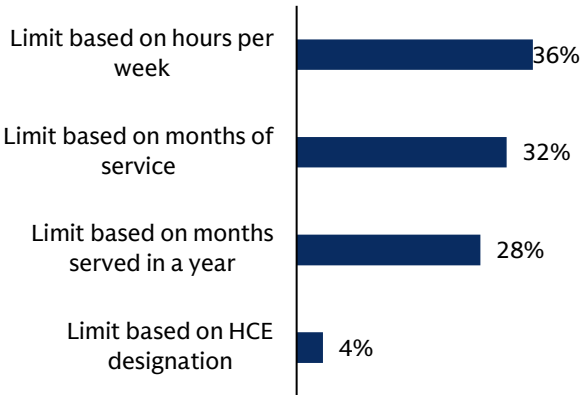
# Eligibility

While employers utilize several exclusions to define participant pools for ESPPs, there is a preference for hours- (36%) and tenure-based (32%) limits.

Practically, employers leverage the limit based on hours worked per week to exclude part-time employees working 20 hours or fewer.

An additional 28% of employers limit participation based on the number of months served in a year to filter out seasonal or temporary employees, while only 4% of employers choose to exclude participants based on a highly compensated employee (HCE) designation. This low prevalence of HCE exclusions reflects a general preference to maintain organizational alignment, relying instead on the annual purchase limit of \$25,000 to cap high-earner accumulation.

Common Eligibility Requirements



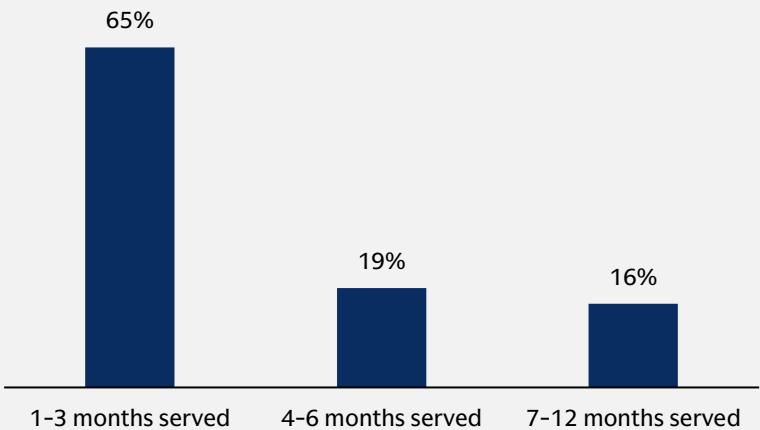
## Months of Service Limitations

Of the employers that implement tenure-based restrictions (32%), the service requirement is typically front-loaded to favor early enrollment.

A clear majority of these employers (65%) opt for a waiting period of 1–3 months. This ensures new hires can integrate into the plan during the next enrollment cycle, maximizing the plan’s utility as a recruitment tool.

The middle ground of 4–6 months (19%) aligns more with standard corporate probationary periods.

The remaining 16% of employers enforcing a longer service requirement of 7–12 months look to mitigate the administrative burden of enrolling employees who may exit the organization shortly after onboarding.



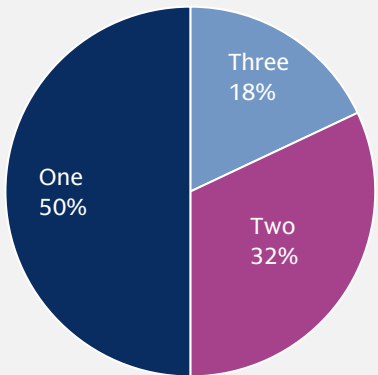
## Number of Limitations

The dataset indicates that exactly half of employers with limitations in place prefer administrative simplicity, applying just a single limitation method.

The remaining half of the market adopts a multi-layered approach:

- 32% utilize two limitations
- 18% utilize three limitations

Combining multiple criteria, such as working at least 20 hours per week and 5 months per year, can protect an organization from churn, but it demands a heavier administrative burden.



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## Plan Type

The distribution of ESPPs by plan type highlights the preference for tax-optimized structures, with some variability favoring flexibility. Qualified Section 423 plans represent the clear market standard (76%).

