

# Instructions for Form 8582-CR

(Rev. January 2012)



Department of the Treasury  
Internal Revenue Service

For use with Form 8582-CR (Rev. January 2012)

## Passive Activity Credit Limitations

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

### General Instructions

#### What's New

**Disclosure requirements for groupings.** For tax years beginning after January 24, 2010, disclosure requirements for groupings of trade or business activities or rental activities apply. See *Disclosure Requirement*, later.

**Future developments.** The IRS has created a page on IRS.gov for information about Form 8582-CR and its instructions, at [www.irs.gov/form8582cr](http://www.irs.gov/form8582cr). Information about any future developments affecting Form 8582-CR (such as legislation enacted after we release it) will be posted on that page.

#### Purpose of Form

Form 8582-CR is used by noncorporate taxpayers to figure the amount of any passive activity credit (PAC) for the current tax year (including any prior year unallowed credits) and the amount of credit allowed for the current year. It also is used to make the election to increase the basis of credit property when a taxpayer disposes of his or her interest in an activity.

PACs that are not allowed in the current year are carried forward until they are allowed against the tax on either net passive income or the special allowance, if applicable.

Different rules apply to your activities and the related credit, depending on the type of activity. Generally, passive activities include:

- Trade or business activities in which you did not materially participate for the tax year.
- Rental activities, regardless of your participation.

See *Trade or Business Activities* and *Rental Activities*, later.

For more information, see Pub. 925, *Passive Activity and At-Risk Rules*.

**Note.** Corporations subject to the passive activity rules must use Form

8810, *Corporate Passive Activity Loss and Credit Limitations*.

#### Who Must File

Form 8582-CR is filed by individuals, estates, and trusts with any of the following credits from passive activities.

- General business credits.
- Qualified plug-in electric and electric vehicle credit.

#### Overview of Form

The form contains six parts. The *Specific Instructions* include, at the beginning of the instructions for each part, a brief explanation of the purpose or use of that part. These explanations give a general overview of how the form works.

Also, as you read the instructions that follow, see *Example of How To Complete Form 8582-CR*. The example goes through a six-step analysis of how the form and worksheets are completed for a partner in a limited partnership that has a low-income housing credit.

#### Activities That Are Not Passive Activities

The following are not passive activities.

1. Trade or business activities in which you materially participated for the tax year.
2. Any rental real estate activity in which you materially participated if you were a "real estate professional" for the tax year. You were a real estate professional only if:
  - a. More than half of the personal services you performed in trades or businesses during the tax year were performed in real property trades or businesses in which you materially participated, and
  - b. You performed more than 750 hours of services during the tax year in real property trades or businesses in which you materially participated.

For purposes of item (2), each interest in rental real estate is a separate activity unless you elect to treat all interests in rental real estate as one activity.

If you are married filing jointly, one spouse must separately meet both (2)(a) and (2)(b) without taking into account services performed by the other spouse.

A real property trade or business is any real property development, redevelopment, construction, reconstruction, acquisition, conversion, rental, operation, management, leasing, or brokerage trade or business.

Services you performed as an employee are not treated as performed in a real property trade or business unless you owned more than 5% of the stock (or more than 5% of the capital or profits interest) in the employer.

3. A working interest in an oil or gas well. Your working interest must be held directly or through an entity that does not limit your liability (such as a general partner interest in a partnership). In this case, it does not matter whether you materially participated in the activity for the tax year.

If, however, your liability was limited for part of the year (for example, you converted your general partner interest to a limited partner interest during the year), some of your income and losses from the working interest may be treated as passive activity gross income and passive activity deductions. See Temporary Regulations section 1.469-1T(e)(4)(ii).

4. The rental of a dwelling unit you used as a residence if section 280A(c)(5) applies. This section applies if you rented out a dwelling unit that you also used as a home during the year for a number of days that exceeds the greater of 14 days or 10% of the number of days during the year that the home was rented at a fair rental.

5. An activity of trading personal property for the account of owners of interests in the activity. For purposes of this rule, personal property means property that is actively traded, such as stocks, bonds, and other securities. See Temporary Regulations section 1.469-1T(e)(6).

Generally, credits from these activities are not entered on Form 8582-CR. However, credits from these activities may be subject to limitations other than the passive credit limitation rules.

## Rental Activities

A rental activity is a passive activity even if you materially participated in the activity (unless it is a rental real estate activity in which you materially participated and you were a real estate professional).

However, if you meet any of the five exceptions listed below, the rental of the property is not treated as a rental activity. See *Reporting Credits From the Activities*, later, if you meet any of the exceptions.

An activity is a rental activity if tangible property (real or personal) is used by customers or held for use by customers and the gross income (or expected gross income) from the activity represents amounts paid (or to be paid) mainly for the use of the property. It does not matter whether the use is under a lease, a service contract, or some other arrangement.

## Exceptions

An activity is not a rental activity if any of the following exceptions are met.

1. The average period of customer use is:
  - a. 7 days or less, or
  - b. 30 days or less and significant personal services were provided in making the rental property available for customer use.

Figure the average period of customer use for a class of property by dividing the total number of days in all rental periods by the number of rentals during the tax year. If the activity involves renting more than one class of property, multiply the average period of customer use of each class by the ratio of the gross rental income from that class to the activity's total gross rental income. The activity's average period of customer use equals the sum of these class-by-class average periods weighted by gross income. See Regulations section 1.469-1(e)(3)(iii).

Significant personal services include only services performed by individuals. To determine if personal services are significant, all relevant facts and circumstances are considered. Facts and circumstances include the frequency of the services, the type and amount of labor required to perform the services, and the value of the services relative to the amount charged for use of the property.

2. Extraordinary personal services were provided in making the rental property available for customer use. This applies only if the services are

performed by individuals and the customers' use of the rental property is incidental to their receipt of the services.

3. Rental of the property is incidental to a nonrental activity.

The rental of property is incidental to an activity of holding property for investment if the main purpose of holding the property is to realize a gain from its appreciation and the gross rental income is less than 2% of the smaller of the unadjusted basis or the fair market value (FMV) of the property.

Unadjusted basis is the cost of the property without regard to depreciation deductions or any other basis adjustment described in section 1016.

The rental of property is incidental to a trade or business activity if:

- a. You own an interest in the trade or business activity during the tax year,
- b. The rental property was mainly used in the trade or business activity during the tax year or during at least 2 of the 5 preceding tax years, and
- c. The gross rental income from the property is less than 2% of the smaller of the unadjusted basis or the FMV of the property.

Lodging provided for the employer's convenience to an employee or the employee's spouse or dependents is incidental to the activity or activities in which the employee performs services.

4. You customarily make the rental property available during defined business hours for nonexclusive use by various customers.

5. You provide property for use in a nonrental activity of a partnership, S corporation, or joint venture in your capacity as an owner of an interest in the partnership, S corporation, or joint venture.

## Reporting Credits From the Activities

If an activity meets any of the five exceptions listed above, it is not a rental activity. You must then determine:

1. Whether your rental of the property is a trade or business activity (see *Trade or Business Activities*, later) and, if so,
2. Whether you materially participated in the activity for the tax year (see *Material Participation*, later).

- If the activity is a trade or business activity in which you did not materially participate, enter the credits from the activity on Worksheet 4, later.
- If the activity is a trade or business activity in which you did materially

participate, report the credits from the activity on the forms you normally use.

If the rental activity did not meet any of the five exceptions, it is generally a passive activity. Special rules apply if you conduct the rental activity through a publicly traded partnership (PTP). See *Publicly Traded Partnerships (PTPs)*, later.

If the rental activity is not conducted through a PTP, the passive rental activity is entered in Worksheet 1, 2, 3, or 4.

