

**FILE ELECTRONICALLY USING MODERNIZED e-FILE (MeF)****NEW FOR 2022**

**The IA 1041 has been revised substantially for tax year 2022. Carefully read all instructions when completing this return.**

**Line 8:** Iowa has conformed with federal bonus depreciation provisions for assets placed in service in tax year 2021. The Internal Revenue Code (IRC) section 179 limit applicable to fiduciaries for Iowa for tax year 2021 is the same as the federal limit. See the IA 4562A/B for more information. Taxpayers who had to make adjustments for Iowa's nonconformity to federal law in 2018 or later may need to complete form IA 101 in 2021 and later years. See the IA 101 Nonconformity Adjustments form for more information. Iowa has conformed with the federal repeal of like-kind exchanges of personal property for tax years 2019 and later. For tax year 2020 and later Iowa has not conformed with the business interest expense limitation in IRC section 163(j), see IA 163 for more information.

**Line 8:** Report the amount of qualifying COVID-19 grant excluded from income under Iowa Administrative Code rule 701—40.86.

**Line 22:** The qualified business income deduction has increased from 50% to 75% of the federal deduction. The DPAD 199A(g) deduction has increased from 50% to 75% of the federal deductions.

**Returns to File**

An Iowa fiduciary return (IA 1041) must be filed for estates, trusts, and other entities that are taxed as trusts for federal income tax purposes.

An Iowa Composite Return (IA PTE-C) must be filed if the estate or trust has any nonresident beneficiaries.

Additionally, an Iowa individual income tax return (IA 1040) must be filed for the following:

- The decedent, if the income during the tax period ending with the date of death meets the Iowa resident or nonresident filing requirements. This return must be prepared with the same method of accounting last used by the decedent.
- Wards in guardianships or conservatorships.
- Resident and nonresident beneficiaries of estates or trusts, if the minimum filing requirements are met.

For more information, see Iowa Administrative Code rule 701—89.4.

**Required Documents to File with the IA 1041 Iowa Fiduciary Return**

- All pages of the IA 1041, including schedules, and all completed IA 1041 K-1(s).
- A copy of the federal form 1041 return, including all schedules and K-1s for each beneficiary.
- A copy of the decedent's will must accompany the initial fiduciary return if the Department has not previously received a copy for inheritance tax purposes.
- A copy of inter vivos trust instruments must be filed with the initial return for the trust.
- If the will has been filed in Iowa probate proceedings, then this instrument is not required to be filed with the initial return of testamentary trusts.
- If the probate inventory has not been filed in Iowa probate proceedings at the time the initial fiduciary return is filed, a statement should accompany the return advising when the inventory will be filed.
- A probate inventory for a foreign estate should be filed with the return if an ancillary administration has not been opened in Iowa.
- A copy of the Iowa Composite Credits Schedule, IA Schedule CC, if a composite credit was claimed.

**Amended Return**

If an amended federal return was filed, the taxpayer must file an amended Iowa return and include the IA 102. Use the IA 1041 to file and check the "Amended Return" box.

**Preparer PTIN**

Enter the preparer's Preparer Tax Identification Number (PTIN). If the preparer does not have a PTIN, enter the preparer's Social Security Number (SSN) or Federal Employer Identification Number (FEIN).

**When to File**

The return with payment is due within four calendar months after the end of the tax year. A fiduciary return must be filed for every accounting period in which there is taxable income of \$600 or more and for the final accounting period regardless of income.

All income from the probate property owned by the decedent must be reported until the property is sold or distributed, or disposition of the property is made. Income derived from probate property should also be reported if the income is deposited in an estate bank account and expenses relating to the probate property are paid from estate funds and controlled by the fiduciary. The income derived from non-probate property must be reported on the beneficiaries' individual income tax return.

**How and Where to File**

The Iowa Department of Revenue accepts Iowa Fiduciary Tax Returns (IA 1041) through **Modernized e-File (MeF)**. The Department also accepts Fiduciary returns submitted by mail.