This prevalence is driven by:

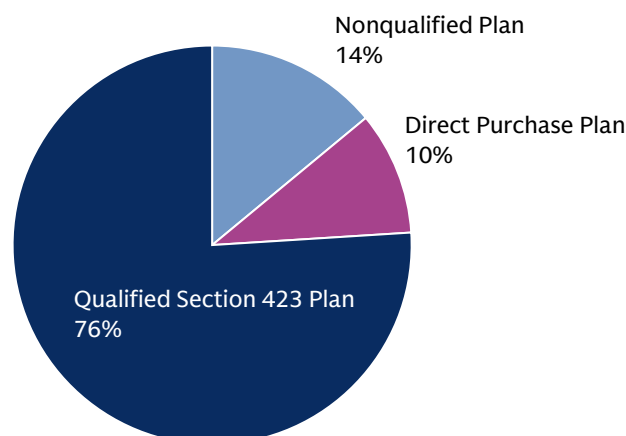
- The tax advantages these plans offer to domestic employees (e.g., the ability to defer taxation on the discount until the underlying shares are sold)
- Potential preferential long-term capital gains treatment on qualifying dispositions

Qualified Section 423 plans require strict regulatory compliance, shareholder approval, non-discrimination rules, and a statutory annual purchase limit of \$25,000 per participant.

Despite the high prevalence of qualified plans, 14% of employers opt for nonqualified ESPPs, providing a highly flexible alternative that alleviates some of the administrative and regulatory constraints of Section 423 plans. Nonqualified plans can be particularly beneficial to multinational organizations looking to align global workforces under a single, consistent framework without being bound by US-centric tax rules. Nonqualified plans allow employers to customize eligibility requirements and design creative incentive structures, such as matching contributions or discounts exceeding the statutory 15% cap without triggering plan disqualification.

While these plans provide operational flexibility, participants in nonqualified plans face immediate ordinary income taxation of the value of the discount at the time of purchase, which can influence participation.

Prevalence of ESPPs by Plan Type



ESPPs are subject to tax liabilities, withholding requirements, and reporting obligations that vary significantly depending on the type of plan. For more on employer considerations related to these nuances, see **[Employee Stock Purchase Plans Insights](#)**.

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## Qualified Section 423 Plans

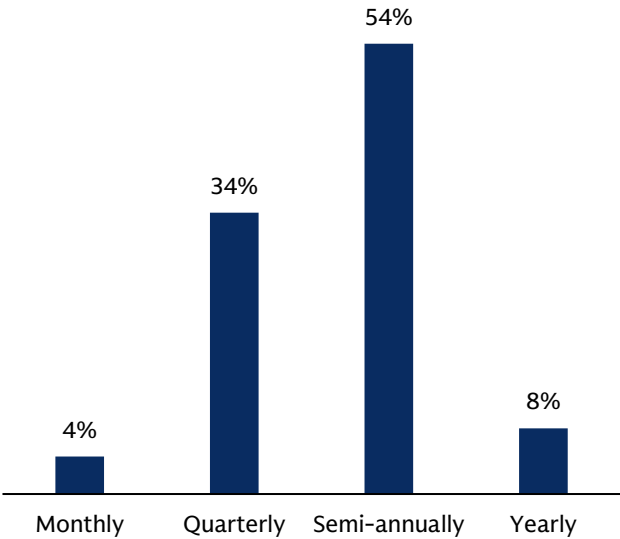
Qualified plans are the most prevalent of the plan types offered (76%), but there is still significant variability in how these plans are designed.

### Offering Periods

The frequency of offering periods will directly influence participation, administrative complexity, and corporate accounting expenses. There is a strategic consensus found between semi-annual offering periods and quarterly offering periods, with 88% of the market in either of these camps. A semi-annual cycle (54%) provides a balanced cadence that allows employees to accumulate a meaningful amount of capital to purchase shares while keeping the administrative burden of share delivery and payroll reconciliation to a manageable schedule.

Quarterly offering periods (34%) prioritize liquidity and a faster-moving plan design for participants. The quarterly purchases following the offering period help to reduce employee exposure to market volatility, as it shortens the timeframe for participants to receive their shares. From a corporate perspective, the quarterly offering periods come with a larger administrative burden given the increased operational frequency.