Worksheet 1 is for credits (other than rehabilitation credits and low-income housing credits) from passive rental real estate activities in which you actively participated. See *Special Allowance for Rental Real Estate Activities*, later.

Worksheet 2 is for rehabilitation credits from passive rental real estate activities and low-income housing credits for property placed in service before 1990. This worksheet is also used for low-income housing credits from a partnership, S corporation, or other pass-through entity if your interest in the pass-through entity was acquired before 1990, regardless of the date the property was placed in service.

Worksheet 3 is for low-income housing credits for property placed in service after 1989 (unless held through a pass-through entity in which you acquired your interest before 1990).

Worksheet 4 is for credits from passive trade or business activities in which you did not materially participate and passive rental real estate activities in which you did not actively participate (but not rehabilitation credits from passive rental real estate activities or low-income housing credits).

## Special Allowance for Rental Real Estate Activities

If you actively participated in a passive rental real estate activity, you may be able to claim credits from the activity for the tax attributable to a special allowance of up to \$25,000, reduced by any passive losses, including the commercial revitalization deduction, allowed under this exception on Form 8582, Passive Activity Loss Limitations.

The special allowance also applies to low-income housing credits and rehabilitation credits from a rental real estate activity, even if you did not actively participate in the activity. The credits allowed under the special allowance are in addition to the credits allowed for the tax attributable to net passive income.

The special allowance is not available if you were married at the

end of the year, are filing a separate return for the year, and lived with your spouse at any time during the year.

Only an individual, a qualifying estate, or a qualified revocable trust that made an election to treat the trust as part of the decedent's estate may actively participate in a rental real estate activity. Unless future regulations provide an exception, limited partners are not treated as actively participating in a partnership's rental real estate activity.

A qualifying estate is the estate of a decedent for tax years ending less than 2 years after the date of the decedent's death if the decedent would have satisfied the active participation requirements for the rental real estate activity for the tax year the decedent died.

A qualified revocable trust may elect to be treated as part of a decedent's estate for purposes of the special allowance for active participation in rental real estate activities. The election must be made by both the executor (if any) of the decedent's estate and the trustee of the revocable trust. For details, see Regulations section 1.645-1.

You are not considered to actively participate in a rental real estate activity if at any time during the tax year your interest (including your spouse's interest) in the activity was less than 10% (by value) of all interests in the activity.

Active participation is a less stringent requirement than material participation (see *Material Participation*, later). You may be treated as actively participating if, for example, you participated in making management decisions or arranging for others to provide services (such as repairs) in a significant and bona fide sense. Management decisions that may count as active participation include:

- Approving new tenants,
- Deciding on rental terms,
- Approving capital or repair expenditures, and
- Other similar decisions.

The maximum special allowance is:

- \$25,000 for single individuals and married individuals filing a joint return for the tax year.

- \$12,500 for married individuals who file separate returns for the tax year and who lived apart from their spouses at all times during the tax year.

- \$25,000 for a qualifying estate reduced by the special allowance for which the surviving spouse qualified.

**Modified adjusted gross income limitation.** If your modified adjusted gross income (defined in the instructions, later) is \$100,000 or less

(\$50,000 or less if married filing separately), figure your credits based on the amount of the maximum special allowance referred to in the preceding paragraph.

If your modified adjusted gross income is more than \$100,000 (\$50,000 if married filing separately) but less than \$150,000 (\$75,000 if married filing separately), your special allowance is limited to 50% of the difference between \$150,000 (\$75,000 if married filing separately) and your modified adjusted gross income.

Generally, if your modified adjusted gross income is \$150,000 or more (\$75,000 or more if married filing separately), there is no special allowance.

However, for low-income housing credits for property placed in service before 1990 and for rehabilitation credits, the limits on modified adjusted gross income are increased. If your modified adjusted gross income is more than \$200,000 (\$100,000 if married filing separately) but less than \$250,000 (\$125,000 if married filing separately), your special allowance is limited to 50% of the difference between \$250,000 (\$125,000 if married filing separately) and your modified adjusted gross income.

If your modified adjusted gross income is \$250,000 or more (\$125,000 or more if married filing separately), there is no special allowance.

No modified adjusted gross income limitation applies when figuring the special allowance for low-income housing credits for property placed in service after 1989 (other than from a pass-through entity in which you acquired your interest before 1990).

## Trade or Business Activities

A trade or business activity is an activity (other than a rental activity or an activity treated as incidental to an activity of holding property for investment) that:

1. Involves the conduct of a trade or business (within the meaning of section 162),
2. Is conducted in anticipation of starting a trade or business, or
3. Involves research or experimental expenditures deductible under section 174 (or that would be if you chose to deduct rather than capitalize them).

## Reporting Credits From the Activities

**Trade or business activities with material participation.** If you materially participated in a trade or business activity, the activity is not a passive activity. Report the credits from the activity on the forms you normally use.

**Trade or business activities without material participation.** If you did not materially participate in a trade or business activity, the activity is a passive activity. Generally, you must use Worksheet 4, later, to figure the amount to enter on Form 8582-CR for each trade or business activity in which you did not materially participate. However, if you held the activity through a PTP, special rules apply. See *Publicly Traded Partnerships (PTPs)*, later.

## Material Participation

For the material participation tests that follow, participation generally includes any work done in connection with an activity if you owned an interest in the activity at the time you did the work. The capacity in which you did the work does not matter.

However, work is not participation if:

- It is not work that an owner would customarily do in the same type of activity, and
- One of your main reasons for doing the work was to avoid the disallowance of losses or credits from the activity under the passive activity rules.

**Proof of participation.** You may prove your participation in an activity by any reasonable means. You do not have to maintain contemporaneous daily time reports, logs, or similar documents if you can establish your participation by other reasonable means. For this purpose, reasonable means include, but are not limited to, identifying services performed over a period of time and the approximate number of hours spent performing the services during that period, based on appointment books, calendars, or narrative summaries.

**Tests for individuals.** You materially participated for the tax year in an activity if you satisfy at least one of the following tests.

1. You participated in the activity for more than 500 hours.
2. Your participation in the activity for the tax year was substantially all of the participation in the activity of all individuals (including individuals who did not own any interest in the activity) for the year.
3. You participated in the activity for more than 100 hours during the tax year, and you participated at least as much as any other individual

(including individuals who did not own any interest in the activity) for the year.

4. The activity is a significant participation activity for the tax year, and you participated in all significant participation activities during the year for more than 500 hours.

A significant participation activity is any trade or business activity in which you participated for more than 100 hours during the year and in which you did not materially participate under any of the material participation tests (other than this fourth test).

5. You materially participated in the activity for any 5 (whether or not consecutive) of the 10 immediately preceding tax years.

6. The activity is a personal service activity in which you materially participated for any 3 (whether or not consecutive) preceding tax years.

An activity is a personal service activity if it involves the performance of personal services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting, or in any other trade or business in which capital is not a material income-producing factor.

7. Based on all the facts and circumstances, you participated in the activity on a regular, continuous, and substantial basis during the tax year.

You did not materially participate in the activity under this seventh test, however, if you participated in the activity for 100 hours or less during the tax year.

Your participation in managing the activity does not count in determining whether you materially participated under this test if:

a. Any person (except you) received compensation for performing services in the management of the activity, or

b. Any individual spent more hours during the tax year performing services in the management of the activity than you did (regardless of whether the individual was compensated for the management services).

**Test for a spouse.** Participation by your spouse during the tax year in an activity you own may be counted as your participation in the activity, even if your spouse did not own an interest in the activity and whether or not you and your spouse file a joint return for the tax year.