Mail paper returns to:

Fiduciary Return Processing  
Iowa Department of Revenue  
PO Box 10467  
Des Moines, Iowa 50306-0467

**Refund Claims and Federal Tax Changes**

Claims for refund must be made within a certain period of time. The Department has additional time to make a determination of the correct tax following a federal amended return or federal audit, and that additional time is unlimited if the taxpayer does not provide sufficient notice of the federal changes to the Department. For more information regarding refund claims and federal tax changes, see the instructions to the IA 102 Amended Return Schedule.

**State Pass-Through Representative**

If the estate or trust desires to appoint someone other than the fiduciary as the state pass-through representative for purposes of Iowa Code section 422.25B, a statement should be attached to the return indicating who is appointed as state pass-through representative as well as their contact information.

**Distributions**

A distribution of property-in-kind to a beneficiary entitled to the income made after June 1, 1984, in taxable years ending after that date is subject to an election by the fiduciary to recognize any gain or loss in the estate or trust. The election is an affirmative act and failure to indicate whether or not the election is made will be construed as an election by the fiduciary not to recognize any gain or loss on the distribution.

The election applies to all distributions made during the taxable year.

**Return Instructions**

The following instructions are for completing the Iowa fiduciary return. Detailed instructions are provided for lines requiring special attention.

**Conformity with Internal Revenue Code**

Iowa generally conforms with federal tax changes, to the extent they affect Iowa income taxes, for tax years beginning on or after January 1, 2020, but certain Iowa nonconformity adjustments may be necessary.

**Return Information****Tax Period**

The IA 1041 applies to a single tax year of no more than twelve months. Unless indicated on the form, the IA 1041 is assumed to apply to the calendar year indicated at the top of the form. If the return is for a fiscal year, enter the beginning and ending dates.

**Return Type**

Check the appropriate boxes to indicate whether this is an initial, final, amended, or short period return. Indicate if you are making a section 645 election. You may need to check more than one box. Note: If a tax certificate of acquittance is requested the final return box must be checked and the face of the return must indicate that a tax certificate of acquittance is requested.

### Tax Certificate of Acquittance

The following minimum requirements must be met in order to be eligible to receive an income tax certificate of acquittance:

- The “Final Return” box must be marked.
- The box must be marked “Yes” for the income Tax Certificate of Acquittance request. If the “No” box is checked, you must refile the return with “Yes” marked in order to correct the error and to be eligible to receive a Tax Certificate of Acquittance.
- Iowa taxable income, on IA 1041, line 25 must be zero.

The Tax Certificate of Acquittance will be mailed to the Power of Attorney reported on the return, if one is reported. If a Power of Attorney is not reported, then the Tax Certificate of Acquittance will be mailed to the fiduciary.

The Department will not issue a Tax Certificate of Acquittance for a grantor trust under any circumstances. Furthermore, on a final return for an estate the appropriate box must be checked to indicate whether or not an Iowa Inheritance Tax Return, IA 706, will be filed.

### Residency Status

For estates and testamentary trusts: Indicate the decedent’s residence at time of death. For inter vivos trusts: If the trust is created by court order or makes an accounting to the court, indicate the residency based on the court having jurisdiction over the trust.

If the trust is a grantor trust, indicate the grantor’s or owner’s residence. If the trust, other than a grantor trust, is not required to make an accounting to and subject to control of a court, its residency depends on the relevant facts of the case including:

- The residence of the trustees
- The location of the principal office where the trust is administered
- The location of the evidence of intangible assets of the trust

For more information about determining the residency of a trust, see Iowa Administrative Code rule 701—89.3.

