
Completing Form 8582 Worksheets for More Than One Passive Activity With Schedule D (Form 1040) Transactions

Announcement 98-12

The 1997 instructions for Form 8582, *Passive Activity Loss Limitations*, included an example of how to complete the worksheets for Form 8582 when the filer has one passive activity with Schedule D (Form 1040) transactions.

In response to requests for clarification on how to complete the worksheets if the filer has more than one passive activity with Schedule D (Form 1040) transactions, we have developed the following example:

Example of Schedule D (Form 1040) Transactions

The taxpayer had the following Schedule D (Form 1040) transactions from two activities in 1997.

Activity I

A passive activity prior year unallowed long-term capital loss (a 28% rate loss) of (\$1,000), and a loss on a May 8, 1997, sale of an asset held more than 12 months (a 20% rate loss) of (\$3,000).

Activity II

A loss on a July 30, 1997, sale of an asset held more than 12 months but not more than 18 months (a 28% rate loss) of (\$230), and net income of \$1,100 from Schedule E (Form 1040).

Worksheet 2

The activities were reported separately on

Worksheet 2. Activity I had an overall loss of (\$4,000) (current year net loss of (\$3,000) and a prior year unallowed loss of (\$1,000)). Activity II had an overall gain of \$870 (current year net income of \$1,100 less current year net loss of (\$230)). Line 11 of Form 8582 shows a loss allowed of (\$1,100).

Worksheet 4

Activity I has an unallowed loss of (\$3,130). (Line 3 of Form 8582 (\$3,130) less line 9 of Form 8582 (-0-) \times 100%). All of the (\$230) loss is allowed for Activity II.

Worksheet 6

Use Worksheet 6 to figure the portion of the unallowed loss attributable to the 28% rate loss and the portion to the 20% rate loss.

Enter the loss attributable to the 28% rate loss (\$1,000) and the loss attributable to the 20% rate loss (\$3,000) as separate entries in Worksheet 6 (i.e., as if they were going to be reported on a different form or schedule). Then figure the ratio of each loss to the total of the two losses as follows. $\$1,000/\$4,000 = .25$. $\$3,000/\$4,000 = .75$. Multiply each of these ratios by the unallowed loss for Activity I shown in column (c) of Worksheet 4 (\$3,130).

Unallowed losses for Activity I:

28% rate loss: $.25 \times \$3,130 = \782.50

20% rate loss: $.75 \times \$3,130 = \$2,347.50$

Allowed losses for Activity I:

28% rate loss: $\$1,000 - \$782.50 = \$217.50$

20% rate loss: $\$3,000 - \$2,347.50 = \$652.50$

The total loss allowed for Activity I (\$870.00) is entered in column (f), Part II, Schedule D (Form 1040) and the 28% rate loss (\$217.50) is entered in column (g). Keep a record of the unallowed 28% and 20% rate losses to figure the passive activity loss for these transactions next year.