**Test for investors.** Work done as an investor in an activity is not treated as participation unless you were directly involved in the day-to-day management or operations of the

activity. For purposes of this test, work done as an investor includes:

1. Studying and reviewing financial statements or reports on operations of the activity,
2. Preparing or compiling summaries or analyses of the finances or operations of the activity for your own use, and
3. Monitoring the finances or operations of the activity in a nonmanagerial capacity.

#### **Special rules for limited partners.**

If you were a limited partner in an activity, you generally did not materially participate in the activity. You did materially participate in the activity, however, if you met material participation test 1, 5, or 6 (see *Tests for individuals*, earlier) for the tax year.

However, for purposes of the material participation tests, you are not treated as a limited partner if you also were a general partner in the partnership at all times during the partnership's tax year ending with or within your tax year (or, if shorter, during the portion of the partnership's tax year in which you directly or indirectly owned your limited partner interest).

A limited partner's share of an electing large partnership's taxable income or loss from all trade or business and rental activities is treated as income or loss from the conduct of a single passive trade or business activity.

#### **Special rules for certain retired or disabled farmers and surviving spouses of farmers.**

Certain retired or disabled farmers and surviving spouses of farmers are treated as materially participating in a farming activity if the real property used in the activity meets the estate tax rules for special valuation of farm property passed from a qualifying decedent. See Temporary Regulations section 1.469-5T(h)(2).

**Estates and trusts.** The PAC limitations apply to an estate or trust. See Temporary Regulations sections 1.469-1T(b)(2) and (3). The rules for determining material participation for this purpose have not yet been issued.

## **Grouping of Activities**

Generally, one or more trade or business activities or rental activities may be treated as a single activity if the activities make up an appropriate economic unit for the measurement of gain or loss under the passive activity rules.

Whether activities make up an appropriate economic unit depends on all the relevant facts and circumstances. The factors given the greatest weight in determining

whether activities make up an appropriate economic unit are:

1. Similarities and differences in types of trades or businesses,
2. The extent of common control,
3. The extent of common ownership,
4. Geographical location, and
5. Interdependencies between or among the activities.

**Example.** You have a significant ownership interest in a bakery and a movie theater in Baltimore and in a bakery and a movie theater in Philadelphia. Depending on all the relevant facts and circumstances, there may be more than one reasonable method for grouping your activities. For instance, the following groupings may or may not be permissible.

- A single activity.
- A movie theater activity and a bakery activity.
- A Baltimore activity and a Philadelphia activity.
- Four separate activities.

Once you choose a grouping under these rules, you must continue using that grouping in later tax years unless a material change in the facts and circumstances makes it clearly inappropriate.

The IRS may regroup your activities if your grouping fails to reflect one or more appropriate economic units and one of the primary purposes of your grouping is to avoid the passive activity limitations.

**Limitation on grouping certain activities.** The following activities may not be grouped together.

1. A rental activity with a trade or business activity unless the activities being grouped together make up an appropriate economic unit and:

- a. The rental activity is insubstantial relative to the trade or business activity or vice versa, or
- b. Each owner of the trade or business activity has the same proportionate ownership interest in the rental activity. If so, the portion of the rental activity involving the rental of property used in the trade or business activity may be grouped with the trade or business activity.

2. An activity involving the rental of real property with an activity involving the rental of personal property (except personal property provided in connection with the real property or vice versa).

3. Any activity with another activity in a different type of business and in which you hold an interest as a limited partner or as a limited entrepreneur (as defined in section 464(e)(2)), if that other activity engages in holding, producing, or distributing motion picture films or

videotapes; farming; leasing section 1245 property; or exploring for (or exploiting) oil and gas resources or geothermal deposits.

### **Activities conducted through partnerships, S corporations, and C corporations subject to section 469.**

Once a partnership or corporation determines its activities under these rules, a partner or shareholder may use these rules to group those activities with:

- Each other,
- Activities conducted directly by the partner or shareholder, or
- Activities conducted through other partnerships and corporations.

A partner or shareholder may not treat as separate activities those activities grouped together by the partnership or corporation.

### **Partial disposition of an activity.**

You may treat the disposition of substantially all of an activity as a separate activity if you can prove with reasonable certainty:

1. The prior year unallowed losses, if any, allocable to the part of the activity disposed of, and
2. The net income or loss for the year of disposition allocable to the part of the activity disposed of.

### **Disclosure Requirement**

For tax years beginning after January 24, 2010, the following disclosure requirements for groupings apply. You are required to report certain changes to your groupings that occur during the tax year to the IRS. If you fail to report these changes, each trade or business activity or rental activity will be treated as a separate activity. You will be considered to have made a timely disclosure if you filed all affected income tax returns consistent with the claimed grouping and make the required disclosure on the income tax return for the year in which you first discovered the failure to disclose. If the IRS discovered the failure to disclose, you must have reasonable cause for not making the required disclosure. For more information on disclosure requirements, see Revenue Procedure 2010-13 available at [www.irs.gov/irb/2010-04\\_IRB/ar15.html](http://www.irs.gov/irb/2010-04_IRB/ar15.html).

**New grouping.** You must file a written statement with your original

income tax return for the first tax year in which two or more activities are originally grouped into a single activity. The statement must provide the names, addresses, and employer identification numbers (EINs), if applicable, for the activities being grouped as a single activity. In addition, the statement must contain a declaration that the grouped activities make up an appropriate economic unit for the measurement of gain or loss under the passive activity rules.

### **Addition to an existing grouping.**

You must file a written statement with your original income tax return for the tax year in which you add a new activity to an existing group. The statement must provide the name, address, and EIN, if applicable, for the activity that is being added and for the activities in the existing group. In addition, the statement must contain a declaration that the activities make up an appropriate economic unit for the measurement of gain or loss under the passive activity rules.

**Regrouping.** You must file a written statement with your original income tax return for the tax year in which you regroup the activities. The statement must provide the names, addresses, and EINs, if applicable, for the activities that are being regrouped. If two or more activities are being regrouped into a single activity, the statement must contain a declaration that the regrouped activities make up an appropriate economic unit for the measurement of gain or loss under the passive activity rules. In addition, the statement must contain an explanation of why the original grouping was clearly inappropriate or the nature of the material change in the facts and circumstances that made the original grouping clearly inappropriate.

### **Dispositions**

Unallowed PACs, unlike unallowed passive activity losses, are not allowed when you dispose of your interest in an activity. However, you may elect to increase the basis of the credit property by the amount of the original basis reduction of the property to the extent that the credit has not been allowed under the passive activity rules. Unallowed

PACs that are not used to increase the basis of the credit property are carried forward until they are allowed. To make the election, complete Form 8582-CR, Part VI. No basis adjustment may be elected on a partial disposition of your interest in a passive activity.

### **Example of How To Complete Form 8582-CR**

**Note.** For tax years beginning after 2011, line numbers on the referenced forms may change. See the form instructions for the referenced forms on how to report the passive activity credit.

In 2011, John Jones purchased an interest as a limited partner in Partnership A (which was an eligible small business). Mr. Jones is married and files a joint return. During 2011, the partnership placed in service a residential rental building that qualified for the low-income housing credit. He has no other general business credits.

- Mr. Jones received a Schedule K-1 (Form 1065) from the partnership. The low-income housing credit (\$12,000) is shown on Schedule K-1, box 15 with code D.
- Mr. Jones's net passive income for 2011 is zero.
- Mr. Jones will need the following forms to figure the low-income housing credit.

1. **Form 8586**, Low-Income Housing Credit (not illustrated).
2. **Form 3800**, General Business Credit (not illustrated).
3. **Form 8582-CR**, Passive Activity Credit Limitations.