### Composite Return Requirement

For tax years beginning on or after January 1, 2022, trusts and estates with nonresident beneficiaries are required to complete and file an IA PTE-C and pay composite tax on behalf

of their nonresident beneficiaries. Answer the five questions to determine if you have a composite return requirement. If you answer “Yes” to any of questions 1-4, the estate or trust has a nonresident beneficiary and must file an IA PTE-C. If you answer “No” to all of questions 1-4, you are not required to file an IA PTE-C. See the IA PTE-C for more information about the Iowa composite return requirement.

If you answer “Yes” to question 5, you may claim your composite credit against any fiduciary income tax owed on the IA 1041, or against any composite tax owed on your IA PTE-C if you are required to file an IA PTE-C. To claim a composite credit on the IA 1041, line 40, complete the IA Schedule CC and include it with this return. See the IA PTE-C for information about how to claim a composite credit against Iowa composite tax.

### Third Party Authorization

All correspondence, including income tax certificates of acquittance, will be mailed to the Power of Attorney (POA) reported on the IA 1041. If a POA is not reported on the return filed, all correspondence, including the income tax certificate of acquittance, will be mailed to the Fiduciary reported on the return.

More information about the Department’s Third-Party Authorization procedure is available at ([tax.iowa.gov](http://tax.iowa.gov)) in the Confidentiality, Disclosure, and Authorized Representation section.

### Lines 1-18: Income and Deductions.

The amounts entered on lines one through eighteen should mirror the information shown on your federal return. Any modifications should be reported on line 19.

**Line 19: Iowa Net Modification from Schedule A, line 18.** See Schedule A instructions.

**Line 21: Iowa Income Distribution Deduction from Schedule B, line 15.** See Schedule B instructions.

**Line 22: Qualified Business Income Deduction.** Iowa only allows a deduction for 75% (0.75) of the Qualified Business Income (QBI) deduction provided under IRC section 199A(a) and the Domestic Production Activities Deduction (DPAD) allocated from an agricultural or horticultural cooperative as provided under IRC section 199A(g). For more information, see Iowa Code section 422.4(16).

If the estate or trust deducts these amounts on the federal form 1041, line 20, include 75% of such amounts on this line.

**Line 25: Iowa taxable income.**

On a final return taxable income must be zero.

**Line 26: Tax from tax table.**

**Taxable Income**

Over	But Not Over		Tax Rate		Of Excess Over
\$0	\$1,743	\$0	+ (.33%	X	\$0)
\$1,743	\$3,486	\$5.75	+ (.67%	X	\$1,743)
\$3,486	\$6,972	\$17.43	+ (2.25%	X	\$3,486)
\$6,972	\$15,687	\$95.87	+ (4.14%	X	\$6,972)
\$15,687	\$26,145	\$456.67	+ (5.63%	X	\$15,687)
\$26,145	\$34,860	\$1,045.46	+ (5.96%	X	\$26,145)
\$34,860	\$52,290	\$1,564.87	+ (6.25%	X	\$34,860)
\$52,290	\$78,435	\$2,654.25	+ (7.44%	X	\$52,290)
\$78,435		\$4,599.44	+ (8.53%	X	\$78,435)

**Line 28: Iowa Lump-Sum Tax.**

If federal form 4972 was used to compute federal tax on all or part of a lump-sum distribution, enter 25% of the separate federal tax imposed. A copy of federal form 4972 must be included.

**Line 29: Iowa Alternative Minimum Tax.**

The Iowa alternative minimum tax is a tax imposed on items not subject to regular income tax, classified as tax preference items. You may be subject to the Iowa alternative minimum tax even if you were not subject to the federal minimum tax. For complete information on the Iowa alternative minimum tax, see IA 1041 Schedule I.

**Line 30: Tax on the ESBT Portion of the Trust from Schedule E, line 5.**

See Schedule E instructions.

**Line 32: Personal Exemption Credit.**

A \$40 exemption credit is allowed on all fiduciary returns regardless of whether the return covers less than a full tax year. This is a nonrefundable credit.

