



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

Should the Department request it, the information below will be needed in order to verify whether you qualify for the deduction on line 23 of the IA1040. 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: \_\_\_\_\_ Term of sale (completed sale or installment sale): \_\_\_\_\_

Purchaser: \_\_\_\_\_

Purchaser's relationship to owner (if any): \_\_\_\_\_

**Part 1:** Material participation test for sale of real property or sale of business. Taxpayer must meet at least one of the following 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. Submit a copy of your records.

- Taxpayer participates more than 500 hours in the tax year.
- Taxpayer participation constitutes all the participation in the business.
- Taxpayer participates more than 100 hours in the tax year and no one else participates more.
- Taxpayer 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.
- Taxpayer participates in 5 of the last 10 years.
- Taxpayer participates in personal service activity for at least 3 years.
- Taxpayer participates more than 100 hours and based on the facts and circumstances, participates on a regular, continuous, and substantial basis.

Part 2: Sale of Farmland

1. Are you a retired farmer? Yes  No

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

2. Are you a disabled farmer? Yes  No

If yes, provide the date your disability began: \_\_\_\_\_

3. Are you a surviving spouse of a farmer? Yes  No

If yes, were you retired on the date of your spouse's death? Yes  No

4. 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

Part 3: Sale of Business

1. What types of assets were sold? \_\_\_\_\_

Fair market value of assets sold: \_\_\_\_\_

2. What types of assets were not sold? \_\_\_\_\_

Fair market value of assets not sold: \$ \_\_\_\_\_

3. What were the duties of the owner(s)? \_\_\_\_\_

\_\_\_\_\_

4. Was gain reported under IRC section 331 or 338? Yes  No

Part 4: Sale of Cattle / Horses and Breeding Livestock

1. Was more than 50% of your gross income from farming or ranching activities? Yes  No

2. What types of animals were sold? \_\_\_\_\_

3. For what purpose were these animals kept? \_\_\_\_\_

Part 5: Sale of Timber

1. Was gain reported under IRC section 1231? Yes  No