2025 IA 100E

Iowa Capital Gain Deduction - Business

Name(s):________________________________ Social Security Number:________________

This form is only used for installment sales occurring prior to January 1, 2023.

Part I: Details of Sale

1. Did the sale occur prior to January 1, 2023?
   No ☐.......Sale is not eligible for Iowa capital gain deduction. Stop.
   Yes ☐.......Continue to Part I, line 2.
2. Is the capital gain from an installment sale?
   No ☐.......Sale is not eligible for Iowa capital gain deduction. Stop.
   Yes ☐.......Enter the installment sale information:
   a. Start date (MM/DD/YYYY): ________________
   b. End date (MM/DD/YYYY): ________________
   c. Total capital gain to be received by taxpayer over the life of the installment sale ....$ ____________
   d. Total capital gain deduction claimed in prior years ....$ ____________
   e. Capital gain received by the taxpayer in the current tax year .... $____________

Part II: 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
   ☐ Sole Proprietorship
   ☐ Limited liability company (LLC)
   ☐ S Corporation
   ☐ C Corporation
   ☐ Other (Explain): ________________________
5. Is the capital gain from the sale of capital stock or an ownership interest in the business?
   No ☐ ......Continue to Part II, line 7.
   Yes ☐ ......Continue to Part II, 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 II, 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.
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   ____

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

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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 II, line 11 by Part II, line 12 and enter percentage to the nearest one tenth of one percent (for example 92.4%).. 13. ____________ %

14. Is Part II, line 13 at least 90.0%?
    - No ☐ ......Sale is not eligible for Iowa capital gain deduction. Stop.
    - Yes ☐ ......Continue to Part III, line 1.

Part III: Details of Property Sold

1. Is the capital gain from a C corporation?
    - No ☐ ......Continue to Part III, line 3.
    - Yes ☐ ......Continue to Part III, 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 III, line 3.
3. Are you the sole owner of this property? Married filers, see instructions.
    - No ☐ ......Continue to Part III, line 4.
    - Yes ☐ ......Enter 100% on Part III, 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
    - ☐ Purchase
    - ☐ Gift
    - ☐ Established/Founded
    - ☐ Like-kind (IRC 1031) Exchange
    - ☐ Involuntary Conversion
    - ☐ Other (Explain): ______________________

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7a. Provide all buyer name(s):	7b. Buyer's relation to taxpayer (If unrelated enter "None")
____________________	____________________
____________________	____________________
____________________	____________________

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Part IV: Material Participation in a Business:

1. Was this a sale of a business to a lineal descendant?
   No ☐ ......Continue to Part IV, line 2.
   Yes ☐ ......Continue to Part IV, line 4.

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 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: ____

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4. Iowa capital gain deduction. Enter the amount of the taxpayer's capital gain deduction from Part I, line 2e here and include on IA 1040 Schedule 1, line 16.. 4. $______________

Instructions for 2025 IA 100E – Iowa Capital Gain Deduction Sale of a Business

Recent Changes: The IA 100E should only be used for installment sales occurring before January 1, 2023.

Under tax reform passed in 2018 and 2019, and modified during the 2021 and 2022 legislative sessions, the Iowa capital gain deduction is repealed for most transactions occurring on or after January 1, 2023. This repeal applies to all sales except:

1. Certain sales of real property used in a farming business
2. Sales of cattle or horses held for breeding, draft, dairy, or sporting purposes by a retired farmer who has sold all or substantially all of their interest in the farming business or by a taxpayer who has at least 50% of their gross income from farming
3. Sales of breeding stock, other than cattle or horses, by a retired farmer who has sold all or substantially all of their interest in the farming business or by a taxpayer who has at least 50% of their gross income from farming

Deductions for previously eligible installment sales will still be allowed if the sale occurred prior to January 1, 2023.

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 Iowa Individual Income Tax Return (41-001) 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, 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 on the Department's website. For more information on the Iowa capital gain deduction, see the instructions below and Iowa Administrative Code rules 701—302.38 (2022) and 302.87 (2023).

Part I: Details of Sale

Line 1: Check the box to indicate whether the sale occurred prior to January 1, 2023.

Line 2: Check the box to indicate whether 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, the total capital gain deduction claimed in prior years, and the capital gain the taxpayer received during tax year 2025. Do not include any interest received.

Part II: Sale of a Business

Line 1: Enter the name(s) of the business sold. Include all legal names and doing business as (DBA) names used. If the business was a sole proprietorship with no separate legal or DBA, 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 II, line 6 to explain how the capital gain qualifies for the Iowa capital gain deduction.

Line 6: If "Yes" is checked for Part II, 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 II, line 7 is less than 10 years, explain why the ownership period differs from the holding period entered in Part II, 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 DBA 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 II, line 11 by Part II, 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 II, line 13 is at least 90.0%.

Part III: 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 4 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.

Part IV: Material Participation in a Business

Line 1: Check the box to indicate whether all buyers reported in Part III, line 7 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” (2022).

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 IV, 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 II, line 3 during the 10 years prior to the sale (if Test 6 is claimed in Part IV, line 2, enter the activities for the relevant three-year period). The activities must verify the taxpayer satisfies the test(s) claimed in Part IV, 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.