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# Instructions for Form 1062



(December 2025)

## Deferral of Tax on Gain From the Sale or Exchange of Qualified Farmland Property to Qualified Farmers

Section references are to the Internal Revenue Code unless otherwise noted.

### Future Developments

For the latest information about developments related to Form 1062 and its instructions, such as legislation enacted after they were published, go to [IRS.gov/Form1062](https://www.irs.gov/Form1062).

### What's New

**New election to pay the tax on gain from the sale or exchange of qualified farmland property to qualified farmers in installments.** For tax years beginning after July 4, 2025, P.L. 119-21, commonly known as the One Big Beautiful Bill Act, created a new section 1062 to allow taxpayers to elect to pay the net income tax attributable to gain from the sale or exchange of qualified farmland property to a qualified farmer in four equal annual installments beginning in the year of the qualified sale or exchange. This election is made by filing Form 1062, Schedule(s) A (Form 1062), and a section 1062 covenant(s).

## General Instructions

### Purpose of Form

Use Form 1062 and Schedule A (Form 1062) to:

- Provide information on each qualified farmland property,
- Report each qualified sale or exchange for which the taxpayer wants to elect under section 1062 to pay the tax attributable to the gain in four equal annual installments,
- Calculate and report the taxpayer's total section 1062 applicable net tax liability and the amount of the first installment due, and
- Elect under section 1062 to pay net income tax attributable to gain from a qualified sale or exchange in four equal annual installments.

### Who Must File

Individuals and entities that elect to defer payment of the net income tax attributable to gain from a qualified sale or exchange must file Form 1062 no later than the due date for the income tax return for the year of the qualified sale or exchange, including extensions.

**Partnerships and S corporations.** If a partnership or an S corporation has a qualified sale or exchange, the section 1062 election is made at the partner or shareholder level. Partnerships and S corporations do not file Form 1062. However, the partnership or S corporation must file Schedule A (Form 1062) with its return. In addition, the partnership or S corporation must provide partners or shareholders information regarding the

qualified sale or exchange, including each partner's or shareholder's share of the gain from the qualified sale or exchange, a copy of the partnership's or S corporation's Schedule A (Form 1062), as well as a copy of the section 1062 covenant. If a partner or shareholder decides to make a section 1062 election, the partner or shareholder will file a Form 1062, and will also complete and file a Schedule A (Form 1062).

### When and Where To File

Attach Form 1062, Schedule(s) A (Form 1062), and a copy of the respective section 1062 covenant(s) to your income tax return and file by the due date (including extensions) for that return. See [Date for payment of installments](#), for information on when your installment payments are due.

**Note:** Complete a separate Schedule A, and include a copy of the covenant for each qualified sale or exchange for which you are making the section 1062 election.

### Definitions

**Acceleration of payment.** Section 1062(b)(2) specifies circumstances that cause the acceleration of the unpaid portion of all remaining installments. These circumstances include the following:

- If there is an addition to tax for failure to timely pay any installment required under section 1062, then the unpaid portion of all remaining installments is due on the date of such failure.
- If an individual taxpayer dies, then the unpaid portion of all remaining installments is due on the due date of the deceased taxpayer's final individual income tax return for the tax year ending with the date of the taxpayer's death.
- If a taxpayer is a C corporation, trust, or estate, then generally acceleration occurs upon events such as liquidation, sale of substantially all assets, or cessation of business (for a C corporation). In these events, the unpaid portion of all remaining installments is due on the date of the event.

**Date for payment of installments.** If a taxpayer makes a section 1062 election, then the first installment must be paid by the income tax return due date (without regard to any extension of time for filing the return) for the tax year in which the qualified sale or exchange occurs. Each succeeding installment must be paid by the income tax return due date (without regard to any extension of time for filing) for each of the 3 subsequent years.

**Farm.** A farm includes livestock, dairy, poultry, fruit, fur-bearing animal, and truck farms, plantations, ranches, nurseries, ranges, greenhouses or other similar structures used primarily for the raising of agricultural or horticultural commodities, and orchards and woodlands.