Conversely, yearly and monthly offering periods are more niche strategies employed by a combined 12% of the dataset. While both offering periods can be viable according to the employer’s strategy for the plan, the data indicates that broad adoption of these plan design features is not often seen. The yearly offering periods often incur higher ASC 718 compensation expenses and a faster share pool depletion, while the monthly offering periods can significantly increase administrative burden on account of nondiscrimination and eligibility tracking.



| Maximum Contribution Limit   | Percentage |
|------------------------------|------------|
| 10% of eligible compensation | 39%        |
| 15% of eligible compensation | 33%        |
| Based on Fixed Dollar Amount | 13%        |
| Other limits                 | 15%        |

### Maximum Contribution Limit

Establishing a maximum contribution limit is a critical design decision that balances wealth-creation opportunities with risk management, payroll administration, and compliance. While IRC Section 423(b)(8) imposes a purchase limit of \$25,000 in fair market value (FMV) per calendar year, an analysis of the dataset reveals that the majority of employers prefer percentage of compensation limits over flat dollar caps. Nearly 40% of employers set a maximum contribution limit of 10% of eligible compensation, and a third have established a 15% limit. These percentage limits can align employee contributions with cash-flow capability for participants and help manage employers’ overall equity dilution and compensation expenses.

Of the employers that choose to limit contributions to a fixed dollar amount (13%), 75% favor alignment with the statutory \$25,000 threshold. This can help to simplify communications to participants and increase participation in the plan but also increases complexity for the employer as the \$25,000 limit is based on the grant date FMV, requiring sophisticated systems in place to track and cap contributions.

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Purchase Price Discount

The purchase price discount is often the most important factor for driving utilization of ESPPs. The discount can represent an immediate, near-guaranteed return on investment upon purchase and serves as the primary financial incentive for employees to allocate their after-tax compensation to the plan.



Price Determination Method

There is a clear preference for maximizing employee upside, with the majority of employers (54%) utilizing a lookback feature. The lookback allows the purchase price discount to be applied to the lower of the stock’s FMV at either the beginning of the offering period or the end of the purchase period. This methodology protects employees from market volatility and provides strong upside to potential stock appreciation.

The ending period value is the second most prevalent method (38%). The purchase price is based solely on the stock’s FMV on the purchase date. While not as attractive to participants as the lookback feature, this design ensures employees will still purchase stock at a discount on FMV.



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# Nonqualified Plans

Nonqualified plans (14%) can offer increased flexibility to employers and consistency within multinational organizations that want to offer consistent plan design regardless of the geographic makeup of the business.

## Offering Periods

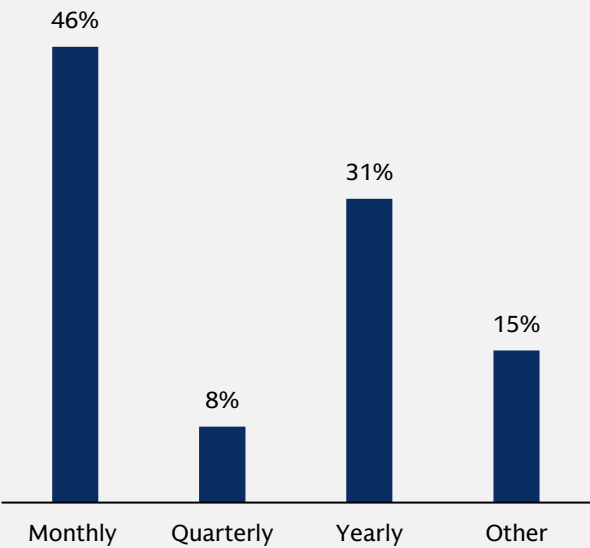
As evidenced by the dataset, the absence of strict IRC constraints leads to more variation in structuring offering periods.

There is a notable deviation from qualified plan design, where monthly purchases are exceedingly rare. Unlike in qualified plans, which heavily favor semi-annual or quarterly cycles to align with lookback and tax-tracking requirements, nonqualified plans favor monthly (46%) offering periods.

Designing a nonqualified plan with more frequent offering and purchasing periods provides participants with more flexibility and accessible liquidity. With nonqualified plans being taxable as ordinary income immediately at the time of purchase, employers often prefer to design the plan to allow a high-frequency of offering and purchasing periods. Monthly purchases can help to smooth out market volatility and allow employees to receive and sell shares more quickly, minimizing the risk of holding stock in fluctuating market conditions.

