

Part III

Administrative, Procedural, and Miscellaneous

26 CFR 601.105: Examination of returns and claims for refund, credit, or abatement; determination of correct tax liability.
(Also: Part I, §§ 280F; 1.280F-7.)

Rev. Proc. 2012-23

SECTION 1. PURPOSE

This revenue procedure provides: (1) limitations on depreciation deductions for owners of passenger automobiles first placed in service by the taxpayer during calendar year 2012, including separate tables of limitations on depreciation deductions for trucks and vans; and (2) the amounts that must be included in income by lessees of passenger automobiles first leased by the taxpayer during calendar year 2012, including a separate table of inclusion amounts for lessees of trucks and vans. The tables detailing these depreciation limitations and lessee inclusion amounts reflect the automobile price inflation adjustments required by § 280F(d)(7) of the Internal Revenue Code.

SECTION 2. BACKGROUND

.01 For owners of passenger automobiles, § 280F(a) imposes dollar limitations on the depreciation deduction for the year the taxpayer places the passenger automobile in service and for each succeeding year. For passenger automobiles placed in service after 1988, § 280F(d)(7) requires the Internal Revenue Service to increase the amounts allowable as depreciation deductions by a price inflation adjustment amount. The method of calculating this price inflation amount for trucks and vans placed in service in or after calendar year 2003 uses a different CPI “automobile component” (the “new trucks” component) than that used in the price inflation amount calculation for other passenger automobiles (the “new cars” component), resulting in somewhat higher depreciation deductions for trucks and vans. This change reflects the higher rate of price inflation for trucks and vans since 1988.

.02 Section 401(a) of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, 124 Stat. 3296 (Dec. 17, 2010) (the “Act”) extended the 50 percent additional first year depreciation deduction under § 168(k) to qualified property acquired by the taxpayer after December 31, 2007, and before January 1, 2013, if no written binding contract for the acquisition of the property existed before January 1, 2008, and if the taxpayer places the property in service generally before January 1, 2013.

Section 168(k)(2)(F)(i) increases the first year depreciation allowed under § 280F(a)(1)(A)(i) by \$8,000 for passenger automobiles to which the additional first year depreciation deduction under § 168(k) (hereinafter, referred to as “§ 168(k) additional first year depreciation deduction”) applies.

. 03 Section 168(k)(2)(D)(i) provides that the § 168(k) additional first year depreciation

deduction does not apply to any property required to be depreciated under the alternative depreciation system of § 168(g), including property described in § 280F(b)(1). Section 168(k)(2)(D)(iii) permits a taxpayer to elect out of the § 168(k) additional first year depreciation deduction for any class of property. Section 168(k)(4), as amended by the Act, permits a corporation to elect to increase the alternative minimum tax (“AMT”) credit limitation under § 53(c), instead of claiming the § 168(k) additional first year depreciation deduction for all eligible qualified property placed in service after December 31, 2010, that is round 2 extension property (as defined in § 168(k)(4)(l)(iv)).

Accordingly, this revenue procedure provides tables for passenger automobiles for which the § 168(k) additional first year depreciation deduction applies. This revenue procedure also provides tables for passenger automobiles for which the § 168(k) additional first year depreciation deduction does not apply, either because taxpayer (1) purchased the passenger automobile used; (2) did not use the passenger automobile during 2012 more than 50 percent for business purposes; (3) elected out of the § 168(k) additional first year depreciation deduction pursuant to § 168(k)(2)(D)(iii); or (4) elected to increase the § 53 AMT credit limitation in lieu of claiming § 168(k) additional first year depreciation.

.04 Section 280F(c) requires a reduction in the deduction allowed to the lessee of a leased passenger automobile. The reduction must be substantially equivalent to the limitations on the depreciation deductions imposed on owners of passenger automobiles. Under § 1.280F-7(a) of the Income Tax Regulations, this reduction requires a lessee to include in gross income an amount determined by applying a

formula to the amount obtained from a table. One table applies to lessees of trucks and vans and another table applies to all other passenger automobiles. Each table shows inclusion amounts for a range of fair market values for each taxable year after the passenger automobile is first leased.

SECTION 3. SCOPE

.01 The limitations on depreciation deductions in section 4.01(2) of this revenue procedure apply to passenger automobiles (other than leased passenger automobiles) that are placed in service by the taxpayer in calendar year 2012, and continue to apply for each taxable year that the passenger automobile remains in service.

