



Iowa Capital Gain Deduction

Name(s) _____ SSN _____

**Part I: Description of property sold for which the capital gain deduction is being claimed
(check only one)**

- Employer securities to a qualified Iowa ESOP (complete Parts II and III) ☐
- Timber (complete Parts II and IV)..... ☐
- Cattle, horses, or breeding livestock (complete Parts II and V)..... ☐
- Real property used in a farm business (complete Parts II and VI) ☐
- Business (complete Parts II, VII, and IX)..... ☐
- Real property used in a non-farm business (complete Parts II, VIII, and IX) ☐

Part II: Details of property sold

1. List all owner name(s): _____
2. a. Purchaser's name(s): _____ b. Purchaser's relation to taxpayer: _____
3. Total property sale price 3. \$ _____
4. Total cost or other basis for property sold 4. \$ _____
5. Gain from the sale. Subtract Part II, line 4 from Part II, line 3 5. \$ _____
6. Enter taxpayer's ownership share of the total property sold to three decimal places (ex. 65.2%)..... 6. _____ %
7. Is the capital gain from an installment sale?
No ☐ ... Continue to Part II, line 8.
Yes ☐ . Enter the property installment sale information:
a. Start date..... 7a. _____
b. End date 7b. _____
c. Principal received by the taxpayer in tax year 2015 7c. \$ _____
8. Was the property sold owned by a C corporation?
No ☐ ... Continue to Part II, line 9.
Yes ☐ . Sale is not eligible for Iowa capital gain deduction. Stop.
9. How did the taxpayer acquire the property? (check all that apply)
Inheritance ☐ Like-kind (IRC 1031) Exchange ☐
Purchase ☐ Involuntary Conversion ☐
Gift ☐ Other ☐ (Explain: _____)



Part III: Sale of Employer Securities to a Qualified Iowa Employee Stock Ownership Plan (ESOP)

1. Name of Iowa corporation: _____
2. Does the ESOP own at least 30% of all outstanding employer securities issued by the Iowa corporation?
 No ☐ ... Sale is not eligible for Iowa capital gain deduction. Stop.
 Yes ☐ . Continue to Part III, line 3.
3. Enter the amount of taxpayer's capital gain from this sale..... 3. \$ _____
4. Multiply Part III, line 3 by 50% (0.5). Enter here and include on IA 1040 line 23..... 4. \$ _____

Part IV: Sale of Timber

1. Timber address (county and state): _____
2. Documented dates:
 - a. Date acquired 2a. _____
 - b. Date sold 2b. _____
3. Length of holding period. Years 3a. _____ Months 3b. _____
4. Explain how the purchaser intends to use the timber: _____

5. Was the gain from the sale of timber reported under IRC section 1231?
 No ☐ ... Sale is not eligible for Iowa capital gain deduction. Stop.
 Yes ☐ . Continue to Part IV, line 6.
6. Enter the amount of claimed capital gain deduction here and include on IA 1040 line 23..... 6. \$ _____

Part V: Sale of Cattle, Horses, or Breeding Livestock

1. Was the gain from the sale of livestock reported under IRC section 1231?
 No ☐ ... Sale is not eligible for Iowa capital gain deduction. Stop.
 Yes ☐ . Continue to Part V, line 2.
2. Report information on each livestock sale:

Type of Livestock	Livestock use (eg., Breeding)	Documented acquisition date	Documented sale date	Length of holding period in months	Was the sale to a lineal descendent?



3. Were all sales reported in Part V, line 2 to a lineal descendent?
 No ☐ ... Continue to Part V, line 4.
 Yes ☐ . Continue to Part V, line 8.
4. Enter taxpayer's gross income from farming and ranching operations
 (see instructions)..... 4. \$ _____
5. Enter taxpayer's gross income (see instructions)..... 5. \$ _____
6. Divide Part V, line 4 by Part V, line 5. Enter percentage to three
 decimal places 6. _____ %
7. Is Part V, line 6 greater than 50.0%?
 No ☐ ... If no sales were to a lineal descendent, stop. Sales to anyone other than a lineal
 descendent are not eligible for Iowa capital gain deduction. Remove sales to anyone
 other than a lineal descendent from Part V, line 2 and return to Part V, line 3.
 Yes ☐ . Continue to Part V, line 8.
8. Enter the amount of claimed capital gain deduction here and include on
 IA 1040 line 23 8. \$ _____