**Lines 33 and 35: Nonresident Tax Credit or Out-of-State Tax Credit.**

Iowa estates and trusts that have income from non-Iowa sources must report this income to Iowa for taxation. If income tax has been paid on the non-Iowa income to another jurisdiction,

a credit for the tax paid will be allowed and computed in the same manner as for Iowa individual income tax using form IA 130. Nonresident estates and trusts are not eligible for an out-of-state credit; they should enter the amount from line 29 of IA 1041 Schedule C. These are nonrefundable credits; the amount claimed on Line 29 must be limited not to exceed the amount of tax on Line 31 minus the personal exemption credit on line 32.

**Line 37: Other Nonrefundable Credits.**

Enter the Part I Total of the IA 148 Tax Credits Schedule. The amount claimed on line 29 must be limited not to exceed the amount of tax on line 26, minus the personal exemption credit on line 32 and the out-of-state or nonresident credit on lines 33-34. The IA 148 Tax Credits Schedule must be included if there is an entry on this line.

For tax years beginning on or after January 1, 2013, estates or trusts with a situs in Iowa that are shareholders in S corporations may claim the S corporation apportionment credit using Form IA 134 if the S corporation conducts business inside and outside Iowa.

**Line 41: Composite return credit.** Enter any Iowa Composite Credits as reported on IA Schedule CC. Must include IA Schedule CC.

**Line 42: Motor Fuel Tax Credit.** A credit may be claimed for Iowa motor vehicle fuel tax paid on fuel used off-highway in an unlicensed vehicle. If the ordinary income during the accounting period is completely or partially accumulated and tax is the obligation of the fiduciary, the credit is claimed on line 32. If the ordinary income is fully distributed, credit cannot be claimed on the fiduciary return. Instead, the beneficiaries are entitled to claim their pro rata share of the credit on their individual income tax returns. The fiduciary must provide each beneficiary with an IA 4136 Motor Fuel Tax Credit form and a supplemental schedule showing the distribution of credit among the beneficiaries, allowing the beneficiary to claim the credit.

**Line 43: Other Refundable Credits.**

Enter the Part II Total of the IA 148 Iowa Tax Credits Schedule. Must include IA 148.



**Line 45: Tax Liability.**

Extending the Time to File the Iowa Fiduciary Return. If 90% of the correct amount due is paid by the original due date of the return, then no penalty will be assessed provided that the return is filed within six months of the due date. Any tax elections made on the return will be considered timely if the return is filed no later than six months from the original due date. If additional payment is necessary in order to meet the 90% requirement, you must pay using the Iowa Fiduciary Income Tax Payment Voucher (63-007). Extension form 60-027 is used for inheritance tax purposes only.

**Line 47: Penalty and interest.**

**Failure to Timely File a Return:** If the return is filed after the original due date of the return and less than 90% of the correct amount of tax was paid by the original due date, multiply the unpaid tax by 5% (.05) and enter that amount on line 47 'Penalty'. This penalty is in addition to any penalty for failure to timely pay the tax due, as described below. If you are subject to both penalties, add this penalty amount to the amount calculated below and enter the sum on line 47 'Penalty'.

**Failure to Timely Pay the Tax Due:** A penalty of 5% must be added to the tax due if less than 90% of the correct amount of tax was paid by the original due date of the return. Multiply the unpaid tax by 5% (.05) and enter that amount on line 47 'Penalty'. This penalty is in addition to any penalty for failure to timely file, as described above. If you are subject to both penalties, add this penalty amount to the amount calculated above and enter the sum on line 47 'Penalty'.

**Audit or Examination Deficiency:** A penalty of 5% will be added to the unpaid tax if the Department discovers an underpayment during an audit or examination.

**Fraud:** A penalty of 75% will be added to the fraudulent claim or unpaid tax for fraudulent claims or willful failure to file a return.

**Waivers:** Penalties can be waived under limited circumstances, as described in Iowa Code section 421.27. Complete and submit a Penalty Waiver Request form (78-629) to request a penalty be waived.

