

Name(s): \_\_\_\_\_ Social Security Number: \_\_\_\_\_

This form is only used for installment sales occurring prior to January 1, 2023.

Part I: Details of Sale

- 1. Did the sale occur prior to January 1, 2023?
2. Are you a retired farmer or surviving spouse? (see instructions)
3. Is the capital gain from an installment sale?
a. Start date (mm/dd/yyyy):
b. End date (mm/dd/yyyy):
c. Total capital gain to be received by taxpayer over the life of the installment sale
d. Total capital gain deduction claimed in prior years
e. Capital gain received by the taxpayer in the current tax year

Part II: Sale of Real Property Used in a Farm Business

- 1. Farmland address or legal description (include county and a general description of the location):
2. Total number of acres sold:
3. Ownership period
a. Date acquired
b. Date sold
4. Length of holding period
5. If the taxpayer did not own the property for at least 10 years, explain how the taxpayer held the property for at least 10 years under IRC section 1223.
6. Is the taxpayer receiving Old-Age Social Security benefits?
7. Provide the date taxpayer started receiving Old-Age Social Security benefits.
8. Is the taxpayer a disabled farmer?



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16. Crop-Share Arrangement

16a. Was the property involved in a crop-share arrangement?

- No  ... Continue to Part II, line 18
- Yes  ... Continue to Part II, line 16b

16b. Are you subject to self-employment tax on your crop-share income?

- No  ... Continue to Part II, line 17
- Yes  ... Continue to Part II, line 19

17. Check the box for each applicable material participation test for which the taxpayer has documentation. Check all that apply. If none of these apply, stop, the sale is not eligible for the Iowa capital gain deduction.

17a. Test 1: The landlord does any three of the following:

- Pays or is obligated to pay for at least half the direct costs of producing the crop.....
- Furnishes at least half the tools, equipment, and livestock used in producing the crop. ....
- Consults with the tenant. ....
- Inspects the production activities periodically. ....

17b. Test 2: The landlord regularly and frequently makes, or takes part in making, management decisions substantially contributing to or affecting the success of the enterprise. ....

17c. Test 3: The landlord worked 100 hours or more spread over a period of five weeks or more in activities connected with crop production .....

17d. Test 4: The landlord has done tasks or performed duties which, considered in their total effect, show that the landlord was materially and significantly involved in the production of the farm commodities .....

18. Conservation Reserve Program (CRP)

18a. Was the property enrolled in the CRP?

- No  ... Continue to Part II, line 19
- Yes  ... Continue to Part II, line 18b

18b. Are you subject to self-employment tax on your CRP income?

- No  ... This gain may not be eligible for Iowa capital gain deduction. See instructions.
- Yes  ... Continue to Part II, line 19

19. Describe in detail by activity (acres personally farmed, cash rent or lease, crop-share, CRP, or other) the daily, weekly, monthly, and annual duties of the taxpayer associated with the acres sold during the period covered in line 14. Include the years the taxpayer performed each duty. If the taxpayer was married during this period, include duties performed by either spouse.

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**Part III: Details of Property Sold**

- 1. Is the capital gain from an Iowa corporation?  
 No  ... Continue to Part III, line 3  
 Yes  ... Continue to Part III, line 2
  
- 2. Was the capital gain recognized under IRC 331 or IRC 338?  
 No  ... Sale is not eligible for Iowa capital gain deduction. Stop.  
 Yes  ... Continue to Part III, line 3
  
- 3. Are you the sole owner of this property? Married filers, see instructions.  
 No  ... Continue to Part III, line 4  
 Yes  ... Enter 100% on Part III, line 4
  
- 4. Enter taxpayer's ownership percentage of the total property sold to the nearest one tenth of one percent (for example 65.2%) .....4. \_\_\_\_\_ %
  
- 5. Provide all other owner name(s): \_\_\_\_\_
  
- 6. How did the taxpayer acquire the property? (check all that apply)  
 Inheritance  Like-kind (IRC 1031) Exchange  
 Purchase  Involuntary Conversion  
 Gift  Other (Explain): \_\_\_\_\_
  

7a. Provide all buyer name(s):  _____ _____ _____	7b. Buyer's relation to taxpayer (If unrelated enter "None"):  _____ _____ _____
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- 8. Iowa capital gain deduction. Enter the amount of the taxpayer's capital gain deduction from Part I, line 3e here and include on IA 1040 Schedule 1, line 16 ..... 8. \$ \_\_\_\_\_



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## Instructions for 2023 IA 100B – Iowa Capital Gain Deduction for Sales of Real Property Used in a Farm Business

**What’s New:** The IA 100B should only be used for installment sales occurring before January 1, 2023. Sales occurring on or after January 1, 2023 should be reported on form IA 100G (retired farmer or surviving spouse) or IA 100H (non-retired farmer).