.02 The tables in section 4.02 of this revenue procedure apply to leased passenger automobiles for which the lease term begins during calendar year 2012. Lessees of these passenger automobiles must use these tables to determine the inclusion amount for each taxable year during which the passenger automobile is leased. See Rev. Proc. 2007-30, 2007-1 C.B. 1104, for passenger automobiles first leased during calendar year 2007; Rev. Proc. 2008-22, 2008-1 C.B. 658, for passenger automobiles first leased during calendar year 2008; Rev. Proc. 2009-24, 2009-1 C.B. 885, for passenger automobiles first leased during calendar year 2009; Rev. Proc. 2010-18, 2010-1 C.B. 427, as amplified and modified by section 4.03 of Rev. Proc. 2011-21, 2011-1 C.B. 560, for passenger automobiles first leased during calendar year 2010; and Rev. Proc. 2011-21, for passenger automobiles first leased during calendar year 2011.

SECTION 4. APPLICATION

.01 Limitations on Depreciation Deductions for Certain Automobiles.

(1) Amount of the inflation adjustment.

(a) Passenger automobiles (other than trucks or vans). Under § 280F(d)(7)(B)(i), the automobile price inflation adjustment for any calendar year is the percentage (if any) by which the CPI automobile component for October of the preceding calendar year exceeds the CPI automobile component for October 1987. Section 280F(d)(7)(B)(ii) defines the term "CPI automobile component" as the automobile component of the Consumer Price Index for all Urban Consumers published by the Department of Labor. The new car component of the CPI was 115.2 for October 1987 and 143.419 for October 2011. The October 2011 index exceeded the October 1987 index by 28.219. Therefore, the automobile price inflation adjustment for 2012 for passenger automobiles (other than trucks and vans) is 24.5 percent ($28.219/115.2 \times 100\%$). The dollar limitations in § 280F(a) are multiplied by a factor of 0.245, and the resulting increases, after rounding to the nearest \$100, are added to the 1988 limitations to give the depreciation limitations applicable to passenger automobiles (other than trucks and vans) for calendar year 2012. This adjustment applies to all passenger automobiles (other than trucks and vans) that are first placed in service in calendar year 2012.

(b) Trucks and vans. To determine the dollar limitations for trucks and vans first placed in service during calendar year 2012, the Service uses the new truck component of the CPI instead of the new car component. The new truck component of the CPI was 112.4 for October 1987 and 146.607 for October 2011. The October 2011 index exceeded the October 1987 index by 34.207. Therefore, the automobile price inflation adjustment for 2012 for trucks and vans is 30.43 percent ($34.207/112.4 \times$

100%). The dollar limitations in § 280F(a) are multiplied by a factor of 0.3043, and the resulting increases, after rounding to the nearest \$100, are added to the 1988 limitations to give the depreciation limitations for trucks and vans. This adjustment applies to all trucks and vans that are first placed in service in calendar year 2012.

(2) Amount of the limitation. Tables 1 through 4 contain the dollar amount of the depreciation limitation for each taxable year for passenger automobiles a taxpayer places in service in calendar year 2012. Use Table 1 for a passenger automobile (other than a truck or van), and Table 2 for a truck or van, placed in service in calendar year 2012 for which the § 168(k) additional first year depreciation deduction applies. Use Table 3 for a passenger automobile (other than a truck or van), and Table 4 for a truck or van, placed in service in calendar year 2012 for which the § 168(k) additional first year depreciation deduction does not apply.

REV. PROC. 2012-23 TABLE 1	
DEPRECIATION LIMITATIONS FOR PASSENGER AUTOMOBILES (THAT ARE NOT TRUCKS OR VANS) PLACED IN SERVICE IN CALENDAR YEAR 2012 FOR WHICH THE § 168(k) ADDITIONAL FIRST YEAR DEPRECIATION DEDUCTION APPLIES	
<u>Tax Year</u>	<u>Amount</u>
1st Tax Year	\$11,160
2nd Tax Year	\$ 5,100
3rd Tax Year	\$ 3,050
Each Succeeding Year	\$ 1,875

REV. PROC. 2012-23 TABLE 2	
DEPRECIATION LIMITATIONS FOR TRUCKS AND VANS PLACED IN SERVICE IN CALENDAR YEAR 2012 FOR WHICH THE § 168(k) ADDITIONAL FIRST YEAR DEPRECIATION DEDUCTION APPLIES	
<u>Tax Year</u>	<u>Amount</u>
1st Tax Year	\$11,360
2nd Tax Year	\$ 5,300
3rd Tax Year	\$ 3,150

