

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

**Part I: 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 <input type="checkbox"/>         | S Corporation <input type="checkbox"/>          |
| Sole Proprietorship <input type="checkbox"/> | C Corporation <input type="checkbox"/>          |
| LLC <input type="checkbox"/>                 | Other <input type="checkbox"/> (Explain): _____ |

- 5. Is the capital gain from the sale of capital stock or an ownership interest in the business?  
No  ... Continue to Part I, line 7.  
Yes  ... Continue to Part I, line 6.
- 6. 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 I, line 7.

- 7. Ownership period
  - a. Date acquired ..... 7a. \_\_\_\_\_
  - b. Date sold..... 7b. \_\_\_\_\_
- 8. Length of holding period ..... Years 8a. \_\_\_\_\_ Months 8b. \_\_\_\_\_

9. If the taxpayer did not own the business for at least 10 years, explain how the taxpayer held the business for at least 10 years under IRC section 1223.  
\_\_\_\_\_  
\_\_\_\_\_

10. Description of all the tangible personal property and service of the business (including intangible assets) sold: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

- 11. Fair market value of the tangible personal property and service of the business sold (including intangible assets)..... 11. \$ \_\_\_\_\_
- 12. Total fair market value of all the tangible personal property and service of the business (including intangible assets)..... 12. \$ \_\_\_\_\_
- 13. Share of the business sold. Divide Part I, line 11 by Part I, line 12 and enter percentage to the nearest one tenth of one percent (for example 92.4%) ... 13. \_\_\_\_\_ %



14. Is Part I, line 13 at least 90.0%?

No  ... Sale is not eligible for Iowa capital gain deduction. Stop.

Yes  ... Continue to Part II, line 1.

**Part II: Details of Property Sold**

1. Is the capital gain from a C corporation?

No  ... Continue to Part II, line 3.

Yes  ... Continue to part II, 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 II, line 3.

3. Are you the sole owner of this property? Married filers, see instructions.

No  ... Continue to Part II, line 4.

Yes  ... Enter 100% on Part II, 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): \_\_\_\_\_

Established/Founded

\_\_\_\_\_

7a. Provide all purchaser name(s):

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

7b. Purchaser's relation to taxpayer  
(If unrelated enter "None")

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

8. Is the capital gain from an installment sale?

No  ... Continue to Part III, line 1.

Yes  ... Enter the property installment sale information:

a. Start date ..... 8a. \_\_\_\_\_

b. End date ..... 8b. \_\_\_\_\_

c. Total capital gain to be received by taxpayer  
over the life of the installment sale ..... 8c. \$ \_\_\_\_\_

d. Capital gain received by the taxpayer in tax year 2022 ..... 8d. \$ \_\_\_\_\_

**Part III: Material Participation in a Business:**

1. Was this a sale of a business to a lineal descendant?

No  ... Continue to Part III line 2.

Yes  ... Continue to Part III, line 4.



\*2241159029999\*

2. 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.

2a. Test 1: Taxpayer participated in the business for more than 500 hours in the year.....

2b. Test 2: Taxpayer's participation in the business constituted substantially all participation in the business in the year.....

2c. Test 3: Taxpayer participated in the business more than 100 hours in the year, and no other person participated in the business more.....

2d. Test 4: Taxpayer participated in the business that sold the property and at least one other business, excluding rental businesses, in the tax year if, for each year claimed:
• 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. ....

2e. Test 5: Taxpayer materially participated in the business for five of the 10 years immediately prior to the year claimed.....

2f. Test 6: Taxpayer materially participated in a personal service activity for at least three years (may be outside the 10 years prior to the sale).....

2g. 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. (see instructions).....

3. Describe in detail the daily, weekly, monthly, and annual duties of the taxpayer in the business associated with this property during the 10 years immediately prior to the sale. Include the years the taxpayer performed each duty. If the taxpayer was married during this period, include duties performed by either spouse: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

4. Iowa capital gain deduction. If the taxpayer meets the holding period qualifications and material participation qualifications, enter the taxpayer's amount of capital gain deduction here and include on IA 1040 line 23. .... 4. \$ \_\_\_\_\_



\*2241159039999\*

## Instructions for 2022 IA 100E – Iowa Capital Gain Deduction Sale of a Business

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 100E for each sale of a business. Complete the form each year of a qualifying installment sale, including all parts.

For taxpayers filing separately on the same return, each spouse must complete an IA 100E 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 available in the expanded instructions online. For more information on the Iowa capital gain deduction, see the instructions below and Iowa Administrative Code rule 701—302.38.

### Part I: Sale of a Business

**Line 1.** Enter the name(s) of the business 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.

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

**Line 3.** Enter the primary activities of the business sold.

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

**Line 5.** 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 I, line 6 to explain how the capital gain qualifies for the Iowa capital gain deduction.

**Line 6.** If "Yes" is checked for Part I, line 5, 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 Internal Revenue Code (IRC) section 331 (corporate liquidation) or IRC section 338 (stock purchase treated as an asset acquisition).

**Line 7.** 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 8.** Enter the length of the holding period in years and months.

**Line 9.** If the ownership period indicated in Part I, line 7 is less than 10 years, explain why the ownership period differs from the holding period entered in Part I, line 8. Real property used in a business must be held, as defined using IRC section 1223, for at least 10 years to qualify for the Iowa capital gain deduction. For example, the business sold may have been acquired in a like-kind exchange or an involuntary conversion, and the holding period of the business sold plus the previously-held business may be at least 10 years.

**Line 10.** Describe the business assets sold. If all assets were sold, "Entire business" is acceptable.

**Line 11.** 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 12.** Enter the total fair market value of all of the tangible personal property and service of the business including intangible assets.

**Line 13.** Calculate the share of the business sold by dividing Part I, line 11 by Part I, line 12. Round the number to the nearest one tenth of one percent, and enter the number as a percent (for example: 100.0%; 95.2%).

**Line 14.** Check the box to indicate whether Part I, line 13 is at least 90.0%.

## **Part II: Details of Property Sold**

**Line 1.** Check the box to indicate whether the capital gain is from a C corporation.

**Line 2.** Indicate whether the C corporation 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 100E and indicate on line 3 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 to the nearest one 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.** 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, the total capital gain generated by the sale, and the capital gain the taxpayer received during tax year 2022. Do not include any interest received.

## **Part III: Material Participation in a Business**

**Line 1.** Check the box to indicate whether all purchasers reported in Part II, line 6 are lineal descendants of the taxpayer. Lineal descendants include legally adopted children, biological children, stepchildren, grandchildren, and great-grandchildren.

**Lines 2a-2g.** The taxpayer must satisfy at least one of these seven tests for material participation for each of the 10 years prior to the sale; however, the taxpayer may instead satisfy Test 6 for at least three years. 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)"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 10 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.

**Test 6:** If claiming this test, enter at least three years in Part III, line 3. These three years may be before the 10 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 3.** Enter the taxpayer's daily, weekly, monthly, and yearly activities in the business identified in Part I, line 1 during the 10 years prior to the sale (if Test 6 is claimed in Part III, line 2, enter the activities for the relevant three-year period). The activities must verify the taxpayer satisfies the test(s) claimed in Part III, line 2. Describe the 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 employees. For inherited property, activities performed by the decedent prior to death are not considered when determining whether a taxpayer has materially participated. The taxpayer's activities must be supported by records. Records prepared long after the activity generally cannot establish material participation.

**Line 4.** 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.