



KENTUCKY
PASSIVE ACTIVITY LOSS LIMITATIONS

See federal instructions and worksheets for Form 8582.

Attach to Form 740, 740-NP or 741.

Enter name(s) as shown on tax return. Social Security or Federal Identification Number

PART I—2014 Passive Activity Loss (See instructions on reverse.)

Rental Real Estate Activities With Active Participation (For the definition of active participation, see Active Participation in a Rental Real Estate Activity in the federal instructions.)

1. a Activities with net income (from worksheet 1, column (a)) ..... 1a
b Activities with net loss (from worksheet 1, column (b)) ..... 1b
c Prior year unallowed losses (from worksheet 1, column (c)) ..... 1c
d Combine lines 1a through 1c ..... 1d

Commercial Revitalization Deductions From Rental Real Estate Activities

2. a Commercial revitalization deductions from worksheet 2, column (a) ..... 2a
b Prior year unallowed commercial revitalization deductions from worksheet 2, column (b) ..... 2b
c Add lines 2a and 2b ..... 2c

All Other Passive Activities

3. a Activities with net income (from worksheet 3, column (a)) ..... 3a
b Activities with net loss (from worksheet 3, column (b)) ..... 3b
c Prior year unallowed losses (from worksheet 3, column (c)) ..... 3c
d Combine lines 3a through 3c ..... 3d

4. Combine lines 1d, 2c and 3d. If the result is net income or zero, all losses are allowed, including any prior year unallowed losses entered on line 1c, 2b or 3c. Do not complete Form 8582-K. Report the losses on the forms and schedules normally used..... 4

- If line 4 is a loss and:
• line 1d is a loss, go to Part II.
• line 2c is a loss (and line 1d is zero or more), skip Part II and go to Part III.
• line 3d is a loss (and lines 1d and 2c are zero or more), skip Parts II and III and go to line 15.

Caution: If your filing status is married filing separately and you lived with your spouse at any time during the year, do not complete Part II or Part III. Instead, go to line 15.

PART II—Special Allowance for Rental Real Estate With Active Participation

Note: See federal instructions for how to treat numbers as positive amounts in Part II.

5. Enter the smaller of the loss on line 1d or the loss on line 4 ..... 5
6. Enter \$150,000; \$75,000 if married filing separately or separate on a combined return... 6
7. Enter modified adjusted gross income, but not less than zero (see federal instructions). If line 7 is equal to or greater than line 6, skip lines 8 and 9, enter zero on line 10. Otherwise, go to line 8 ..... 7
8. Subtract line 7 from line 6 ..... 8
9. Multiply line 8 by 50% (.5). Do not enter more than \$25,000; \$12,500 if filing separately or separate on a combined return ..... 9
10. Enter the smaller of line 5 or line 9. If line 2c is a loss, go to Part III. Otherwise, go to line 15 ..... 10

PART III—Special Allowance for Commercial Revitalization Deductions From Rental Real Estate Activities

Note: See federal instructions for how to treat numbers as positive amounts in Part III.

11. Enter \$25,000 reduced by the amount, if any, on line 10. If married filing separately, see instructions ..... 11
12. Enter the loss from line 4 ..... 12
13. Reduce line 12 by the amount on line 10 ..... 13
14. Enter the smallest of line 2c (treated as a positive amount), line 11 or line 13 ..... 14

PART IV—Total Losses Allowed

15. Add the income, if any, on lines 1a and 3a and enter the total ..... 15
16. Total losses allowed from all passive activities for 2014. Add lines 10, 14 and 15. Form 740 filers see reverse; other filers see federal instructions on how to report the losses on your tax return ..... 16

# Instructions for Form 8582-K

**PURPOSE OF FORM**—Form 8582-K is used when the allowable Kentucky passive losses for the taxable year differ from allowable federal passive losses. The worksheet is used to calculate the additions or subtractions to federal adjusted gross income in determining Kentucky adjusted gross income.

Form 8582-K must be completed using Kentucky income (losses) if: (1) federal Form 8582, Passive Activity Loss Limitations, is required and Kentucky passive income (losses) and federal passive income (losses) are different or (2) Kentucky prior year unallowed (suspended) losses and federal prior year unallowed (suspended) losses are different.

If Form 8582-K is **not required**, include adjustments for any differences in Kentucky passive income/loss and federal passive income/loss on the appropriate lines of Schedule M.

If Form 8582-K is **required**, do not include on Schedule M other adjustments to federal adjusted gross income for passive activities.

Use the following steps to compute an addition or subtraction to be entered on Schedule M for passive activities.

**STEP 1\***

Complete federal worksheets 1 and 2 for federal Form 8582 using the federal instructions and **Kentucky amounts** for all entries.

**STEP 2**

Complete page 1 of Form 8582-K using the federal instructions for Form 8582 and **Kentucky amounts** for all entries.

**STEP 3**

Complete federal worksheets for federal Form 8582 using the federal instructions and **Kentucky amounts** for all entries.

**STEP 4**

Complete the Passive Activities Adjustment Worksheet below.

**\*NOTE:** If a separate/combined return is being filed for Kentucky, and the federal return is filed jointly, complete separate Kentucky Forms 8582-K, worksheets and schedules for each spouse. If an activity is jointly owned, 50 percent of the total income or loss should be allocated to each spouse with their separately owned income or losses. In all cases each item must be identified on the federal schedules as H—husband, W—wife or J—jointly to properly determine income on a separate basis. On lines B and D of the worksheet enter each spouse’s portion of the joint federal income. The federal passive loss limitations will still be computed on a joint basis. **Do not recompute the joint federal Form 8582 on a separate basis to compare to the Kentucky Forms 8582-K.**

## Passive Activities Adjustment Worksheet

A. Enter as a negative amount Kentucky allowable losses from line 16, Form 8582-K.....			
B. Enter as a positive amount federal allowable losses from federal Form 8582** .....			
C. Enter as a positive amount Kentucky passive income from line 15, Form 8582-K.....			
D. Enter as a negative amount federal passive income from federal Form 8582** .....			
E. Passive income or loss adjustment. Combine lines A, B, C and D .....			

If the amount on line E is positive, enter as an Other Addition on Schedule M. If the amount on line E is negative, enter as an Other Subtraction on Schedule M.

\*\*If federal Form 8582 is not required, enter on line B any passive losses included in federal adjusted gross income. Also, enter on line D any passive income included in federal adjusted gross income.