**Step 1.** Mr. Jones follows the instructions for code D on Schedule K-1, box 15, and enters the \$12,000 low-income housing credit on lines 11 and 12 of Form 8586 and carries over the total to Form 3800, Part III, line 4d.

**Step 2.** Mr. Jones checks Box F in Part III of Form 3800 and brings the \$12,000 credit from the passive activity to line 32.

**Step 3.** Line 33 of Form 3800 asks for the passive activity low-income housing credit for 2011. The amount is figured on Form 8582-CR and the worksheets. Worksheet 3 of Form 8582-CR is used for the post-1989 low-income housing credits.

**Worksheet 3 for Lines 3a and 3b**

(keep for your records)

Name of Activity	From Form	Current Year Credits	Prior Year Unallowed Credits	Total Credits
		(a) Credit line 3a	(b) Credit line 3b	(c) Add cols. (a) and (b)
Partnership A	8586/3800, line 32	12,000		
<b>Total.</b> Enter on lines 3a and 3b of Form 8582-CR . . . ▶		12,000		

**Step 4.** Mr. Jones follows the instructions for Worksheet 3 and enters the total credits from column (a) of that worksheet on Form 8582-CR, line 3a. He enters the total credits on line 3c and completes lines 5 through 7. Mr. Jones can skip Parts II and III and go to Part IV because the only credit he has is from a post-1989 low-income housing credit. He must also complete the computation for line 35 in the instructions to get the amount to enter on line 35 of the form.

Form **8582-CR**

## Passive Activity Credit Limitations

OMB No. 1545-1034

(Rev. January 2012)  
Department of the Treasury  
Internal Revenue Service

▶ See separate instructions.  
▶ Attach to Form 1040 or 1041.

Attachment  
Sequence No. **89**

Name(s) shown on return

John and Mary Jones

Identifying number

123-00-4567

### Part I Passive Activity Credits

**Caution:** If you have credits from a publicly traded partnership, see **Publicly Traded Partnerships (PTPs)** in the instructions.

<b>Credits From Rental Real Estate Activities With Active Participation (Other Than Rehabilitation Credits and Low-Income Housing Credits)</b> (See Lines 1a through 1c in the instructions.)				
1a Credits from Worksheet 1, column (a) . . . . .	1a			
b Prior year unallowed credits from Worksheet 1, column (b) . . . . .	1b			
c Add lines 1a and 1b . . . . .			<b>1c</b>	
<b>Rehabilitation Credits From Rental Real Estate Activities and Low-Income Housing Credits for Property Placed in Service Before 1990 (or From Pass-Through Interests Acquired Before 1990)</b> (See Lines 2a through 2c in the instructions.)				
2a Credits from Worksheet 2, column (a) . . . . .	2a			
b Prior year unallowed credits from Worksheet 2, column (b) . . . . .	2b			
c Add lines 2a and 2b . . . . .			<b>2c</b>	
<b>Low-Income Housing Credits for Property Placed in Service After 1989</b> (See Lines 3a through 3c in the instructions.)				
3a Credits from Worksheet 3, column (a) . . . . .	3a	12,000		
b Prior year unallowed credits from Worksheet 3, column (b) . . . . .	3b			
c Add lines 3a and 3b . . . . .			<b>3c</b>	12,000
<b>All Other Passive Activity Credits</b> (See Lines 4a through 4c in the instructions.)				
4a Credits from Worksheet 4, column (a) . . . . .	4a			
b Prior year unallowed credits from Worksheet 4, column (b) . . . . .	4b			
c Add lines 4a and 4b . . . . .			<b>4c</b>	
5 Add lines 1c, 2c, 3c, and 4c . . . . .	<b>5</b>		12,000	
6 Enter the tax attributable to net passive income (see instructions) . . . . .	<b>6</b>		-0-	
7 Subtract line 6 from line 5. If line 6 is more than or equal to line 5, enter -0- and see instructions	<b>7</b>		12,000	

**Note:** 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, III, or IV. Instead, go to line 37.

### Part IV Special Allowance for Low-Income Housing Credits for Property Placed in Service After 1989

**Note:** Complete this part only if you have an amount on line 3c. Otherwise, go to Part V.

31 If you completed Part III, enter the amount from line 19. Otherwise, subtract line 16 from line 7 . . . . .	<b>31</b>		12,000	
32 Enter the amount from line 30 . . . . .	<b>32</b>		-0-	
33 Subtract line 32 from line 31. If zero, enter -0- here and on line 36 . . . . .	<b>33</b>		12,000	
34 Enter the <b>smaller</b> of line 3c or line 33 . . . . .	<b>34</b>		12,000	
35 Tax attributable to the remaining special allowance (see instructions) . . . . .	<b>35</b>		8,250	
36 Enter the <b>smaller</b> of line 34 or line 35 . . . . .	<b>36</b>		8,250	

**Line 35 computation:**

**Line 35.** Figure the tax attributable to the remaining special allowance as follows:

A. Taxable income . . . . .	<u>305,000</u>	
B. Tax on line A. For Form 1040, use the Tax Table, Tax Computation Worksheet, or other appropriate method you used to figure your tax. For Form 1041, use the Tax Rate Schedules, the Qualified Dividends Tax Worksheet, or Schedule D, whichever applies. . . . .		<u>78,105</u>
C. Enter \$25,000 (\$12,500 if married filing separate return and you and your spouse lived apart at all times during the year) . . . . .	<u>25,000</u>	
D. Enter amount, if any, from Form 8582, line 10 . . . . .	<u>-0-</u>	
E. Enter amount, if any, from Form 8582, line 14 . . . . .	<u>-0-</u>	
F. Subtract lines D and E from line C . . . . .	<u>25,000</u>	
G. Subtract line F from line A . . . . .	<u>280,000</u>	
H. Tax on line G. For Form 1040, use the Tax Table, Tax Computation Worksheet, or other appropriate method you used to figure your tax. For Form 1041, use the Tax Rate Schedules, the Qualified Dividends Tax Worksheet, or Schedule D, whichever applies . . . . .		<u>69,855</u>
I. Subtract line H from line B . . . . .		<u>8,250</u>
J. Add lines 16 and 30 of Form 8582-CR and enter the total . . . . .		<u>-0-</u>
K. Tax attributable to the remaining special allowance. Subtract line J from line I. Enter the result on Form 8582-CR, line 35 . . . . .		<u>8,250</u>

**Note:** When using taxable income in the above computation, it is not necessary to refigure items that are based on a percentage of adjusted gross income.

**Step 5.** Mr. Jones completes Form 8582-CR, Part V.

**Part V Passive Activity Credit Allowed**

<b>37</b>	<b>Passive Activity Credit Allowed.</b> Add lines 6, 16, 30, and 36. See instructions to find out how to report the allowed credit on your tax return and how to allocate allowed and unallowed credits if you have more than one credit or credits from more than one activity. If you have any credits from a publicly traded partnership, see <b>Publicly Traded Partnerships (PTPs)</b> in the instructions.	<b>37</b>		8,250
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**Step 6.** After completing Form 8582-CR, Mr. Jones determines his allowed and unallowed credit. Because he has only one type of credit from a single passive activity, his allowed low-income housing credit for 2011 is the amount on line 37, or \$8,250. His unallowed credit of \$3,750 is determined by subtracting the allowed credit on line 37 from the total credit on line 5 (\$12,000 – \$8,250).

**Step 7.** Mr. Jones enters the allowed passive activity credit of \$8,250 on Form 3800, line 33, and completes the rest of that form according to the instructions for Form 3800. The unallowed credit of \$3,750 is carried forward and used to figure the passive activity credit allowed for 2012.