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

1. Farmland address or legal description: _____

2. Total number of acres sold: _____
3. Date farmland acquired and sold:
 a. Date acquired 3a. _____
 b. Date sold 3b. _____
4. Length of holding period Years 4a. _____ Months 4b. _____
5. If the taxpayer did not own the property for at least ten years, explain how the taxpayer held the
 property for at least ten years under IRC section 1223: _____

6. Is the taxpayer receiving Old-Age Social Security benefits?
 No ☐ ... Continue to Part VI, line 8.
 Yes ☐ . Continue to Part VI, line 7.
7. Provide the date taxpayer started receiving Old-Age Social Security benefits: ... 7. _____
8. Is the taxpayer a disabled farmer?
 No ☐ ... Continue to Part VI, line 10.
 Yes ☐ . Continue to Part VI, line 9.
9. Provide the date the taxpayer's disability began: 9. _____
10. Is the taxpayer the surviving spouse of a farmer?
 No ☐ ... Continue to Part VI, line 14.
 Yes ☐ . Continue to Part VI, line 11.



11. Provide the date of the spouse's death: 11. _____

12. Was the spouse receiving Old-Age Social Security benefits at the time of death?

No ☐ ... Continue to Part VI, line 14.

Yes ☐ . Continue to Part VI, line 13.

13. Provide the date the spouse started receiving Old-Age Social Security benefits: 13. _____

14. Report for 10 years prior to the sale; see instructions if answered yes to Part VI, lines 6, 8, or 10:

Calendar Year	Name of land manager	Paid?	Federal form or schedule where taxpayer reported income	Acres the taxpayer personally farmed	Cash rent acres	Crop share acres	CRP acres	Other acres

15. If the taxpayer meets the holding period qualifications and material participation qualifications, enter the amount of claimed capital gain deduction here and include on IA 1040 line 23..... 15. \$ _____

Part VII: Sale of a Business

1. Business name: _____

2. Business address: _____

3. Activity of the business: _____

4. Check the business organization type (check only one):

Partnership ☐

S Corporation ☐

Sole Proprietorship ☐

C Corporation ☐

LLC ☐

Other ☐ (Explain: _____)

5. Date business acquired and sold:

a. Date acquired 5a. _____

b. Date sold 5b. _____

6. Length of holding period Years 6a. _____ Months 6b. _____



7. If the taxpayer did not own the business for at least ten years, explain how the taxpayer held the business for at least ten years under IRC section 1223: _____
8. Description of all the tangible personal property and service of the business sold: _____
9. Fair market value of all the tangible personal property and service of the business sold 9. \$ _____
10. Fair market value of all the tangible personal property and service of the business 10. \$ _____
11. Divide Part VII, line 9 by Part VII, line 10 and enter percentage to three decimal places 11. _____ %
12. Is Part VII, line 11 at least 90.0%?
 No ☐ ... Sale is not eligible for Iowa capital gain deduction. Stop.
 Yes ☐ . Continue to Part VII, line 13.
13. Is the capital gain from the sale of capital stock or an ownership interest in the business?
 No ☐ ... Continue to Part IX: Material Participation in a Business.
 Yes ☐ . Complete Part VII, line 14.
14. Was the sale treated as a sale or acquisition of assets for federal income tax purposes?
 No ☐ ... Sale is not eligible for Iowa capital gain deduction. Stop.
 Yes ☐ . Continue to Part IX: Material Participation in a Business.

Part VIII: Sale of Real Property Used in a Non-Farm Business

1. Business name: _____
2. Activity of the business: _____
3. Check the business organization type (check only one):
 Partnership ☐ S Corporation ☐
 Sole Proprietorship ☐ C Corporation ☐
 LLC ☐ Other ☐ (Explain: _____)
4. Real property address or legal description: _____
5. Date real property acquired and sold:
 a. Date acquired 5a. _____
 b. Date sold 5b. _____
6. Length of holding period Years 6a. _____ Months 6b. _____
7. If the taxpayer did not own the property for at least ten years, explain how the taxpayer held the property for at least ten years under IRC section 1223. _____

Continue to Part IX: Material Participation in a Business.