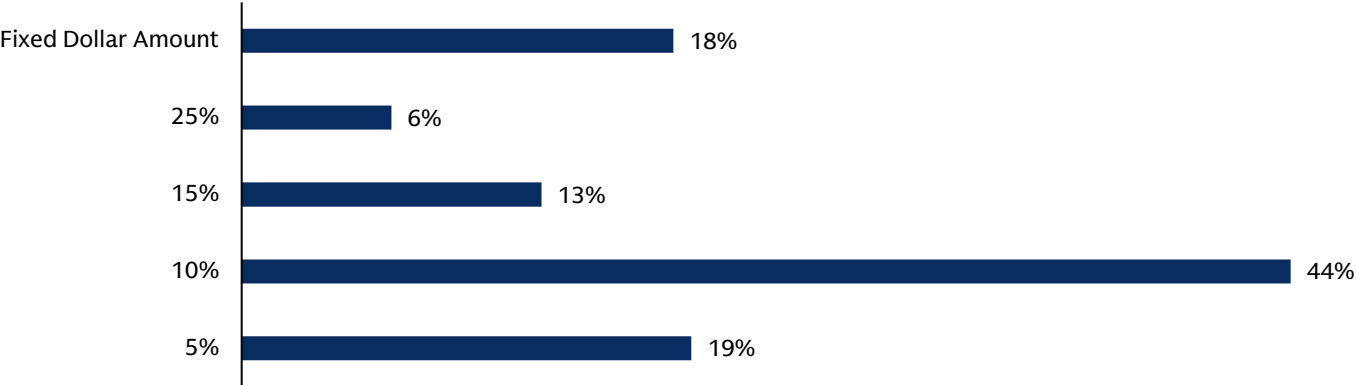
The jump from monthly (the most common design) to yearly (the second most common design) highlights the increased variability in nonqualified plan design. A plan designed with yearly offering periods functions more as a long-term ownership and savings vehicle. Often this design will be paired with a company matching contribution rather than a purchase discount.

Ultimately the dataset demonstrates that nonqualified ESPPs offer a more bespoke approach that can be used to align with a specific employer’s goal.



## Maximum Contribution Limit

The absence of constraints from IRC Section 423 similarly grants more freedom to align contribution limits with company strategies. Like qualified plans, the dataset favors percentage of compensation limits to manage plan exposure, while still offering flexible alternatives. The most common maximum contribution amount (10%) showcases the market standard approach.



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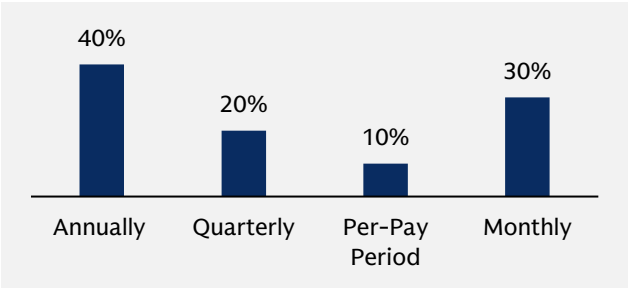
Matching Contributions

Because nonqualified plans are not legally restricted to offering purchase price discounts, they can leverage alternative incentive structures. The dataset reveals a notable shift in design philosophy when these statutory boundaries are removed. The majority of employers (78%) offer a matching contribution, while the remaining 22% opt for the more traditional purchase discount.

The matching model is driven in large part by increased understanding and appeal to the broader participants. Unlike with discounts that require a deep understanding of complex concepts like taxable spreads, lookback periods, and fair market value calculations, the matching contribution is more intuitive. The concept of a company match is typically familiar to employees which can make the benefit easier to communicate, helping to overcome participation hurdles.

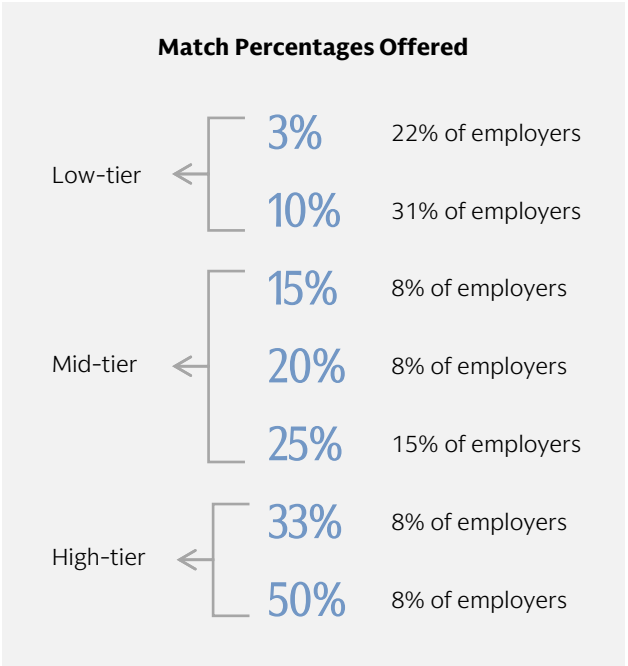
78%

of employers offer a matching contribution to incentivize participation in nonqualified plans



Timing

There is high variability in match timing. Annual matching leads the market (40%), followed closely by monthly matching (30%). Annual match structures can ease administrative burden and foster longer-term retention. Alternatively, shifting toward shorter-interval matching can increase participation by delivering faster, more frequent financial incentives for participants.