**Farming purposes.** A farm is used for farming purposes if it is used in any of the following ways.

- To cultivate the soil or raise or harvest any agricultural or horticultural commodity.
- To raise, shear, feed, care for, train, and manage animals on a farm.
- To handle, dry, pack, grade, or store any agricultural or horticultural commodity in its unmanufactured state. For this use to qualify, the owner, tenant, or operator of the farm must regularly produce more than one-half of the commodity so treated.
- To plant, cultivate, care for, or cut trees or to prepare (other than milling) trees for market.

**Net income tax liability.** The taxpayer's regular income tax liability reduced by the credits allowed under subparts A, B, and D of part IV of subchapter A of the Internal Revenue Code.

**Qualified farmer.** Any individual who is actively engaged in farming within the meaning of 7 U.S.C. 1308-1(b) and (c).

**Qualified farmland property.** Real property located in the United States that:

- Has been used by the taxpayer as a farm for farming purposes or leased by the taxpayer to a qualified farmer for farming purposes during substantially all of the 10-year period ending on the date of the qualified sale or exchange; and
- Is subject to a section 1062 covenant.

A property that is used or leased by a partnership or an S corporation as a farm for farming purposes is treated as used or leased by each person who holds a direct or indirect interest in the entity.

**Qualified sale or exchange.** The sale or exchange of qualified farmland property to a qualified farmer.

**Section 1062 applicable net tax liability.** The excess of the taxpayer's net income tax liability for the tax year over the taxpayer's net income tax liability determined without taking into account any gain recognized from the qualified sale or exchange.

**Section 1062 covenant.** A covenant or other legally enforceable restriction that prohibits the use of real property for any purpose other than farming during the 10-year period that begins on the day after the sale or exchange.

## Specific Instructions

Enter the total number of Schedules A (Form 1062) on Form 1062. File a separate Schedule A (Form 1062) for each qualified sale or exchange for which you are making the section 1062 election.

### Part I—Net Income Tax Including Gain Recognized From Qualified Sales or Exchanges

**Line 1.** Enter your regular income tax (as defined in section 26(b)) for the tax year from the applicable line of your income tax return. For example, if you file a Form 1120, this is the amount shown on Schedule J, line 1a. Similarly, if you file a Form 1040, this is the amount shown

on line 16. This amount includes the gain recognized on a qualified sale or exchange.

**Line 2.** Enter on line 2 any additional regular taxes (as defined in section 26(b)(2)). For example, if you file Form 1040, these are the taxes from Schedule 2.

**Line 3.** Add lines 1 and 2. This is the regular tax liability before credits.

**Line 4a.** Enter any foreign tax credit from Form 1116, Foreign Tax Credit (Individual, Estate, or Trust), Form 1118, Foreign Tax Credit—Corporations, or Schedule 3 (Form 1040), line 1.

**Line 4b.** Subtract the sum of lines 1, 6a, and 6b of Schedule 3 (Form 1040) from Schedule 3 (Form 1040), line 8 and enter the amount here.

**Line 4c.** Enter on line 4c any general business credits from Form 3800, General Business Credit.

**Line 4d.** Enter on line 4d any other credits allowed under subparts A, B, and D of part IV of subchapter A of the Internal Revenue Code that is not already included on lines 4a through 4c.

**Line 4z.** Add lines 4a through 4d. Enter the total on line 4z.

**Line 5.** Subtract line 4z from line 3 and enter the amount here. This is your total net income tax.

### Part II—Net Income Tax Redetermined Without Regard to Gain Recognized From Qualified Sales or Exchanges

Part II is intended to refigure your net income tax without regard to the gain from the qualified sale or exchange.

**Line 6.** Enter the taxable income for the tax year. This is the amount from the applicable line of your return including the section 1062 gain. For example, if you file Form 1040, enter the amount on line 15.

**Line 7.** Enter the amount from Schedule A (Form 1062), line 13. If there are multiple qualified sales or exchanges, enter the total of recognized gains from all Schedules A (Form 1062), line 13.

**Line 8.** Subtract line 7 from line 6 and enter the amount on line 8. This is your taxable income without regard to gain from qualified sales or exchanges. If zero or less, enter -0-.

**Line 9.** Calculate your regular income tax using line 8 as the taxable income.

**Line 10.** Calculate any additions to tax using line 8 as the taxable income.

**Line 11.** Add lines 9 and 10 to determine your regular tax liability.

**Lines 12a–12d.** Calculate your credits reported on lines 4a through 4d using line 11 as the regular tax liability.

**Line 13.** Subtract line 12z from line 11 and enter the amount here. This is your net income tax determined without regard to gain from qualified sales or exchanges.