Part IX: Material Participation in a Business

1. Was this a sale of property to a lineal descendent and a sale of a business reported in Part VII?
 No ☐ ... Continue to Part IX, line 2.
 Yes ☐ . Continue to Part IX, line 4.
2. Describe the taxpayer's activities in the business: _____

3. Report the applicable calendar year(s) for each of the ten years prior to the sale for which the taxpayer has documentation of meeting any material participation test.
 - 3a. Test 1: Taxpayer participated in the business for more than 500 hours in the year.
 Year(s) _____
 - 3b. Test 2: Taxpayer's participation in the business constituted substantially all participation in the business in the year. Year(s) _____

 - 3c. Test 3: Taxpayer participated in the business more than 100 hours in the year, and no other person participated in the business more. Year(s) _____

 - 3d. Test 4: Taxpayer participated in the business that sold the property and at least one other business in the year if, for each year claimed:
 - All such businesses are not rental businesses; and
 - Taxpayer participated in all such businesses more than 500 hours total; and
 - Taxpayer participated more than 100 hours in each such business; and
 - Taxpayer's participation in each such business does not satisfy any other test.
 Year(s) _____
 - 3e. Test 5: Taxpayer materially participated in the business for five of the ten years prior to the year claimed. Year(s) _____

 - 3f. Test 6: Taxpayer materially participated in a personal service activity for at least three years (may be outside the ten years prior to the sale). Year(s) _____

 - 3g. Test 7: Taxpayer participated in the business more than 100 hours in the year and, based on all facts and circumstances, the participation was regular, continuous, and substantial.
 Year(s) _____
4. If the taxpayer meets the holding period qualifications and material participation qualifications, enter the amount of eligible capital gain deduction here and include on IA 1040 line 23..... 4. \$ _____



IA 100 Iowa Capital Gain Deduction Instructions

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.

Complete a separate IA 100 for each distinct property sale, although multiple livestock sales can, in some instances, be reported on one IA 100 (see instructions for Part V). Complete the form each year of a qualifying installment sale, including all parts noted in Part I.

For taxpayers filing separately on the same return, each spouse must complete an IA 100 for the Iowa capital gain deduction claimed based on the spouse's ownership share in the property.

Flowcharts to assist in determining if a gain qualifies are also available in the expanded instructions online. For more information on the Iowa capital gain deduction, see the instructions below and 701 IAC 40.38.

Part I: Description of property sold:

Check the box that describes the property sold. Complete all subsequent parts indicated for the selected property type.

Part II: Details of property sold:

Line 1. 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, report that entity here.

Line 2. Enter the names of all persons and entities that purchased the property. Also enter the family relation of each purchaser to the taxpayer. If the purchaser is unrelated to the taxpayer, enter "None" for 2b.

Lines 3 to 5. Enter the total sale price of the property sold, including shares of all owners, on Part II, line 3. Enter the total cost or other

basis of the property sold on Part II, line 4. Subtract Part II, line 4 from Part II, line 3 to calculate the total gain from the property interest sold, and enter this amount on Part II, line 5. These amounts may differ from the amounts reported on the federal form 8949 if more than one person held an interest in the property sold or the property was sold on installment.

Line 6. Enter the taxpayer's ownership share of the property sold at the time of the sale as a percentage to three decimal places. Examples: 100.0%; 50.0%; 33.3%. The taxpayer's ownership share must be greater than zero.

Line 7. Check the box to indicate whether the capital gain comes from an installment sale. If "Yes," enter the date of the first installment, the expected date of the final installment, and the principal the taxpayer received during tax year 2015. Do not include any interest received.

Line 8. Check the box to indicate whether the taxpayer's capital gain resulted from the sale of property by a C corporation. The sale of assets by a C corporation does not qualify for the Iowa capital gain deduction. Note: The gain from a corporate liquidation under Internal Revenue Code ("IRC") section 331 may qualify for the Iowa capital gain deduction. If the gain is realized under IRC section 331, check "No" and continue to Part II, line 9.

Line 9. Check all boxes that indicate how the taxpayer acquired the property. If "Other", explain how the taxpayer acquired the property.