# Specific Instructions

## Current Year Credits

Convert any current year qualified expenditures into credits before beginning Worksheet 1, 2, 3, or 4. If the credits are from more than one activity or are of more than one type, separate the credits by activity and by type before making entries in the worksheets.



*For tax years beginning after 2011, line numbers on the referenced forms may change. See the form instructions for the referenced forms on how to report the current year passive activity credit.*

**Example.** You have a low-income housing credit from one activity and a research credit from a different activity. Enter the low-income housing credit in column (a) of Worksheet 2 or 3 and make a separate entry for the

research credit in column (a) of Worksheet 4.

**Form 3800, General Business Credit.** Enter the credits from Form 3800, line 2, line 23, and line 32, in column (a) of Worksheet 1, 2, 3, or 4.

**Form 8834, Qualified Plug-In Electric and Electric Vehicle Credit.** See the Instructions for Form 8834 for the amount to enter in column (a) of Worksheet 1 or 4.

## Prior Year Unallowed Credits

To figure this year's PAC, you must take into account any credits from passive activities disallowed for prior years and carried forward to this year.

If you had only one type of prior year unallowed credit from a single passive activity, figure your prior year unallowed credit by subtracting line 37 of your prior year Form 8582-CR from line 5 of your prior year Form 8582-CR.

Otherwise, your prior year unallowed credits are the amounts shown in column (b) of Worksheet 9 in the prior year Instructions for Form 8582-CR. Enter the prior year unallowed credits in column (b) of Worksheet 1, 2, 3, or 4, whichever applies.



*You must adjust a prior year unallowed credit if you had to recapture any part of the credit (for example, due to the early disposition of property) or transfer the credit to a bankruptcy estate.*

## Part I—Passive Activity Credits

Use Part I to combine your credits from passive activities to determine if you have a PAC for the current year.

If your credits from all passive activities exceed the tax attributable to net passive income, you have a PAC for the current year. Generally,

**Lines 1a and 1b.** Use Worksheet 1 to figure the amounts to enter on lines 1a and 1b. Use line 1a for credits from rental real estate activities with active participation for the current year and line 1b for prior year unallowed credits from rental real estate activities with active participation in both the prior year in which the credit arose and the current year. See *Special Allowance for Rental Real Estate Activities*, earlier, for a definition of active participation.

For credits from Form 3800, enter the source form (for example, Form 3468 or Form 6765) and "Form 3800, line" followed by the appropriate line number (2, 23, or 32) in the "From Form" column.

After you complete the worksheet below, enter the totals of columns (a) and (b) on the corresponding lines of Form 8582-CR and then complete line 1c.

**Note:** Rehabilitation credits from rental real estate activities and low-income housing credits must be entered in Worksheet 2 or 3, whichever applies, even if you actively participated in the activity.

### Worksheet 1 for Lines 1a and 1b

(keep for your records)

Name of Activity	From Form	Current Year Credits	Prior Year Unallowed Credits	Total Credits
		(a) Credit line 1a	(b) Credit line 1b	(c) Add cols. (a) and (b)
<b>Totals.</b> Enter on lines 1a and 1b of Form 8582-CR . . . ▶				

**Lines 2a and 2b.** Use Worksheet 2 to figure the amounts to enter on lines 2a and 2b. Use line 2a for rehabilitation credits and low-income housing credits from rental real estate activities for the current year and line 2b for prior year unallowed credits from those activities. However, use Worksheet 3 instead of Worksheet 2 for low-income housing credits for property placed in service after 1989. If you held an indirect interest in the property through a partnership, S corporation, or other pass-through entity, use Worksheet 3 only if you also acquired your interest in the pass-through entity after 1989. Use this worksheet if you do not meet both requirements.

Enter the source form (Form 3468 or Form 8586) and "Form 3800, line" followed by the appropriate line number (2, 23, or 32) in the "From Form" column.

After you complete the worksheet below, enter the totals of columns (a) and (b) on the corresponding lines of Form 8582-CR and then complete line 2c.

### Worksheet 2 for Lines 2a and 2b

(keep for your records)

Name of Activity	From Form	Current Year Credits	Prior Year Unallowed Credits	Total Credits
		(a) Credit line 2a	(b) Credit line 2b	(c) Add cols. (a) and (b)
<b>Totals.</b> Enter on lines 2a and 2b of Form 8582-CR . . . ▶				

**Lines 3a and 3b.** Use Worksheet 3 to figure the amounts to enter on lines 3a and 3b for low-income housing credits for property placed in service after 1989. If you held an indirect interest in the property through a partnership, S corporation, or other pass-through entity, use Worksheet 3 only if you also acquired your interest in the pass-through entity after 1989. Use line 3a for the current year credits and line 3b for prior year unallowed credits for those activities.

Enter "Form 3800, line" followed by the appropriate line number (2, 23, or 32) in the "From Form" column.

After you complete the worksheet below, enter the totals of columns (a) and (b) on the corresponding lines of Form 8582-CR and then complete line 3c.

**Worksheet 3 for Lines 3a and 3b**

(keep for your records)

Name of Activity	From Form	Current Year Credits	Prior Year Unallowed Credits	Total Credits
		(a) Credit line 3a	(b) Credit line 3b	(c) Add cols. (a) and (b)
<b>Totals.</b> Enter on lines 3a and 3b of Form 8582-CR . . . ▶				

**Lines 4a and 4b.** Use Worksheet 4 to figure the amounts to enter on lines 4a and 4b. Use line 4a for all other passive activity credits for the current year and line 4b for prior year unallowed credits from those activities.

For credits from Form 3800, enter the source form (for example, Form 3468 or Form 6765) and "Form 3800, line" followed by the appropriate line number (2, 23, or 32) in the "From Form" column.

After you complete the worksheet below, enter the totals of columns (a) and (b) on the corresponding lines of Form 8582-CR and then complete line 4c.

**Worksheet 4 for Lines 4a and 4b**

(keep for your records)

Name of Activity	From Form	Current Year Credits	Prior Year Unallowed Credits	Total Credits
		(a) Credit line 4a	(b) Credit line 4b	(c) Add cols. (a) and (b)
<b>Totals.</b> Enter on lines 4a and 4b of Form 8582-CR . . . ▶				

you have net passive income if line 4 of Form 8582 shows income. For more information, see the instructions for Form 8582-CR, line 6.

**Lines 1a through 1c.** Individuals and qualifying estates that actively participated in rental real estate activities must include the credits (other than rehabilitation credits or low-income housing credits) from these activities on lines 1a through 1c. Use Worksheet 1 to figure the amounts to enter on lines 1a and 1b. See *Special Allowance for Rental Real Estate Activities*, earlier.

 *If you are married filing a separate return and lived with your spouse at any time during the year, even if you actively participated in the rental real estate activity, include the credits in Worksheet 4, not in Worksheet 1.*

**Note.** You may take credits that arose in a prior tax year (other than low-income housing and rehabilitation credits) under the special allowance only if you actively participated in the rental real estate activity for both that prior year and this year. If you did not

actively participate for both years, include the credits in Worksheet 4, not in Worksheet 1.

**Lines 2a through 2c.** Individuals (including limited partners) and qualifying estates who had rehabilitation credits from rental real estate activities or low-income housing credits for property placed in service before 1990 must include the credits from those activities on lines 2a through 2c. Use Worksheet 2 to figure the amounts to enter on lines 2a and 2b.

If you have low-income housing credits for property placed in service after 1989, include those credits in Worksheet 3 instead of Worksheet 2. If you held an indirect interest in the property through a partnership, S corporation, or other pass-through entity, use Worksheet 3 only if you also acquired your interest in the pass-through entity after 1989.