Match Percentages

Similar to match timing, match percentages are highly variable with a more focused concentration around conservative to moderate rates. Of those employers offering a match, a combined 53% match at 10% or less. These employers represent a focus on balancing cost containment with a tangible financial incentive for participants. A combined 31% of employers match at moderate rates of 15–25%. This can provide a meaningful middle ground for employers and participants, likely driving higher participation rates while maintaining mid-level costs. The high tier (a combined 16%) offers participants a way to accumulate a considerable number of shares very quickly and at significantly reduced expense. It is important to note, 21% of employers in the dataset cap their matching contributions once a threshold of contributions has been met (typically between 4–10% of compensation).

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## Purchase Discounts

Nonqualified plans allow considerable latitude in discount mechanics, including the ability to exceed 15% (the limit for qualified plans), although only 22% of employers offer a purchase price discount in their nonqualified plans. Of those employers that offer a discount, 40% set the discount at 5%. This population is made up of larger multinational employers looking to provide a cohesive plan design to all participants regardless of location.

Measured against the 15% ceiling permitted in qualified plans, employers divide evenly, with 50% providing discount amounts above the statutory threshold.

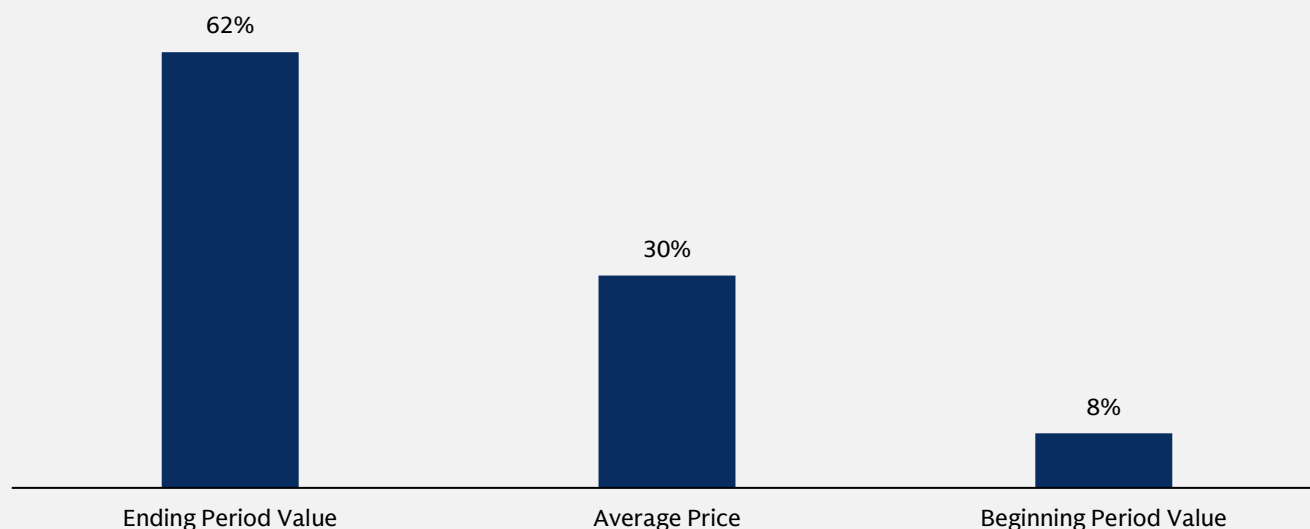
**22%**  
of employers offer a purchase price discount in their nonqualified plans

## Price Determination Methods

In considering their nonqualified plan pricing process, employers have the latitude to prioritize administrative simplicity, cost predictability, and market risk mitigation.

The dataset reveals a preference for current-value pricing, with 62% of employers basing their price determination on the ending period value. This methodology aligns with the broader structural trends of the nonqualified plan landscape, particularly with the high prevalence of matching contribution plan designs (78%). When a plan is structured around matching contributions rather than a discount, shares are almost always acquired at the fair market value on the actual purchase date. Utilizing the end period value ensures that the plan functions as a straightforward transaction: employees buy shares at current market price, and the employer adds the corresponding match.