Part III: Sale of Employer Securities to a Qualified Iowa Employee Stock Ownership Plan (ESOP)

Complete a separate IA 100 for each sale to a qualified Iowa ESOP.

Line 1. Enter the name of the Iowa corporation whose employer securities the taxpayer sold.

Line 2. Check the box to indicate whether, upon completion of the sale, the ESOP owned at least 30% of all outstanding employer securities issued by the Iowa corporation entered in Part III, line 1.

Line 3. Enter the amount of the taxpayer's capital gain claimed, as indicated by Part II, lines 5 to 7.

Line 4. Only 50% of the gain from the sale of employer securities to an Iowa ESOP is eligible for the Iowa capital gain deduction. The eligibility of the Iowa capital gain deduction reported here is subject to further examination by the Department.

Part IV: Sale of Timber

Complete a separate IA 100 for each sale of timber.

Line 1. Enter the county and state from where the timber was harvested.

Line 2. Enter the acquisition date and sale date for the timber, as indicated in supporting documentation.

Line 3. Enter the length of the holding period in years and months. The holding period must be at least 12 months to qualify for the Iowa capital gain deduction. If the ownership period indicated in Part IV, line 1 is less than 12 months, include a separate statement explaining why the ownership period differs from the holding period.

Line 4. Explain how the purchaser intends to use the timber. (Examples: "Poles", "Lumber", "Christmas Trees")

Line 5. Check the box to indicate whether the taxpayer reported the capital gain under IRC section 1231.

Line 6. Enter the amount of the taxpayer's capital gain claimed, as indicated by Part II, lines 5 to 7. The eligibility of the Iowa capital gain deduction reported here is subject to further examination by the Department.

Part V: Sale of Cattle, Horses, or Breeding Livestock

Multiple sales of livestock may be entered on one IA 100.

Line 1. Check the box to indicate whether the taxpayer reported the capital gain under IRC section 1231.

Line 2. Complete the table as instructed below. Enter each animal sold on a separate line; however, if multiple animals have identical information in each column of the table, the animals may be combined on one line by entering the number and type of livestock sold in the first column (Examples: "3 Horses," "10 Hogs"). Include a separate statement if more than five lines are needed:

Type of livestock: Enter the type of livestock sold as "Cattle," "Horses," or specify the type of breeding livestock sold. Breeding livestock may include hogs, mules, donkeys, sheep, goats, fur-bearing mammals, and other mammals. Breeding livestock does not include poultry, chickens, turkeys, pigeons, geese, other birds, fish, frogs, or reptiles, and sales of these animals do not qualify for the Iowa capital gain deduction.

Livestock use: Enter whether the taxpayer used the livestock sold for "Breeding," "Dairy," "Draft," or "Sporting" purposes. Livestock other than cattle and horses must be used for breeding purposes to qualify for the Iowa capital gain deduction.

Documented acquisition date: Enter the acquisition date for the livestock sold, as indicated in supporting documentation and as reported on the taxpayer's federal return.

Documented sale date: Enter the sale date for the livestock sold, as indicated in supporting documentation and as reported on the taxpayer's federal return.

Length of holding period in months: Enter the length of the holding period of the livestock sold in months. The holding period of cattle or horses must be at least 24 months, and the holding period of other breeding livestock must be at least 12 months. The holding period may differ from the ownership period indicated by the documented acquisition and sale dates. If the ownership period of cattle or horses is less than 24 months, or if the ownership period of other breeding livestock is less than 12 months, include a separate statement explaining why the ownership period differs from the holding period.

Was the sale to a lineal descendant: Enter “Yes” or “No” to indicate whether the purchaser(s) reported in Part II, Line 2 is a lineal descendant of the taxpayer. Lineal descendants include legally adopted children, biological children, stepchildren, grand-children, and great-grandchildren.

Line 4. Enter the taxpayer’s gross income from farming or ranching operations in tax year 2015. If married filing jointly income from both spouses must be included. Farming and ranching gross income is typically reported on federal schedule F line 9 or 50, federal form 4835 line 7, or as partnership income from farming. If farm income was reported on another location on the federal return, enter that income before any expenses are deducted.