Each Succeeding Year	\$ 1,875
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REV. PROC. 2012-23 TABLE 3
DEPRECIATION LIMITATIONS FOR PASSENGER AUTOMOBILES
(THAT ARE NOT TRUCKS OR VANS) PLACED IN SERVICE IN CALENDAR YEAR
2012 FOR WHICH THE § 168(k) ADDITIONAL FIRST YEAR DEPRECIATION
DEDUCTION DOES NOT APPLY

<u>Tax Year</u>	<u>Amount</u>
1st Tax Year	\$ 3,160
2nd Tax Year	\$ 5,100
3rd Tax Year	\$ 3,050
Each Succeeding Year	\$ 1,875

REV. PROC. 2012-23 TABLE 4
DEPRECIATION LIMITATIONS FOR TRUCKS AND VANS PLACED IN SERVICE IN
CALENDAR YEAR 2012 FOR WHICH THE § 168(k) ADDITIONAL FIRST YEAR
DEPRECIATION DEDUCTION DOES NOT APPLY

<u>Tax Year</u>	<u>Amount</u>
1st Tax Year	\$ 3,360
2nd Tax Year	\$ 5,300
3rd Tax Year	\$ 3,150
Each Succeeding Year	\$ 1,875

.02 Inclusions in Income of Lessees of Passenger Automobiles.

A taxpayer must follow the procedures in § 1.280F-7(a) for determining the inclusion amounts for passenger automobiles first leased in calendar year 2012. In applying these procedures, lessees of passenger automobiles other than trucks and vans should use Table 5 of this revenue procedure, while lessees of trucks and vans should use Table 6 of this revenue procedure.

REV. PROC. 2012-23 TABLE 5 DOLLAR AMOUNTS FOR PASSENGER AUTOMOBILES (THAT ARE NOT TRUCKS OR VANS) WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2012	
Fair Market Value of Passenger Automobile	Tax Year During Lease

Over	Not Over	1 st	2 nd	3 rd	4 th	5 th & later
\$18,500	\$19,000	2	4	5	6	8
19,000	19,500	2	4	7	7	9
19,500	20,000	2	5	8	8	10
20,000	20,500	3	5	9	10	11
20,500	21,000	3	6	9	12	12
21,000	21,500	3	7	10	12	14
21,500	22,000	3	8	11	13	16
22,000	23,000	4	8	13	15	17
23,000	24,000	4	10	15	17	20
24,000	25,000	5	11	17	19	23
25,000	26,000	6	12	19	21	26
26,000	27,000	6	14	20	24	28
27,000	28,000	7	15	22	26	31
28,000	29,000	7	16	25	28	33
29,000	30,000	8	18	25	32	35
30,000	31,000	9	19	27	34	38
31,000	32,000	9	20	30	36	41
32,000	33,000	10	21	32	38	43
33,000	34,000	10	23	33	41	46
34,000	35,000	11	24	35	43	49
35,000	36,000	12	25	37	45	52
36,000	37,000	12	27	39	47	54
37,000	38,000	13	28	41	49	57
38,000	39,000	13	29	43	52	59
39,000	40,000	14	30	45	54	62
40,000	41,000	14	32	47	56	65
41,000	42,000	15	33	49	58	68
42,000	43,000	16	34	51	61	70
43,000	44,000	16	36	52	63	73
44,000	45,000	17	37	54	66	75
45,000	46,000	17	38	57	67	78
46,000	47,000	18	39	59	70	80
47,000	48,000	19	40	61	72	83
48,000	49,000	19	42	62	75	86
49,000	50,000	20	43	64	77	89
50,000	51,000	20	45	66	79	91
51,000	52,000	21	46	68	81	94
52,000	53,000	21	47	70	84	96
53,000	54,000	22	48	72	86	99
54,000	55,000	23	49	74	88	102
55,000	56,000	23	51	76	90	104
56,000	57,000	24	52	78	92	107
57,000	58,000	24	54	79	95	110
58,000	59,000	25	55	81	97	113