**Part III—Total Section 1062 Applicable Net Tax Liability and First Installment Due**

**Line 14.** Subtract line 13 from line 5 to determine your total section 1062 applicable net tax liability. Enter the amount here and on the applicable line of your return. If zero or less, enter -0-.

**Line 15.** Multiply the total section 1062 applicable net tax liability (line 14) by 25% (0.25). Enter this amount here and on the applicable line of your return.

**Note:** The actual payment of the first installment is due no later than the due date of the return for the tax year in which the qualified sale or exchange occurs, without extension, even if the election is made on a return filed by the extended due date.

**Schedule A—Section 1062 Gain From the Sale or Exchange of Qualified Farmland Property to a Qualified Farmer**

**Note:** Complete a separate Schedule A and include a copy of the section 1062 covenant for each qualified sale or exchange for which you are making the section 1062 election.

If a partnership or an S corporation has a qualified sale or exchange, the partnership or S corporation must complete and file Schedule A (Form 1062) with its return. However, the partnership or S corporation does not file Form 1062 or the section 1062 covenant. Instead, Form 1062 and the section 1062 covenant will be filed by any partner or shareholder who makes a section 1062 election. A partner or shareholder who makes a section 1062 election must also complete and file Schedule A (Form 1062).

**Line A.** If you are a partner in a partnership or a shareholder of an S corporation who receives an allocation of gain from a qualified sale or exchange from the partnership or S corporation, and you wish to make a section 1062 election, check the box which corresponds to the type of Schedule K-1 issued by the partnership or S corporation which had the qualified sale or exchange.

**Line B.** If you checked a box on line A, enter the EIN and name of the partnership or S corporation which issued you the Schedule K-1.

**Part I—Qualified Farmland Property Information**

**Lines 1–2.** Enter the description of the qualified farmland property from the sale or exchange and check the applicable box for the type of transaction.

**Line 3.** Enter the date of the sale or exchange for the qualified farmland property.

**Lines 4–8.** These lines are used to determine whether the property qualifies for the deferral of payment of tax under section 1062. If the answers to the questions on lines 4 through 8 are “Yes,” go to Part II. If the answer is “No” to any of the questions on lines 4 through 8, then the sale or exchange of this property is not a qualified sale or exchange and does not qualify for the section 1062

deferral of payment of tax. Therefore, do not complete Part II and do not include this disposition on Form 1062.

**Partners and S corporation shareholders.** If you checked a box on line A, use the information from the partnership’s or S corporation’s Schedule A (Form 1062) to complete lines 1–8.

**Part II—Recognized Gain on Qualified Farmland Property**

**Line 9.** Enter the gross proceeds from the qualified sale or exchange. This is generally the total amount received in the transaction, including money, the fair market value (FMV) of any property or services received, and any liabilities assumed by the buyer.

**Line 10.** Enter the net sales price of the property. The net sales price is the gross proceeds minus any selling expenses (such as broker’s fees, commissions, and state and local transfer taxes).

**Line 11.** Enter the unadjusted basis of the qualified farmland property.

**Line 12.** Enter the adjusted basis of the qualified farmland property. The adjusted basis of the property is the original cost or other basis increased by certain additions and decreased by certain deductions.

**Line 13.** Subtract line 12 from line 10 and enter the amount on line 13.

**Note:** A partnership or an S corporation that has a qualified sale or exchange must complete and file Schedule A (Form 1062), and must also report each partner’s or shareholder’s share of the amount on line 13 on Form 1065, Schedule K-1, box 20, or Form 1120-S, Schedule K-1, box 17, using code ZZ with an attached statement. The partner or shareholder must complete a separate Schedule A (Form 1062). A partner’s or shareholder’s Schedule A (Form 1062) should leave lines 9–12 blank and should report on line 13 the partner’s or shareholder’s share of the gain from the qualified sale or exchange. The partner or shareholder should use the information from Form 1065, Schedule K-1, box 20, or Form 1120-S, Schedule K-1, box 17, code ZZ to complete line 13.

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