Line 5. Enter the taxpayer’s gross income from IA 1040 line 15, with modifications to reflect income before the deduction of expenses. Common examples include: gross farm income on IA 100 Part V, line 4 rather than net farm income reported on IA 1040 line 11; and gross income on federal schedule C line 7 rather than business income reported on IA 1040 line 5. If married filing jointly income from both spouses must be included.

Line 6. Calculate the proportion of the taxpayer’s gross income from farming or ranching operations by dividing Part V, line 4 by Part V, line 5. Round the number to three decimal places, and enter the number as a percent. (Examples: 100.0%; 65.2%)

Line 7. If married filing separately each spouse claiming the capital gain deduction must separately meet and demonstrate the individual’s gross income from farming or ranching operations exceeds 50.0%.

Line 8. Enter the amount of the taxpayer’s capital gain claimed, as indicated by Part II, lines 5 to 7. The eligibility of the Iowa capital gain deduction reported here is subject to further examination by the Department.

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

Complete a separate IA 100 for each sale of farmland.

Line 1. Enter the address of the farmland, or enter the legal description of the farmland if no address is available.

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 VI, line 3 is less than ten years, explain why the ownership period differs from the holding period entered in Part VI, line 4. The farmland must be held, as defined using IRC section 1223, for at least ten years to qualify for the Iowa capital gain deduction.

Line 14. Complete the table for each of the ten 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 VI, line 7, 9, 11, or 13.

Example 1: The taxpayer sold farmland on an installment basis on December 1, 2015. The taxpayer must complete the table for years 2005 to 2014, unless the taxpayer checked “Yes” on Part VI, line 6, 8, or 10.

Example 2: The taxpayer checked Yes on Part VI, line 6 and began receiving Old-Age (retirement) benefits under Social Security on February 8, 2012. The taxpayer may elect to complete the table for years 2004 to 2011 even if the taxpayer sold the farmland in 2015.

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: Enter the 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.

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

Crop share acres: Enter the number of acres of the farmland sold that the taxpayer leased for crop shares in the respective calendar year.

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.

Other acres: Enter the number of acres of the farmland sold that the taxpayer used for other purposes, such as non-tillable acres.

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 VI, line 2.

Line 15. Enter the amount of the taxpayer's capital gain, as indicated by Part II, lines 5 to 7. The eligibility of the Iowa capital gain deduction reported here is subject to further examination by the Department.

Part VII: Sale of a Business

Complete a separate IA 100 for each sale of a business.

Line 1. Enter the name(s) of the business. Include all legal names and trade names used. If the business was a sole proprietorship with no separate legal or trade name, enter the taxpayer's name.

Line 2. Enter the location address of the business at the time of the sale. Do not enter a PO Box.

Line 3. Enter the primary activities of the business.

Line 4. Check the box to indicate how the business was organized on the date of the sale. If "Other," explain how the business was organized.

Line 5. Enter the acquisition date and sale date for the business, as indicated in supporting documentation. The acquisition date may be the date the business began.

Line 6. Enter the length of the holding period in years and months.

Line 7. If the ownership period indicated in Part VII, line 5 is less than ten years, explain why the ownership period differs from the holding period entered in Part VII, line 6. The business must be held, as defined using IRC section 1223, for at least ten years to qualify for the Iowa capital gain deduction.

Line 8. Describe the business assets sold. If all assets were sold, "Entire business" is sufficient.

Line 9. Enter the fair market value of the tangible personal property and service of the business sold. Tangible personal property does not include real property. The service of the business means intangible assets used in the business, including goodwill; going concern value; information base; patent, copyright, formula, design, or similar item; client lists; and any franchise, trademark, or trade name. Include the fair market value of unsold tangible personal property and service of the business. Do not include the value of merchandise or inventory of the business unless the sale of the merchandise or inventory generated a capital gain. If the fair market value of the assets sold differs from the actual sale price of the assets sold, include a separate statement explaining the difference.

Line 10. Enter the fair market value of all of the tangible personal property and service of the business.

Line 11. Calculate the share of the business sold by dividing Part VII, line 9 by Part VII, line 10. Round the number to three decimal places, and enter the number as a percent. (Examples: 100.0%; 95.2%)

Line 12. Check the box to indicate whether Part VII, line 11 is at least 90.0%.

