



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—2015 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.)

Table with 4 rows: (a) Activities with net income, (b) Activities with net loss, (c) Prior year unallowed losses, (d) Combine lines 1(a) through 1(c). Columns for description, line number, and amount.

Commercial Revitalization Deductions From Rental Real Estate Activities

Table with 3 rows: (a) Commercial revitalization deductions, (b) Prior year unallowed commercial revitalization deductions, (c) Add lines 2(a) and 2(b). Columns for description, line number, and amount.

All Other Passive Activities

Table with 4 rows: (a) Activities with net income, (b) Activities with net loss, (c) Prior year unallowed losses, (d) Combine lines 3(a) through 3(c). Columns for description, line number, and amount.

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

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

Table with 10 rows for Part II calculations: 5. Enter the smaller of the loss on line 1(d) or the loss on line 4; 6. Enter \$150,000; \$75,000 if married filing separately; 7. Enter modified adjusted gross income; 8. Subtract line 7 from line 6; 9. Multiply line 8 by 50%; 10. Enter the smaller of line 5 or line 9.

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.

Table with 4 rows for Part III calculations: 11. Enter \$25,000 reduced by the amount on line 10; 12. Enter the loss from line 4; 13. Reduce line 12 by the amount on line 10; 14. Enter the smallest of line 2(c), line 11 or line 13.

PART IV—Total Losses Allowed

Table with 2 rows for Part IV: 15. Add the income, if any, on lines 1(a) and 3(a); 16. Total losses allowed from all passive activities for 2015.

# 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 T—taxpayer, S—spouse 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..... |  | 00 |    |
| B. Enter as a positive amount federal allowable losses from federal Form 8582** .....  |  | 00 |    |
| C. Enter as a positive amount Kentucky passive income from line 15, Form 8582-K.....   |  | 00 |    |
| D. Enter as a negative amount federal passive income from federal Form 8582** .....    |  | 00 |    |
| E. Passive income or loss adjustment. Combine lines A, B, C and D .....                |  |    | 00 |

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.