

1SUPPORTING STATEMENT
Internal Revenue Service (IRS)
Form 8582, Passive Activity Loss Limitations
OMB Control Number 1545-1008

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

Internal Revenue Code (IRC) Section 469 limits the passive activity losses or credit that a taxpayer may deduct and provides that unallowed losses or credit may be applied in the next taxable year. Treasury Regulations Sections 1.469-1 and 1.469-1T provide the general rules for determining passive activity losses and credits.

Form 8582 is used by individuals, estates, and trusts to figure the amount of passive activity loss for the current tax year and to report the application of prior year unallowed passive activity loss.

2. USE OF DATA

Taxpayers and the IRS use the data to verify that the proper amount of passive activity losses and credits are reported on the tax return.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

The IRS is currently offering electronic filing for Form 8582.

4. EFFORTS TO IDENTIFY DUPLICATION

The information obtained through this collection is unique and is not already available for use or adaptation from another source.

5. METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES

The collection of information requirement will not have a significant economic impact on a substantial number of small entities.

6. CONSEQUENCES OF LESS FREQUENT COLLECTION ON FEDERAL PROGRAMS OR POLICY ACTIVITIES

Consequences of less frequent collection would consist of decreased amount of taxes collected by the IRS, inaccurate and untimely filing of tax returns, and an increase in tax violations.

7. SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE

INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.5(d)(2)

There are no special circumstances requiring data collection to be inconsistent with guidelines in 5 CFR 1320.5(d)(2).

8. CONSULTATION WITH INDIVIDUALS OUTSIDE OF THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS

In response to the Federal Register notice dated March 13, 2024 (89 FR 18484), IRS

received no comments during the comment period regarding Form 8582.

9. EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS

No payment or gift has been provided to any respondents.

10. ASSURANCE OF CONFIDENTIALITY OF RESPONSES

Generally, tax returns and tax return information are confidential as required by 26 USC 6103.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

A privacy impact assessment (PIA) has been conducted for information collected under this request as part of the “Individual Master File (IMF)” system and a Privacy Act System of Records notice (SORN) has been issued for this system under IRS 24.030 CADE Individual Master File; 34.037 IRS Audit Trail and Security Records System. The Internal Revenue Service PIAs can be found at <https://www.irs.gov/uac/Privacy-Impact-Assessments-PIA>

Title 26 USC 6109 requires inclusion of identifying numbers in returns, statements, or other documents for securing proper identification of persons required to make such returns, statements, or documents and is the authority for social security numbers (SSNs) in IRS systems.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

IRC Section 469 and its associated regulations require individuals, trusts, and estates to disclose information and keep records. Form 8582 is used to figure the passive activity loss allowed and the actual loss to be reported on the tax return. 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. This collection includes the estimated burden for estates and trusts filing Form 8582 with their tax return. The IRS anticipates that there will be approximately 400,000 respondents annually, with a total estimated burden of 1,280,000 hours annually. The estimated burden is shown below.

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden Hours
IRC § 469	Form 8582	400,000	1	400,000	3.2	1,280,000
Totals		400,000		400,000		1,280,000

The following regulations impose no additional burden. Please continue to assign OMB number 1545-1008 to these regulations:

1.469-1
1.469-1T

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

This information collection will be included in the consolidated OMB submission for Estate and Trust returns currently being developed. IRS is working on the methodology for evaluating estate and trust return burden and cost; and will update the cost and burden estimates as part of the consolidation.

14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

The federal government cost estimate is based on a model that considers the following three cost factors for each information product: aggregate labor costs for development, including annualized startup expenses, operating and maintenance expenses, and distribution of the product that collects the information. These costs do not include any activities such as taxpayer assistance and enforcement.

The government computes cost using a multi-step process. First, the government creates a weighted factor for the level of effort to create each information collection product based on variables, such as complexity, number of pages, type of product, and frequency of revision. Second, the total costs associated with developing the product such as labor cost, and operating expenses associated with the downstream impact such as support functions, are added together to obtain the aggregated total cost. Then, the aggregated total cost and factor are multiplied together to obtain the aggregated cost per

product. Lastly, the aggregated cost per product is added to the cost of shipping and printing each product to IRS offices, National Distribution Center, libraries, and other outlets. The result is the government cost estimate per product.

The government cost estimate for this collection is summarized in the table below.

<u>Product</u>	<u>Aggregate Cost per Product (factor applied)</u>		<u>Printing and Distribution</u>		<u>Government Cost Estimate per Product</u>
Form	\$ 81,480	+	\$ 442	=	\$ 81,922
Form Instructions	\$ 37,606	+	\$ 266	=	\$ 37,872
Grand Total	\$ 119,086	+	\$ 708	=	\$ 119,794
Table costs are based on 2023 actuals obtained from IRS Chief Financial Officer and Media and Publications					

15. REASONS FOR CHANGE IN BURDEN

Form 8582 was revised to remove the expired commercial revitalization deductions, removing 13 lines from the form. This reduces the burden by 75,000 hours due to Agency Discretion. The estimated number of responses was updated based on current filing data. This increases the number of responses by 150,000 and the burden hours by 480,000 annually due to Agency Estimate.

	<u>Total Requested</u>	<u>Change Due to New Statute</u>	<u>Change Due to Agency Discretion</u>	<u>Change Due to Adjustment in Estimate</u>	<u>Change Due to Potential Violation of the PRA</u>	<u>Previously Approved</u>
Annual Number of Responses	400,000	0	0	150,000	0	250,000
Annual Time Burden (Hr)	1,280,000	0	-75,000	480,000	0	875,000

16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

There are no plans for tabulation, statistical analysis and publication.

17. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE

The IRS believes that displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that the information collection expires as of the expiration date. Taxpayers are not likely to be aware that the IRS intends to request renewal of the OMB approval and obtain a new expiration date before the old one expires.

18. EXCEPTIONS TO THE CERTIFICATION STATEMENT

There are no exceptions to the certification statement for this collection.