Line 13. Check the box to indicate whether the taxpayer received the capital gain from the sale of capital stock or an ownership interest in a business. Note: Most capital gains resulting from the sale of capital stock or an ownership interest in a business do not qualify for the Iowa capital gain deduction regardless of how the business is organized. If "Yes" is checked, complete Part VII, line 14 to explain how the capital gain qualifies for the Iowa capital gain deduction.

Line 14. If "Yes" is checked for Part VII, line 13, check the box to indicate whether the sale of the stock or ownership interest was treated as a sale or acquisition of assets for federal income tax purposes, such as a sale under IRC section 331 (corporate liquidation) or IRC section 338 (stock purchase treated as an asset acquisition).

Note: Part IX must also be completed.

Part VIII: Sale of Real Property Used in a Non-Farm Business

Complete a separate IA 100 for each sale of real property.

Line 1. Enter the name(s) of the business that used the real property sold. Include all legal names and trade names used. If the business was a sole proprietorship with no separate legal or trade name, enter the taxpayer's name. Note: Do not enter the name(s) of any lessee business that paid rent for the real property; instead, enter the name(s) of the lessor business that received rent payments.

Line 2. Enter the primary activities of the business identified in Part VIII, line 1. Do not include the activities of any lessee businesses that rented the real property.

Line 3. Check the box to indicate how the business identified in Part VIII, line 1 was

organized on the date of the sale. If "Other," explain how the business was organized.

Line 4. Enter the address of the real property sold, or enter the legal description of the real property if no address is available.

Line 5. Enter the acquisition date and sale date for the real property sold, as indicated in supporting documentation.

Line 6. Enter the length of the holding period in years and months.

Line 7. If the ownership period indicated in Part VIII, line 5 is less than ten years, explain why the ownership period differs from the holding period entered in Part VIII, line 6. Real property used in a business must be held, as defined using IRC section 1223, for at least ten years to qualify for the Iowa capital gain deduction.

Note: Part IX must also be completed.

Part IX: Material Participation in a Business

Line 1. If Part VII: Sale of a Business is completed, check the box to indicate whether the purchaser(s) reported in Part II, line 2 is a lineal descendant of the taxpayer. Lineal descendants include legally adopted children, biological children, stepchildren, grandchildren, and great-grandchildren.

Line 2. Enter the taxpayer's activities in the business identified in Part VII, line 1, or Part VIII, line 1. If Part VIII: Sale of Real Property Used in a Non-Farm Business is completed, do not include the taxpayer's activities in any lessee business that used the real property. The taxpayer's activities must be supported by records. Records prepared long after the activity generally cannot establish material participation.

Lines 3a-3g. The taxpayer must satisfy at least one of these seven tests for material participation for each of the ten years prior to the sale; however the taxpayer may instead satisfy Test 6 for at least three years. Enter the year(s) the taxpayer satisfies each test claimed. A range of years may be entered (Example: "2005-2014"). More than one test may be claimed for each year. For more

information on the tests for material participation, see the instructions below and 701 IAC 40.38(1)“e”.

Tests 2 and 3: If claiming either of these tests, the taxpayer must consider the activities of all persons who participated in the business, including employees of the business and non-employees who helped maintain the property or otherwise participated in the business.

Test 4: If claiming this test, include a separate statement explaining the taxpayer's activities and hours of participation in all businesses claimed. Note: The taxpayer must participate in each such business more than 100 hours but no more than 500 hours for each year claimed.

Test 5: If claiming this test, the taxpayer must be able to show that, for each year claimed, the taxpayer materially participated under any of Tests 1 to 4 for five of the ten years prior to the year claimed. If claiming this test, the taxpayer must also report having satisfied at least one of Tests 1 to 4 for at least five of the ten years prior to the sale.

Test 6: If claiming this test, enter at least three years. These three years may be before the ten years prior to the sale. A personal service activity involves the performance of personal services in the fields of health, law, engineering, actuarial science, architecture, accounting, performing arts, consulting, or any other trade or business in which capital is not a material income-producing factor.

Test 7: If claiming this test, include a separate statement explaining how, based on all facts and circumstances, the taxpayer materially participated in the business each year.

Line 4. Enter the amount of the taxpayer's capital gain claimed, as indicated by Part II, lines 5 to 7. The eligibility of the Iowa capital gain deduction reported here is subject to further examination by the Department.