The 30% of employers using an average price methodology focus on protecting participants from the risk of short-term market fluctuations. This method involves calculating the purchase price based on an average of the stock's FMV over a specified timeframe.



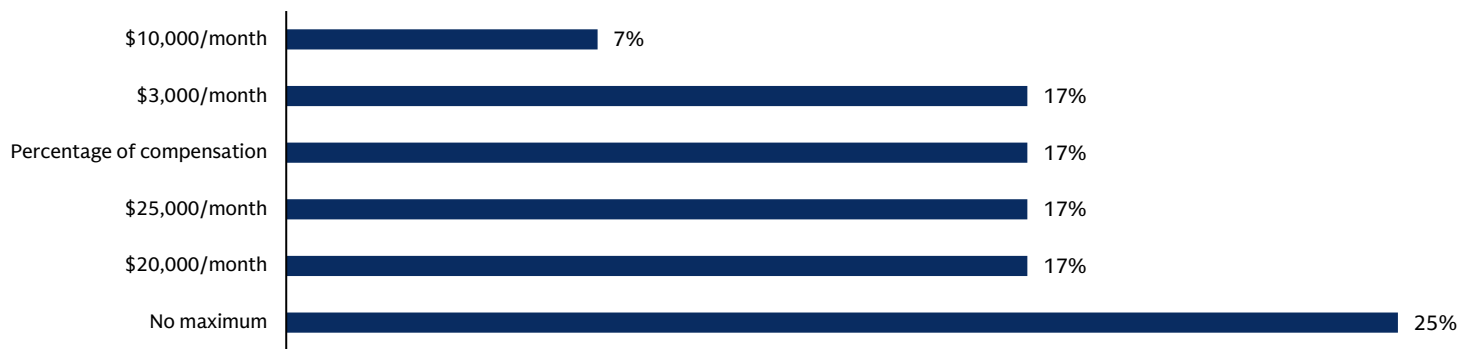
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## Direct Purchase Plans

Direct purchase plans (10%) provide a low barrier and a streamlined plan design for employee share acquisition. Without the flexibility of a nonqualified plan or the tax benefits of a qualified 423 plan, there is minimal opportunity for employers to structure direct purchase plan design.

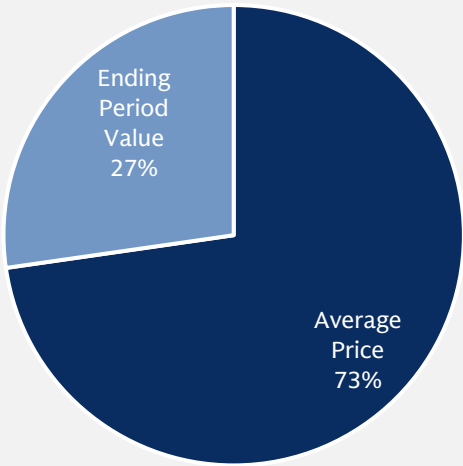
### Maximum Contribution Amount

Analyzing the maximum contribution amounts allowed under direct purchase plans highlights a variable landscape without a true market standard approach. Specifically, 25% of employers impose no maximum on contributions, while the remaining portion of the market is highly stratified. The no maximum contribution strategy highlights a low-barrier, highly flexible offering designed to eliminate administrative burden associated with tracking and capping payroll deductions. Conversely, the moderate and percentage-based limits in the dataset represent a more conservative, risk-managed approach to plan design. The 17% of employers that limit contributions to \$3,000 per month and the 7% that cap them at \$10,000 per month are typically focused on giving employees an opportunity to have a piece of the employer’s success while limiting the employees’ single-stock exposure and controlling dilution.



### Price Determination Method

The pricing structures in direct purchase plans are optimized to minimize the impact of market volatility, with 73% of employers in the dataset utilizing an average price methodology to determine the purchase price and the remaining 27% of employers utilizing an ending period value.



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## A Note for Employers

With just over half of the dataset offering an ESPP (52%), plan structure and implementation remain highly customized and heavily influenced by industry-specific talent dynamics. While qualified 423 plans remain the clear market standard (76%), many employers are considering the benefits of nonqualified plans, including:



Tax simplification for both employers and employees



Global alignment for multinational employers



Operational flexibility due to fewer regulatory constraints

Ultimately, by structuring eligibility exclusions, offering frequencies, incentives for participants, and pricing mechanisms, employers can tailor their ESPPs to better align with their long-term human capital strategy.

To discuss how ESPPs and other benefits could impact your organization, connect with your Goldman Sachs Ayco team or [start a conversation](#) today.

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