

Instructions for Idaho Form CG

General Information

Form CG is used to compute an individual's Idaho capital gains deduction. The deduction is 60% of the capital gain net income included in federal taxable income from the sale of Idaho property. Only capital gains from the following Idaho property qualify:

- (a) Real property held for at least 12 months, or
- (b) Tangible personal property used in a revenue-producing enterprise and held for at least 12 months. A revenue-producing enterprise means:
 - 1) Producing, assembling, fabricating, manufacturing or processing any agricultural, mineral or manufactured product;
 - 2) Storing, warehousing, distributing or selling at wholesale any products of agriculture, mining or manufacturing;
 - 3) Feeding livestock at a feedlot;
 - 4) Operating laboratories or other facilities for scientific, agricultural, animal husbandry or industrial research, development or testing.
- (c) Cattle and horses held for at least 24 months, and other livestock used for breeding held for at least 12 months, if the owner received more than one-half of his gross income from farming or ranching in Idaho, or
- (d) Timber held for at least 24 months.

NOTE: Gains from the sale of stocks and other intangibles do not qualify.

Refer to the Internal Revenue Code for definitions of capital assets, short-term and long-term capital gains and losses, computations of basis, and gain from disposition of depreciable property.

"Capital gain net income" means the excess of the gains from sales or exchanges of capital assets over the losses from such sales or exchanges.

A capital loss carryover from qualifying property reduces the current year gains from eligible property. Losses from property not eligible for this deduction do not reduce gains from eligible property. The Idaho capital gains deduction cannot exceed the capital gain net income reported on the federal return. Gains treated as ordinary income do not qualify for the deduction.

S Corporations, Partnerships, Trusts and Estates

Capital gain from qualifying property, described above, held by S corporations, partnerships, trusts and estates, is eligible for the Idaho capital gains deduction.

The amount of gain or loss must be computed by the S corporation, partnership, trust or estate. The deduction is claimed on the return of the individual shareholder, partner or beneficiary. The partnership, S corporation, trust or estate must provide supplemental information to the partners, shareholders or beneficiaries identifying the pass-through of qualifying capital gains. The holding period of the qualifying property must be listed.

Specific Instructions

Line 1. List qualifying capital gains and losses. Do not include gains and losses reported on lines 2 through 5.

- Column a Describe the type of property. Identify the Idaho location at the date of sale.
- Column b Identify the month, day, and year the property was acquired.
- Column c Identify the month, day, and year the property was sold.
- Column d Enter the sales price.
- Column e Enter the cost or other basis. Basis is computed under the appropriate provisions of the Internal Revenue Code.
- Column f Compute your gain or loss by subtracting your basis (column e) from the sales price (column d).

Line 2. Enter the taxable gain from the sale of your Idaho home, from federal Schedule D. If you are reporting a gain that qualifies from previous installment sales, see line 3.

Line 3. If you used federal Form 6252 to report the installment method for the gain on the sale of eligible property on your federal return, compute your capital gains deduction using the current year's taxable portion of the installment payment.

Attach federal Form 6252. Capital gain from an installment sale is not eligible for the Idaho capital gains deduction if the

property was not held for the minimum holding period by the date sold.

Line 4. Enter the eligible capital gain net income from federal Form 4797. Do not include ordinary gains reported on Part II of federal Form 4797.

Line 5. Enter qualifying capital gain or loss from partnerships, S corporations, trusts and estates. Attach a copy of the Schedule K-1 from the partnership, S corporation, trust or estate. Identify the type of property sold, the date of sale, the holding period of the property by the partnership, S corporation, trust or estate, and the holding period of the partnership or S corporation interest.

Line 6. Enter the total of gains and losses in column f for lines 1 through 5.

Line 7. Enter the total qualifying capital loss carryover from the prior year's return.

Line 9. If line 8 is a gain, enter 60% of line 8. If line 8 is a loss, you cannot claim this deduction.

Line 10. Enter your capital gain net income included in federal adjusted gross income. This is the capital gain from federal Form 1040, line 13.

Line 11. Compare lines 9 and 10. Enter the smaller amount here and on line 10, Part B, Form 39R or line 6, Part B, Form 39NR. This is your Idaho capital gains deduction.