Under tax reform passed in 2018 and 2019, and modified during the 2021 and 2022 legislative sessions, the Iowa capital gain deduction is repealed for most transactions occurring on or after January 1, 2023. This repeal applies to all sales except:

1. Certain sales of real property used in a farming business
2. Sales of cattle or horses held for breeding, draft, dairy, or sporting purposes by a retired farmer who has sold all or substantially all of their interest in the farming business
3. Sales of breeding stock, other than cattle or horses, by a retired farmer who has sold all or substantially all of their interest in the farming business

Deductions for previously eligible installment sales will still be allowed if the sale occurred prior to January 1, 2023.

The Iowa capital gain deduction is subject to review by the Iowa Department of Revenue. The Department will use this form to verify that the taxpayer(s) qualifies for the deduction. The Department may request additional information if needed.

This completed form must be included with the IA 1040 to support the Iowa capital gain deduction claimed for sales of real property used in a farm business. Complete a separate IA 100B for each sale of farmland. Complete the entire form each year of a qualifying installment sale, including all parts.

For taxpayers filing separately, each spouse must complete an IA 100B for the Iowa capital gain deduction claimed based on the spouse’s ownership percentage in the property.

Flowcharts to assist in determining if a gain qualifies are also on the Department’s website. For more information on the Iowa capital gain deduction, see the instructions below and Iowa Administrative Code rule 701—302.38 (2022).

### Part I: Details of Sale

**Line 1:** Check the box to indicate whether the sale occurred prior to January 1, 2023.

**Line 2:** Check the box to indicate whether the taxpayer is a retired farmer or surviving spouse. “Retired farmer” means an individual who is disabled or who is fifty-five years of age or older and who no longer materially participates in a farming business when an exclusion and deduction is claimed under Iowa Code section 422.7(13). If the sale occurred on or after January 1, 2023, and the taxpayer is a retired farmer or surviving spouse, complete form IA 100G. If the sale occurred on or after January 1, 2023, and the taxpayer is not a retired farmer or surviving spouse, complete form IA 100H.

**Line 3:** Check the box to indicate whether capital gain comes from an installment sale. If “Yes,” enter the date of the first installment, the expected date of the final installment, the total capital gain generated by the sale, the total capital gain deduction claimed in prior years, and the capital gain the taxpayer received during tax year 2023. Do not include any interest received.

### Part II: Sale of Real Property Used in a Farm Business

**Line 1:** Enter the address of the farmland, or enter the legal description of the farmland if no address is available. If providing a legal description, also provide a general description of the property location in relation to a major road or town and the county.

**Line 2:** Enter the total number of acres of farmland sold.

**Line 3:** Enter the acquisition date and sale date for the farmland, as indicated in supporting documentation.

**Line 4:** Enter the length of the holding period in years and months.

**Line 5:** If the ownership period indicated in Part II, line 3 is less than 10 years, explain why the ownership period differs from the holding period entered in Part II, line 4. The farmland must be held, as defined using Internal Revenue Code (IRC) section 1223, for at least 10 years to

qualify for the Iowa capital gain deduction. For example, the farmland sold may have been acquired in a like-kind exchange or an involuntary conversion, and the holding period of the farmland sold plus the previously-held property may be at least 10 years.

**Line 14:** Complete the table for each of the 10 years prior to the sale. However, the taxpayer may instead elect to complete the table for each of the eight years prior to the date entered in Part II, line 7, 9, 11, or 13.

Example 1: The taxpayer sold farmland on an installment basis on February 1, 2022. The taxpayer must complete the table for years 2012 to 2021, unless the taxpayer checked "Yes" on Part II, line 6, 8, or 10.

Example 2: The taxpayer checked "Yes" on Part II, line 6 and began receiving Old-Age (retirement) benefits under Social Security on February 8, 2017. The taxpayer may elect to complete the table for years 2009 to 2016 even if the taxpayer sold the farmland in 2022.

**Calendar year:** Enter one calendar year on each line.

**Name of land manager:** Enter the name(s) of the person(s) who managed the land in the year. Enter "Self" if the taxpayer managed the land.

**Paid?** Enter "Yes" or "No" to indicate whether the reported land manager received any compensation for managing the land in the year. If there were multiple land managers only enter "Yes" if any person other than the taxpayer was compensated.

**Federal form or schedule where taxpayer reported income:** Other than the Federal 1040, enter the specific federal form or schedule number or letter on which the taxpayer reported income from the land in the respective calendar year. Income from farmland is typically reported on federal Schedule E, Schedule F, or Form 4835.

**Acres the taxpayer personally farmed:** Enter the number of acres of the farmland sold that the taxpayer personally farmed in the respective calendar year. If the taxpayer was married during the calendar year, include the acres of the farmland sold that were personally farmed by either spouse.

**Cash rent acres:** Enter the number of acres of the farmland sold that the taxpayer leased for cash rent in the respective calendar year. If the

taxpayer was married during the calendar year, include the acres of the farmland sold that were leased for cash rent by either spouse.

**Crop-share acres:** Enter the number of acres of the farmland sold that the taxpayer had under a crop-share lease arrangement in the respective calendar year. If the taxpayer was married during the calendar year, include the acres of the farmland sold that were under a crop-share lease agreement by either spouse.