**Lines 3a through 3c.** Individuals (including limited partners) and qualifying estates who had low-income housing credits from rental real estate activities for

property placed in service after 1989 must include those credits on lines 3a through 3c. If you held an indirect interest in the property through a partnership, S corporation, or other pass-through entity, use lines 3a through 3c only if you also acquired your interest in the pass-through entity after 1989. Use Worksheet 3 to figure the amounts to enter on lines 3a and 3b.

 *Include the credits in Worksheet 4, but not in Worksheet 2 or 3, if you are married filing a separate return and lived with your spouse at any time during the year.*

**Lines 4a through 4c.** Individuals must include on lines 4a through 4c credits from passive activities that were not entered on Worksheets 1, 2, or 3. Trusts must include credits from all passive activities in Worksheet 4. Use Worksheet 4 to figure the amounts to enter on lines 4a and 4b.

**Line 6.** If Form 8582, line 4, shows net income or you did not complete Form 8582 because you had net passive income, you must figure the

tax on the net passive income. If you have an overall loss on an entire disposition of your interest in a passive activity, reduce net passive income, if any, on Form 8582, line 4, to the extent of the loss (but not below zero) and use only the remaining net passive income in the computation below. If you had a net passive activity loss, enter -0- on line 6 and go to line 7.

Figure the tax on net passive income as follows.

A. Taxable income including net passive income . . . . .	_____
B. Tax on line A* . . . . .	_____
C. Taxable income without net passive income . . . . .	_____
D. Tax on line C* . . . . .	_____
E. Subtract line D from line B and enter the result on Form 8582-CR, line 6 . . . . .	_____

\* For Form 1040, use the Tax Table, Tax Computation Worksheet, or other appropriate method you used to figure your tax. For Form 1041, use the Tax Rate Schedule, Qualified Dividends Tax Worksheet, or Schedule D, whichever applies.

**Note.** When using taxable income in the above computation, it is not necessary to refigure items that are based on a percentage of adjusted gross income.

**Line 7.** If line 7 is zero because the tax on the net passive income on line 6 is greater than your credits from passive activities on line 5, all your credits from passive activities are allowed. In this case, enter the amount from line 5 on line 37 and report the credits on the forms normally used. Do not complete Worksheets 5 through 9.

## Part II—Special Allowance for Rental Real Estate Activities With Active Participation



*Married persons filing separate returns who lived with their spouses at any time during the year are not eligible to complete Part II.*

Use Part II to figure the credit allowed if you have any credits from

rental real estate activities in which you actively participated (other than rehabilitation credits and low-income housing credits). See *Rental Activities*, earlier, for details.

**Line 9.** Married persons filing separate returns who lived apart from their spouses at all times during the year must enter \$75,000 on line 9 instead of \$150,000. Married persons filing separate returns who lived with their spouses at any time during the year are not eligible for the special allowance. They must enter -0- on line 16 and go to line 17.

**Line 10.** To figure modified adjusted gross income, combine all the amounts used to figure adjusted gross income except do not take into account:

- Any passive activity loss as defined in section 469(d)(1),
- Any rental real estate loss allowed to real estate professionals (defined under *Activities That Are Not Passive Activities*, earlier),
- Any overall loss from a PTP,
- The taxable amount of social security and tier 1 railroad retirement benefits,
- Deductible contributions to traditional individual retirement accounts (IRAs) and section 501(c)(18) pension plans,
- The domestic production activities deduction,
- The deduction allowed for self-employment taxes,
- The exclusion from income of interest from series EE and I U.S. savings bonds used to pay higher education expenses,
- The exclusion of amounts received under an employer's adoption assistance program,
- The student loan interest deduction, or
- The tuition and fees deduction.

Include in modified adjusted gross income any portfolio income and expenses that are clearly and directly allocable to portfolio income. Also include any income that is treated as nonpassive income, such as overall gain from a PTP and net income from an activity or item of property subject to the recharacterization of passive

income rules. For information on recharacterization of income, see Pub. 925 or Temporary Regulations section 1.469-2T(f).

When figuring modified adjusted gross income, any overall loss from an entire disposition of an interest in a passive activity is taken into account as a nonpassive loss if you do not have any net passive income after combining net income and losses from all other passive activities (that is, Form 8582, line 4 is a loss or zero). If you do have net passive income when you combine the net losses and net income from all other passive activities, the overall loss from the disposition is taken into account as a nonpassive loss only to the extent that it exceeds that net passive income.

**Line 12.** Do not enter more than \$12,500 on line 12 if you are married filing a separate return and you and your spouse lived apart at all times during the year. Married persons filing separate returns who lived with their spouses at any time during the year are not eligible for the special allowance. They must enter -0- on line 16 and go to line 17.

**Line 15.** Figure the tax attributable to the amount on line 14 as follows.

A. Taxable income . . . . .	_____
B. Tax on line A* . . . . .	_____
C. Enter amount from Form 8582-CR, line 14 . . . . .	_____
D. Subtract line C from line A . . . . .	_____
E. Tax on line D* . . . . .	_____
F. Subtract line E from line B and enter the result on Form 8582-CR, line 15 . . . . .	_____

\* For Form 1040, use the Tax Table, Tax Computation Worksheet, or other appropriate method you used to figure your tax. For Form 1041, use the Tax Rate Schedule, Qualified Dividends Tax Worksheet, or Schedule D, whichever applies.

**Note.** When using taxable income in the above computation, it is not necessary to refigure items that are based on a percentage of adjusted gross income.

**Instructions for Worksheet 5**

Complete Worksheet 5 if you have an amount on Form 8582-CR, line 1c and you have credits from more than one activity. For credits to be reported on Form 3800, enter "Form 3800, line" followed by the appropriate line number (3, 24, or 33).

**Column (a).** Enter the credits from Worksheet 1, column (c), in column (a) of this worksheet.

**Column (b).** Divide each of the credits shown in column (a) by the total of the credits in column (a) and enter the ratio for each of the activities in column (b). The total of all the ratios must equal 1.00.

**Column (c).** Multiply Form 8582-CR, line 16 by the ratios in column (b) and enter the result in column (c). If the total of this column is the same as the total of column (a), all credits for the activities in column (a) of this worksheet are allowed. Report them on the forms normally used, and complete Worksheet 6 if you have credits shown in Worksheet 2. Also complete Worksheet 7 or 8 if you have credits shown in Worksheet 3 or 4. If the total of column (a) is more than the total of column (c), complete column (d).

**Column (d).** Subtract column (c) from column (a) and enter the result in this column. Also enter the name of each activity and the form the credit is reported on in Worksheet 8 and enter the amount from column (d) of this worksheet in column (a) of Worksheet 8. Also complete Worksheet 6 or 7 if you have credits on Form 8582-CR, line 2c or 3c.

**Worksheet 5 for Credits on Line 1a or 1b**

(keep for your records)

Name of Activity	Form To Be Reported on	(a) Credits	(b) Ratios	(c) Special Allowance	(d) Subtract column (c) from column (a)
<b>Totals</b> . . . . .	▶		<b>1.00</b>		

**Instructions for Worksheet 6**

Complete Worksheet 6 if you have an amount on Form 8582-CR, line 2c and you have credits from more than one activity. For credits to be reported on Form 3800, enter "Form 3800, line" followed by the appropriate line number (3, 24, or 33).

**Column (a).** Enter the credits from Worksheet 2, column (c), in column (a) of this worksheet.

**Column (b).** Divide each of the credits shown in column (a) by the total of the credits in column (a) and enter the ratio for each of the activities in column (b). The total of all the ratios must equal 1.00.