**Line 48: Amount Due.**

Your check or money order for the amount due should be made payable to "Iowa Department of

Revenue." The check or money order and Fiduciary Income Tax Payment Voucher (63-007) should be included with the Iowa fiduciary tax return. However, if you are amending to report a federal centralized partnership audit change and you have elected to pay the tax due on the owners' behalf, you must complete the IA 103, include the amount due from the IA 103 on this line, and then submit the IA 103 with payment to the address listed on the IA 103.

**Schedule A: Iowa Modifications****Additions:**

**Line 1:** Add interest from foreign securities and state and municipal securities to the extent that interest was exempt from federal tax. However, interest from certain Iowa state and municipal securities is exempt from Iowa tax and should not be included on this line. For more information, see Iowa Code section 422.7(2); Iowa Administrative Code rules 701—40.3, 89.8(7)"e".

**Line 2:** Add dividends not included in federal income, including dividends from foreign securities and state and municipal securities to the extent those dividends were exempt from federal tax. However, dividends from certain Iowa state and municipal securities are exempt from Iowa tax and should not be included on this line. For more information, see Iowa Code section 422.7(2); Iowa Administrative Code rule 701—40.3.

**Line 3:** If you received a federal tax refund in 2022, you must report the amount on IA 1041, Schedule A, Part I, line 3. The federal refund must be included on this line because you benefited from being able to deduct federal taxes on the prior year's Iowa return, which reduced your Iowa taxable income for that year. The amount reported on the Schedule A, Part I, line 3 should not exceed the total amount of any federal tax deduction taken on the prior year(s) Iowa return.

If you chose to have any part of an overpayment of federal income tax credited to federal estimated tax payments for 2022, the amount should be claimed as 2022 estimated tax paid on Schedule A, Part II, line 4. The total overpayment is reported on Schedule A, Part I, line 3.

Any portion of the federal refund received due to the fuel tax credit must be reported on the Iowa return. Report any federal income tax refund received in 2022 for tax year 2021 or any other years that were amended or filed late.

**Do not include the federal refund in the following situations:**

- You are filing an Iowa return for 2022 for the first time. A refund of federal tax received in 2022 is not reported if the tax was not deducted from Iowa income in a prior year.
- The refund you received was from a year in which you did not take a deduction for the payment of federal tax because your income was less than the minimum amount for paying Iowa tax or your tax for that year was calculated using the alternate tax computation.
- The trust or estate was a nonresident for the tax year of the refund and was not required to file an Iowa return for that year.

**Line 4:** Enter other additions to income on this line, and state the nature of the income. List the type and amount on an attached schedule. Items included on this line include but are not limited to all of the following:

- Other income reported on the estate's or trust's federal form 1041, line 8.
- Depreciation adjustment from the IA 4562A and the IA 4562B. Include both schedules with the return.
- Nonconformity adjustments from the IA 101. Include the form with the return.
- If the estate or trust is also a member of another pass-through entity, enter the estate's or trust's distributive share of Iowa modifications furnished by the pass-through entity if the modifications result in a positive amount. This is the amount reported on your IA 1065 K-1, line 18(a), or on your IA 1120S K-1, line 16(a).
- Any adjustment from IA 163 Interest Expense Adjustment resulting in a reduction to income. Include IA 163 with your return.
- Report the the amount of federal net operating loss included on IA 1041, line 16.
- Other income required under Iowa law.

**Line 5:** Add lines 1 through 4.

**Subtractions:**

**Line 1:** Subtract interest received from federal securities. For more information, see Iowa Code section 422.7(1); Iowa Administrative Code rule 701—40.2, 89.8(7)"e".

**Line 2:** Subtract dividends received from federal securities. For more information, see Iowa Code section 422.7(1); Iowa Administrative Code rule 701—40.2.