**CRP acres:** Enter the number of acres of the farmland sold that the taxpayer had enrolled in the Conservation Reserve Program (CRP) in the respective calendar year. If the taxpayer was married during the calendar year, include the acres of the farmland enrolled in the CRP by either spouse.

**Other acres:** Enter the number of acres of the farmland sold that the taxpayer used for other purposes in the respective calendar year, such as non-tillable acres. If the taxpayer was married during the calendar year, include the acres of the farmland sold that were used for other purposes by either spouse.

Note: The sum of the acres the taxpayer personally farmed, the cash rent acres, the crop share acres, the CRP acres, and the other acres must equal the total number of acres sold as entered in Part II, line 2.

**Line 15. Cash Rent/Lease Arrangement:**

**Line 15a:** Check the box to indicate if the property was rented on a cash rent/lease basis. A farmer who rents farmland on a cash basis will not generally be considered to be materially participating in the farming activity. The burden is on the landlord to show there was material participation in the cash rent/lease farm activity.

**Line 15b:** Check the box to indicate if the taxpayer materially participated in the farming activity.

**Line 16. Crop-Share Arrangement:**

**Line 16a:** Check the box to indicate if the property was involved in a crop-share arrangement.

**Line 16b:** Check the box to indicate if you are subject to self-employment tax on the crop-share income. If income from crop-share arrangement was reported on federal form 4835, the income was not subject to self-employment tax and therefore may not be eligible for Iowa capital gain deduction unless

the taxpayer qualifies as a retired or disabled farmer as described in Iowa Administrative Code rule 701–302.38(1)“f”(1) (2022).

**Line 17:** The taxpayer must satisfy at least one of the four tests for material participation for each of the 10 years prior to the sale. Check the box for each test claimed. More than one test may be claimed. For more information on the tests for material participation, see the instructions below and Iowa Administrative Code rule 701–302.38(1)“f”(5) (2022).

**Line 18. Conservation Reserve Program (CRP):**

**Line 18a:** Check the box to indicate if the property was enrolled in the CRP.

**Line 18b:** Check the box to indicate if the income from the CRP was subject to self-employment tax. If an individual is receiving CRP payments and is not considered to be retired from farming or disabled as described in Iowa Administrative Code rule 701–302.38(1)“f”(1) (2022), the CRP payments are subject to self-employment tax. If individuals actively manage farmland placed in the CRP by directly participating in seeding, mowing, and planting the farmland or by overseeing these activities and the individual is paying self-employment tax, the owner will be considered to have had material participation in the farming activity. Annual CRP payments paid to taxpayers receiving Social Security or disability payments are generally not subject to self-employment tax and therefore are not eligible for the Iowa capital gain deduction unless the taxpayer qualifies as a retired or disabled farmer. For more information on the requirements for material participation with regard to the CRP, see Iowa Administrative Code rule 701–302.38(1)“f”(6) (2022).

**Line 19:** Enter the taxpayer’s daily, weekly, monthly, and yearly farming activities on the farmland sold during the period identified in Part II, line 14. Describe the taxpayer’s activities in detail, and include the year(s) the taxpayer performed the activities. Do not include activities performed by any person other than the taxpayer, such as tenants and farm hands. For inherited property, activities performed by the decedent prior to death are not considered when determining whether a taxpayer has materially participated.

For surviving spouses, see Iowa Administrative Code rule 701–302.38(1)“f”(2) (2022). The taxpayer’s activities must be supported by records. Records prepared long after the activity generally are not acceptable.

**Part III: Details of Property Sold**

**Line 1:** Check the box to indicate whether the capital gain is from an Iowa corporation.

**Line 2:** Indicate whether the Iowa corporation’s capital gain was from the liquidation of assets which are recognized as a sale of assets under IRC section 331 or from certain stock sales which are treated as an acquisition of assets under IRC section 338.

**Line 3:** If married filing jointly and both spouses are the only owners, check yes. If married filing separately and both spouses are owners, check no; each spouse must complete an IA 100B and indicate on line 4 the separate ownership percentage of that spouse.

**Line 4:** Enter the taxpayer’s ownership percentage of the property sold at the time of the sale rounded to the nearest tenth of one percent (for example: 50.0%; 33.3%). If not the sole owner, the taxpayer’s ownership percentage must be less than 100% and greater than 0%.

**Line 5:** Enter the names of all persons and entities that owned the property at the time of sale. If the capital gain flowed through to the taxpayer from a partnership, S corporation, limited liability company (LLC), estate, or trust, all owners of the entity must be reported.

**Line 6:** Check all boxes that indicate how the taxpayer acquired the property. If “Other”, explain how the taxpayer acquired the property.

**Line 7:** Enter the names of all persons and entities that purchased the property.

**Line 8:** Enter the amount of the taxpayer’s capital gain deduction claimed. Note that the deduction applies to the net capital gain from a sale. Any nonrecaptured losses are treated as ordinary income and are not eligible for the Iowa capital gain deduction. The eligibility of the Iowa capital gain deduction reported here may be subject to further examination by the Department.