

Material Participation

You must meet 1 of these tests:

- 500 hours – You participated in the activity for more than 500 hours during the year. This is about 10 hours per week.
- Main participant – You performed substantially all of the work in this activity during the year.
- Equal participation – Both of these must be true:
 - You participated in the activity for more than 100 hours during the year.
 - No one else participated in the activity for more hours than you during the year.
- Significant participation – All of these apply:
 - The activity isn't a rental activity.
 - You participated in this activity for more than 100 hours during the year.
 - You participated in other activities for more than 100 hours each during the year.
 - Your total participation in all activities (including this one) was more than 500 hours.
 - You would not be treated as having materially participated in any of these activities under any of the other tests.
- Facts and circumstances – Based on all of the facts and circumstances, you participated in the activity in a way that was:
 - Regular
 - Continuous
 - Substantial

You can't meet this test if you participated in the activity for 100 hours or less. Your time spent managing the activity doesn't count for this test if:

- Anyone was paid to manage the activity
- Anyone else spent more hours than you managing the activity
- Length of service – You met any other test of material participation for any 5 of the past 10 years.

The income from the activity might come mainly from your personal services instead of capital. If so, you only need to have materially participated for any 3 previous tax years to meet this test. The 3 years don't have to be consecutive.

If you're an investor, your work isn't considered participation unless you were directly involved in:

- Day-to-day management
- Operations of the activity

When figuring material participation, you can count your spouse's material participation. This is true even if:

- Your spouse didn't own an interest in the activity.
- You and your spouse don't file a joint return for the tax year.

To learn more about material participation, see:

- Instructions for Form 8582: Passive Activity Loss Limitations
- Publication 925: Passive Activity and At-Risk Rules