**Line 3:** Iowa tax refund included on federal 2022 Form 1041, line 8.

**Line 4:** Report all federal tax withheld, estimated tax payments, and federal taxes paid in 2022.

Enter the amount(s) listed in the box labeled "Federal income tax withheld" on the K-1 or 1099 form(s) that you received.

Enter the federal estimated income tax payments made in 2022. You can deduct only the federal estimated income tax payments made during calendar year 2022. You may also claim the credit carryforward claimed on the 2021 federal form 1041, line 30a.

**Line 5:** Administrative expenses allowed for estate tax purposes

If an estate or trust that is required to file a federal estate tax return incurs administrative expenses that would have been an allowable deduction in computing federal taxable income of the estate or trust for the tax year except that the deduction was disallowed under IRC section 642(g) (deductions allowable for estate tax purposes), the estate or trust may deduct those administrative expenses for Iowa tax purposes on lines 12-15. See Iowa Admin. Code r. 701—89.8(8)"g"(3).

**Line 6:** Other deductions

Enter other deductions to income on this line, and state the nature of the deduction. List the type and amount on an attached schedule. Items included on this line include but are not limited to all of the following:

- Depreciation adjustment from the IA 4562A and the IA 4562B. Include both schedules with the return.
- For burial trust funds, described in Iowa Code section 523A.102, subtract interest and earnings received to the extent included in income.

- Nonconformity adjustments from the IA 101. Include the form with the return.
- If the estate or trust is also a member of another pass-through entity, enter the estate's or trust's distributive share of Iowa modifications furnished by the pass-through entity if the modifications result in a positive amount. This is the amount reported on your IA 1065 K-1, line 18(a), or on your IA 1120S K-1, line 16(a).
- Any adjustment from IA 163 Interest Expense Adjustment resulting in a reduction to income. Include IA 163 with your return.
- Report the amount of Iowa net operating loss. See IA 123 instructions for more information.
- Other deductions allowed under Iowa law.

**Line 7:** Add lines 1 through 6.

**Line 8:** Subtract Part II, line 7 from Part I, line 5.

### **Schedule B: Iowa Distributable Net Income**

The income distribution deduction allowable to estates and trusts for amounts paid, credited, or required to be distributed to beneficiaries is limited to Iowa Distributable Net Income (DNI). This amount, which is figured on line 7, is also used to determine how much of an amount paid, credited, or required to be distributed to a beneficiary will be includible in his or her gross income.

### **Schedule C: Computation of Nonresident/Part-Year Resident Tax Credit**

Nonresident Instructions. A taxpayer that is not a full-year resident of Iowa should list all-source income and deductions from page 1 of the return in Column A, and list all Iowa source income and deductions in Column B of IA 1041 Schedule C. Iowa-source income in Column B of IA 1041 Schedule C includes, but is not limited to, income from an Iowa business, farm, or other real estate; and wages, fees, or commissions earned in Iowa. Income from bank accounts, stocks, bonds, or other intangible personal property is assigned to Iowa only to the extent that it is from a business, trade, or profession carried on within Iowa.

### **Schedule D: Iowa Alternative Minimum Tax-Estates and Trusts**

Beginning with tax year 2016, all estates and trusts that had one or more of the adjustments or preferences in Part I must complete IA 1041 Schedule D to see if they owe Iowa Alternative Minimum Tax (AMT). Taxpayers may have an Iowa AMT liability even if they owe no federal AMT. Nonresidents who have a liability for Iowa AMT are required to file an Iowa return even if they have no regular Iowa income tax liability.

**NOTE:** The Iowa AMT Credit is available that may reduce the regular tax of an estate or trust for Iowa AMT paid in a prior year. See instructions for form IA 8801.

### **Part I - Iowa Adjustments and Preferences**

Part I of the IA 1041 Schedule D corresponds to Part I of federal form 1041, Schedule I except as noted.

