

CAPITAL GAIN DEDUCTION CHECKLIST

This deduction is subject to review by the Iowa Department of Revenue.

Should the Department request it, the information below will be needed to verify whether you qualify for the deduction. Other information, in addition to that shown on this checklist, may also be required in some situations.

Gains from the sale of stocks or bonds DO NOT qualify for the deduction, with the following exception: effective with tax year 2012, 50% of the gain from the sale/exchange of employer securities of an Iowa corporation to a qualified Iowa employee stock ownership plan (ESOP) may be eligible for the Iowa capital gain deduction.

To be eligible, the Iowa ESOP must own at least 30% of all outstanding employer securities issued by the Iowa corporation after completion of the transaction.

Location of Property: _____

Intended Use of Property: _____

Actual Use of Property: _____

Acquisition Date: _____

How Acquired: _____

Date of Sale: _____

Purchaser: _____

Purchaser's Relationship to Owner (if any): _____

Term of Sale (completed sale or installment sale): _____

MATERIAL PARTICIPATION TEST FOR SALE OF REAL PROPERTY OR SALE OF BUSINESS – MUST MEET AT LEAST ONE TO QUALIFY (CHECK ALL THAT APPLY):

Detailed records should be kept by the taxpayer (on as close to a daily basis as possible) because the burden of proof is on the taxpayer to demonstrate material participation.

_____ Participates more than 500 hours in the tax year (records required)

_____ Participation constitutes all participation in the business (records required)

_____ Participates more than 100 hours in the tax year and no one else participates more (records required)

_____ Participates in two or more businesses, excluding rental business, and participates more than 500 hours in all businesses, or more than 100 hours in each business (records required)

_____ Participates in 5 of the last 10 years (records required)

_____ Participates in personal service activity for at least 3 years (records required)

_____ Participates more than 100 hours and based on the facts and circumstances, participates on a regular, continuous, and substantial basis (records required)

SALE OF FARMLAND:

Are you a retired farmer? Yes _____ No _____

If yes, provide the date you began receiving Social Security old-age benefits: _____

Are you a disabled farmer? Yes _____ No _____

If yes, provide the date your disability began: _____

Are you are a surviving spouse of a farmer? Yes _____ No _____

If yes, were you retired on the date of your spouse's death?

Yes _____ No _____

How was farm real estate operated? (check one):

By taxpayer: _____

Cash rent: _____

Crop share: _____

If crop share, was the income reported on federal form 4835?

Yes _____ No _____

If crop share, was the income subject to self-employment tax?

Yes _____ No _____

SALE OF BUSINESS:

What types of assets were sold? _____

Fair market value of assets sold: \$ _____

What types of assets were NOT sold? _____

Fair market value of assets NOT sold: \$ _____

What were the duties of the owner(s)? _____

Was gain reported under IRC Section 331 or 338? Yes _____ No _____

SALE OF CATTLE / HORSES AND BREEDING LIVESTOCK

Was more than 50% of your gross income from farming or ranching activities?

Yes _____ No _____

What types of animals were sold? _____

For what purpose were these animals kept? _____

SALE OF TIMBER

Was gain reported under IRC Section 1231? Yes _____ No _____