**Column (c).** Multiply Form 8582-CR, line 30 by the ratios in column (b) and enter the result in column (c). If the total of this column is the same as the total of column (a), all credits for the activities in column (a) of this worksheet are allowed. Report them on the forms normally used, and complete Worksheet 7 or 8 if you have credits shown in Worksheet 3 or 4 or amounts in column (d) of Worksheet 5. If the total of column (a) is more than the total of column (c), complete column (d).

**Column (d).** Subtract column (c) from column (a) and enter the result in this column. Also enter the name of each activity and the form the credit is reported on in Worksheet 8 and enter the amount from column (d) of this worksheet in column (a) of Worksheet 8.

**Worksheet 6 for Credits on Line 2a or 2b**

(keep for your records)

Name of Activity	Form To Be Reported on	(a) Credits	(b) Ratios	(c) Special Allowance	(d) Subtract column (c) from column (a)
<b>Totals</b> . . . . .	▶		<b>1.00</b>		

**Instructions for Worksheet 7**

Complete Worksheet 7 if you have credits on Form 8582-CR, line 3c and you have credits from more than one activity.

**Column (a).** Enter the credits from Worksheet 3, column (c), in column (a) of this worksheet.

**Column (b).** Divide each of the credits shown in column (a) by the total of the credits in column (a) and enter the ratio for each of the activities in column (b). The total of all the ratios must equal 1.00.

**Column (c).** Multiply Form 8582-CR, line 36 by the ratios in column (b) and enter the result in column (c). If the total of this column is the same as the total of column (a), all credits for the activities in column (a) of this worksheet are allowed. Report them on the forms normally used, and complete Worksheet 8 if you have credits shown in Worksheet 4 or amounts in column (d) of Worksheet 5 or 6. If the total of column (a) is more than the total of column (c), complete column (d).

**Column (d).** Subtract column (c) from column (a) and enter the result in this column. Also enter the name of each activity and the form the credit is reported on in Worksheet 8 and enter the amount from column (d) of this worksheet in column (a) of Worksheet 8.

**Worksheet 7 for Credits on Line 3a or 3b**

(keep for your records)

Name of Activity	Form To Be Reported on	(a) Credits	(b) Ratios	(c) Special Allowance	(d) Subtract column (c) from column (a)
<b>Totals</b> . . . . .	▶		<b>1.00</b>		

**Instructions for Worksheet 8**

Complete Worksheet 8 if you have credits on Form 8582-CR, line 4c from more than one activity or reported on different forms or you have amounts in column (d) of Worksheets 5, 6, or 7. For credits to be reported on Form 3800, enter "Form 3800, line" followed by the appropriate line number (3, 24, or 33).

**Column (a).** Enter the amounts, if any, from column (c) of Worksheet 4 and column (d) of Worksheets 5, 6, and 7.

**Column (b).** Divide each of the credits in column (a) by the total of all the credits in column (a) and enter the ratio for each of the activities in column (b). The total of all the ratios must equal 1.00.

**Column (c).** Complete the following computation:

- A. Enter Form 8582-CR, line 5 . . . . . \_\_\_\_\_
- B. Enter Form 8582-CR, line 37 . . . . . \_\_\_\_\_
- C. Subtract line B from line A . . . . . \_\_\_\_\_

Multiply line C by the ratios in column (b) and enter the results in column (c). Complete Worksheet 9 to determine the credits allowed for the current year.

**Worksheet 8—Allocation of Unallowed Credits**

(keep for your records)

Name of Activity	Form To Be Reported on	(a) Credits	(b) Ratios	(c) Unallowed Credits
<b>Totals</b> . . . . .	▶		<b>1.00</b>	

**Instructions for Worksheet 9**

**Column (a).** Enter all the activities shown in Worksheet 8. The credits entered in column (a) of this worksheet are the credits shown in column (c) of Worksheets 1, 2, 3, and 4 for the activities listed in Worksheet 8. For credits to be reported on Form 3800, enter "Form 3800, line" followed by the appropriate line number (3, 24, or 33).

**Column (b).** Enter the amounts from column (c) of Worksheet 8 in this column. These are your unallowed credits for the current year.

**Column (c).** Subtract column (b) from column (a). These are the allowed credits for the current year. Report the amounts in this column on the forms normally used. See *Reporting Allowed Credits on Your Tax Return*, in the instructions.

**Worksheet 9—Allowed Credits**

(keep for your records)

Name of Activity	Form To Be Reported on	(a) Credits	(b) Unallowed Credits	(c) Allowed Credits
<b>Totals</b> . . . . .	▶			

## Part III—Special Allowance for Rehabilitation Credits From Rental Real Estate Activities and Low-Income Housing Credits for Property Placed in Service Before 1990 (or From Pass-Through Interests Acquired Before 1990)

 **Married persons filing separate returns who lived with their spouses at any time during the year are not eligible to complete Part III.**

Use Part III to figure the credit allowed if you have any rehabilitation credits or low-income housing credits for property placed in service before 1990. Also use this part if your low-income housing credit is from a partnership, S corporation, or other pass-through entity in which you acquired your interest before 1990, regardless of the date the property was placed in service.

**Line 21.** Married persons filing separate returns who lived apart from their spouses at all times during the year must enter \$125,000 on line 21, instead of \$250,000.

Skip lines 21 through 26 if you completed Part II of this form and your modified adjusted gross income on line 10 was \$100,000 or less (\$50,000 or less if married filing separately and you lived apart from your spouse for the entire year). Instead, enter the amount from line 15 on line 27.

**Line 24.** Do not enter more than \$12,500 on line 24 if you are married filing a separate return and lived apart from your spouse for the entire year.

**Line 27.** Figure the tax attributable to the amount on line 26 as follows.

A. Taxable income	_____
B. Tax on line A*	_____
C. Enter amount from Form 8582-CR, line 26	_____
D. Subtract line C from line A	_____
E. Tax on line D*	_____
F. Subtract line E from line B and enter the result on Form 8582-CR, line 27	_____

\*For Form 1040, use the Tax Table, Tax Computation Worksheet, or other appropriate method you used to figure your tax. For Form 1041, use the Tax Rate Schedule, Qualified Dividends Tax Worksheet, or Schedule D, whichever applies.

**Note.** When using taxable income in the above computation, it is not necessary to refigure items that are

based on a percentage of adjusted gross income.

## Part IV—Special Allowance for Low-Income Housing Credits for Property Placed in Service After 1989

 **Married persons filing separate returns who lived with their spouses at any time during the year are not eligible to complete Part IV.**

Use Part IV to figure the credit allowed if you have any low-income housing credits for property placed in service after 1989. If you held an indirect interest in the property through a partnership, S corporation, or other pass-through entity, use Part IV only if your interest in the pass-through entity was also acquired after 1989.

**Line 35.** Figure the tax attributable to the remaining special allowance as follows.

A. Taxable income	_____
B. Tax on line A*	_____
C. Enter \$25,000 (\$12,500 if married filing separate return and you and your spouse lived apart at all times during the year)	_____
D. Enter amount, if any, from Form 8582, line 10	_____
E. Enter the amount, if any, from Form 8582, line 14	_____
F. Subtract lines D and E from line C	_____
G. Subtract line F from line A	_____
H. Tax on line G*	_____
I. Subtract line H from line B	_____
J. Add lines 16 and 30 of Form 8582-CR and enter the total	_____
K. Tax attributable to the remaining special allowance. Subtract line J from line I. Enter the result on Form 8582-CR, line 35	_____

\*For Form 1040, use the Tax Table, Tax Computation Worksheet, or other appropriate method you used to figure your tax. For Form 1041, use the Tax Rate Schedule, Qualified Dividends Tax Worksheet, or Schedule D, whichever applies.

**Note.** When using taxable income in the above computation, it is not necessary to refigure items that are based on a percentage of adjusted gross income.