**Line 1 and Lines 4 through 16:** See the corresponding lines on federal form 1041, Schedule I for additional guidance.

**Line 8:** If the amount of your Iowa depreciation deduction for this year was different from the amount of your federal depreciation deduction, you may need to recalculate the amounts shown on the federal form 1041, Schedule I, line 12 to adjust for the Iowa amount. Recalculate this amount by using the Iowa depreciation deduction amounts shown on this year's IA 4562A, and following the federal AMT adjustment instructions for federal form 1041, Schedule I, line 12.

**Line 16:** If the amount of your Iowa depreciation deduction for this year was different from the amount of your federal depreciation deduction, you may need to recalculate the amounts shown on the federal form 1041, Schedule I, line 21 to adjust for the Iowa amount. Recalculate this amount by using the Iowa depreciation deduction amounts shown on this year's IA 4562A, and following the federal AMT adjustment instructions for federal form 1041, Schedule I, line 21.

**NOTE:** The federal tax preferences for percentage depletion of an oil, gas, or geothermal well and intangible drilling costs from federal form 1041, Schedule I are not tax preferences but are additions to income on IA 1041, Schedule A, Part I, line 4.

## Part II - Iowa Alternative Minimum Taxable Income

**Line 21:** A net operating loss can be carried back or carried forward to reduce a taxpayer's alternative minimum taxable income. However, before the net operating loss can be deducted, it must be reduced by any adjustments and tax preferences used in computing the net operating loss. A net operating loss that is carried to the current tax year on line 21 cannot exceed 90% of the amount on line 20. Any portion of the net operating loss that cannot be used can be carried over to the next tax year.

## Part IV - Nonresidents

A taxpayer that is not a full-year resident of Iowa is required to pay Iowa AMT only on the percentage of adjustments and tax preferences that are Iowa source. Lines 30 through 33 in Part IV must be completed to calculate the Iowa AMT liability for nonresidents only if one has Iowa source adjustments or preferences.

**Line 30:** Add Iowa taxable income from IA 1041, Schedule C, line 24, Column B, plus the total of only those adjustments and tax preferences from IA 1041, Schedule D, line 17 that are from Iowa sources.

**Line 31:** Add all-source taxable income from IA 1041, Schedule C, line 24, Column A, plus the total of all adjustments and tax preferences from IA 1041, Schedule D, line 17.

**Line 32:** Divide line 30 by line 31 and enter the result to three decimal places (Example: .786).

**Line 33:** Multiply line 29 by line 32. The result is the Iowa AMT and is to be entered on IA 1041, line 29. See the instructions below relating to Iowa alternative minimum tax limited to net worth.

## Iowa Alternative Minimum Tax Limited to Net Worth

Taxpayers who meet all qualifications for a distressed sale, but have a debt to asset ratio of 75% or less, are not subject to the AMT in an amount greater than the taxpayer's net worth. In situations where a taxpayer has multiple transactions (forfeitures, transfers, sales, or exchanges), AMT is limited to net worth prior to the last transaction in the tax year. Complete IA 6251B form to determine net worth.

## Schedule E: Electing Small Business Trust Tax Computation (ESBT)

**Line 1:** Enter total federal adjusted ESBT income as determined on the separate schedule prepared for the federal estate and trust income tax return. Include the federal schedule with the Iowa tax return.

**Line 2:** Enter total Iowa additions to ESBT income. Common additions can be located in the IA 1041, Schedule A, Part I instructions. Include a statement that separately lists the additions. If the ESBT received Iowa Schedules K-1, include the amounts from Part I, line 1, on this line.

**Line 3:** Enter total Iowa deductions to ESBT income. Common deductions can be located in the IA 1041, Schedule A, Part II instructions. If the ESBT received Iowa Schedules K-1, include on this line the amounts from Part I, line 1. Include a statement that separately lists the deductions.

**Line 6:** Report amount of Iowa source income after any related modifications reported on lines 2 and 3.