## Part V—Passive Activity Credit Allowed

Use Part V to figure the PAC (as determined in Part I) that is allowed for the current year for all passive activities.

**Line 37.** If you have only one type of credit, the amount on line 37 is the credit allowed for the year. Enter this amount on the form where it is normally reported. See *Reporting Allowed Credits on Your Tax Return*, later. Your unallowed credit is line 5 minus line 37.

Use Worksheets 5 through 9, whichever apply, to allocate the allowed and unallowed credits if you have credits from more than one activity. Also use the worksheets if you have more than one type of credit.

Keep a record of each unallowed credit and the activity to which it belongs so you may claim the credit if it becomes allowable in a future year.

### Reporting Allowed Credits on Your Tax Return

 **For tax years beginning after 2011, line numbers on the referenced forms may change. See the form instructions for the referenced forms on how to report the passive activity credit allowed.**

**Form 3800.** Enter on Form 3800, line 3, 24, and 33, whichever apply, the passive activity general business credits allowed.

**Form 8834.** See the Instructions for Form 8834 for instructions on how to report the passive activity credit allowed.

## Publicly Traded Partnerships (PTPs)

A PTP is a partnership whose interests are traded on an established securities market or are readily tradable on a secondary market (or its substantial equivalent).

An established securities market includes any national securities exchange and any local exchange registered under the Securities Exchange Act of 1934 or exempted from registration because of the limited volume of transactions. It also includes any over-the-counter market.

A secondary market generally exists if a person stands ready to make a market in the interest. An interest is treated as readily tradable if the interest is regularly quoted by persons, such as brokers or dealers, who are making a market in the interest.

The substantial equivalent of a secondary market exists if there is no

identifiable market maker, but holders of interests have a readily available, regular, and ongoing opportunity to sell or exchange their interests through a public means of obtaining or providing information on offers to buy, sell, or exchange interests. Similarly, the substantial equivalent of a secondary market exists if prospective buyers and sellers have the opportunity to buy, sell, or exchange interests in a timeframe and with the regularity and continuity that the existence of a market maker would provide.

### Credits From PTPs

A credit from a passive activity held through a PTP is allowed to the extent of the tax attributable to net passive income from that partnership. In addition, rehabilitation credits and low-income housing credits from rental real estate activities held through PTPs are allowed to the extent of any special allowance that remains after taking into account losses and credits from rental real estate activities not owned through PTPs. See *Special Allowance for Rental Real Estate Activities*, earlier.



*Do not enter credits from PTPs on the worksheets or on Form 8582-CR. Instead, use the following steps to figure the allowed and unallowed credits from passive activities held through PTPs.*

### Computation of Allowed Passive Activity Credits From PTPs

Complete Steps 1 and 2 only if you have net passive income from a PTP with passive activity credits (including prior year unallowed credits).

**Step 1.** Figure the tax attributable to net passive income from each PTP with passive activity credits (including prior year unallowed credits) by following the steps shown in the worksheet in the line 6 instructions. Complete a separate tax computation for each PTP with net passive income.

**Step 2.** Passive activity credits from each PTP are allowed to the extent of the tax attributable to net passive income from the same PTP. Credits in excess of the tax attributable to net passive income may be allowed under one or more steps below.

Complete Steps 3 through 5 only if your passive activity credits (including prior year unallowed credits) include rehabilitation credits from rental real estate activities from PTPs, low-income housing credits for property placed in service before 1990 from PTPs, or low-income housing credits from PTPs in which you acquired your interest before 1990 (regardless of the date placed in service).

**Step 3.** Reduce rehabilitation credits from rental real estate activities from each PTP, low-income housing credits for property placed in service before 1990 from each PTP, and any low-income housing credits (including prior year unallowed credits) from each PTP in which you acquired your interest before 1990 (regardless of the date placed in service) to the extent of the tax, which was figured in Step 1, attributable to net passive income from that PTP.

**Step 4.** Before beginning this step, complete Form 8582-CR if you have any passive credits that are not from PTPs. Subtract the total of lines 16, 30, and 36, if any, of Form 8582-CR, from the amount on line 27 of Form 8582-CR, to figure the tax attributable to the special allowance available for the credits in Step 3.

If your only passive credits are from PTPs, complete lines 21 through 27 of Form 8582-CR as a worksheet. The amount on line 27 is the tax attributable to the special allowance available for the credits in Step 3.

**Step 5.** Rehabilitation credits from rental real estate activities of PTPs, low-income housing credits for property placed in service before 1990 by PTPs, and low-income housing credits from PTPs in which you acquired your interest before 1990 (regardless of the date placed in service) allowed under the special allowance are the smaller of the total credits from Step 3 or the amount figured in Step 4. If Step 4 is smaller than Step 3, allocate the amount in Step 4 pro rata to the credits from each PTP in Step 3.

Complete Steps 6 through 8 only if you have low-income housing credits (including prior year unallowed credits) for property placed in service after 1989 from a PTP in which you acquired your interest after 1989.

**Step 6.** Reduce low-income housing credits (including prior year unallowed credits) for property placed in service after 1989 from each PTP in which you also acquired your interest after 1989 to the extent of the tax attributable to net passive income from that PTP, which was figured in Step 1.

**Step 7.** Before beginning this step, complete Form 8582-CR if you have any passive credits that are not from PTPs. Subtract the sum of the credits allowed in Step 5 above and Form 8582-CR, line 36, from the amount on Form 8582-CR, line 35, to figure the tax attributable to the special allowance available for the credits in Step 6.

If your only passive credits are from PTPs, complete the steps shown in the worksheet in the line 35

instructions. Subtract the credits allowed in Step 5 above from the tax figured on line K of that worksheet. The result is the tax attributable to the special allowance available for the credits in Step 6.

**Step 8.** Low-income housing credits allowed under the special allowance for property placed in service after 1989 from a PTP in which you also acquired your interest after 1989 are the smaller of the total credits from Step 6 or the amount figured in Step 7. If Step 7 is smaller than Step 6, allocate the amount in Step 7 pro rata to the credits from each PTP in Step 6.

**Step 9.** Add the credits from Steps 2, 5, and 8. These are the total credits allowed from passive activities of PTPs.

**Step 10.** Figure the allowed and unallowed credits from each PTP. Report the allowed credits on the forms normally used. Keep a record of the unallowed credits to be carried forward to next year.

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## Part VI—Election To Increase Basis of Credit Property

Complete Part VI if you disposed of your entire interest in a passive activity and elect to increase the basis of the credit property used in the activity by the unallowed credit that reduced the basis of the property.

**Line 38.** Check the box if you elect to increase the basis of credit property used in a passive activity by the unallowed credit that reduced the property's basis. The election is available for a fully taxable disposition of an entire interest in an activity for which a basis adjustment was made as a result of placing in service property for which a credit was taken. You may elect to increase the basis of the credit property immediately before the disposition (by an amount no greater than the amount of the original basis reduction) to the extent that the credit had not been allowed previously because of the passive activity credit limitations. The amount of the unallowed credit that may be applied against tax is reduced by the amount of the basis adjustment.

No basis adjustment may be elected on a partial disposition of your interest in a passive activity or if the disposition is not fully taxable. The amount of any unallowed credit, however, remains available to offset the tax attributable to net passive income.

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**Paperwork Reduction Act Notice.** We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become

material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is shown below.

- Recordkeeping . . . . .** 2 hr., 4 min.
- Learning about the law or the form . . . . .** 6 hr., 4 min.
- Preparing the form . . . . .** 4 hr., 19 min.
- Copying, assembling, and sending the form to the IRS . . . . .** 1 hr., 9 min.

If you have suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.

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