REV. PROC. 2012-23 TABLE 5						
DOLLAR AMOUNTS FOR PASSENGER AUTOMOBILES (THAT ARE NOT TRUCKS OR VANS) WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2012						
Fair Market Value of Passenger Automobile		Tax Year During Lease				
Over	Not Over	1 st	2 nd	3 rd	4 th	5 th & later
59,000	60,000	26	56	83	100	115
60,000	62,000	26	58	86	103	119
62,000	64,000	28	60	90	108	124
64,000	66,000	29	63	94	112	129
66,000	68,000	30	66	97	117	135
68,000	70,000	31	68	102	121	140
70,000	72,000	32	71	105	126	145
72,000	74,000	33	74	109	130	151
74,000	76,000	35	76	113	135	156
76,000	78,000	36	78	117	140	161
78,000	80,000	37	81	120	145	166
80,000	85,000	39	86	127	152	176
85,000	90,000	42	92	137	163	189
90,000	95,000	45	98	147	175	202
95,000	100,000	48	105	155	187	215
100,000	110,000	52	115	170	203	235
110,000	120,000	58	127	189	227	262
120,000	130,000	64	140	208	250	288
130,000	140,000	70	153	227	272	315
140,000	150,000	75	166	246	296	340
150,000	160,000	81	179	265	318	368
160,000	170,000	87	192	284	341	394
170,000	180,000	93	204	304	364	420
180,000	190,000	99	217	323	387	446
190,000	200,000	105	230	342	409	473
200,000	210,000	111	243	361	432	499
210,000	220,000	116	256	380	455	526
220,000	230,000	122	269	399	478	552
230,000	240,000	128	282	418	501	578
240,000	And up	134	294	437	524	605

REV. PROC. 2012-23 TABLE 6	
DOLLAR AMOUNTS FOR TRUCKS AND VANS WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2012	
Fair Market Value of Truck or Van	Tax Year During Lease

Over	Not Over	1 st	2 nd	3 rd	4 th	5 th & later
19,000	19,500	1	4	5	6	7
19,500	20,000	2	4	6	7	9
20,000	20,500	2	5	7	8	10
20,500	21,000	2	5	8	10	11
21,000	21,500	3	6	9	10	13
21,500	22,000	3	6	10	12	14
22,000	23,000	3	8	11	14	15
23,000	24,000	4	9	13	16	18
24,000	25,000	4	10	15	19	21
25,000	26,000	5	11	17	21	24
26,000	27,000	6	12	19	23	26
27,000	28,000	6	14	21	25	29
28,000	29,000	7	15	23	27	32
29,000	30,000	7	17	24	30	34
30,000	31,000	8	18	26	32	37
31,000	32,000	9	19	28	34	40
32,000	33,000	9	20	31	36	42
33,000	34,000	10	21	33	39	44
34,000	35,000	10	23	34	41	48
35,000	36,000	11	24	36	44	50
36,000	37,000	12	25	38	46	53
37,000	38,000	12	27	40	48	55
38,000	39,000	13	28	42	50	58
39,000	40,000	13	29	44	53	60
40,000	41,000	14	31	45	55	63
41,000	42,000	14	32	48	57	66
42,000	43,000	15	33	50	59	69
43,000	44,000	16	34	52	61	72
44,000	45,000	16	36	53	64	74
45,000	46,000	17	37	55	66	77
46,000	47,000	17	38	58	68	79
47,000	48,000	18	40	59	70	82
48,000	49,000	19	41	61	73	84
49,000	50,000	19	42	63	75	87
50,000	51,000	20	43	65	78	89
51,000	52,000	20	45	66	80	93
52,000	53,000	21	46	68	83	95
53,000	54,000	21	48	70	84	98
54,000	55,000	22	49	72	87	100
55,000	56,000	23	50	74	89	103
56,000	57,000	23	51	76	92	105
57,000	58,000	24	52	78	94	108
58,000	59,000	24	54	80	96	111
59,000	60,000	25	55	82	98	114

REV. PROC. 2012-23 TABLE 6
DOLLAR AMOUNTS FOR TRUCKS AND VANS
WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2012

Fair Market Value of Truck or Van		Tax Year During Lease				
		1 st	2 nd	3 rd	4 th	5 th & later
Over	Not Over					
60,000	62,000	26	57	85	101	118
62,000	64,000	27	60	88	106	123
64,000	66,000	28	62	93	110	128
66,000	68,000	29	65	96	115	134
68,000	70,000	30	67	100	120	139
70,000	72,000	32	70	103	125	144
72,000	74,000	33	72	108	129	149
74,000	76,000	34	75	111	134	155
76,000	78,000	35	78	115	138	160
78,000	80,000	36	80	119	143	165
80,000	85,000	38	85	125	151	175
85,000	90,000	41	91	135	163	187
90,000	95,000	44	98	144	174	201
95,000	100,000	47	104	154	185	214
100,000	110,000	52	113	169	202	234
110,000	120,000	57	127	187	225	261
120,000	130,000	63	139	207	248	287
130,000	140,000	69	152	226	271	313
140,000	150,000	75	165	245	294	339
150,000	160,000	81	178	264	316	366
160,000	170,000	87	190	283	340	392
170,000	180,000	92	204	302	362	419
180,000	190,000	98	216	322	385	445
190,000	200,000	104	229	340	409	471
200,000	210,000	110	242	359	431	498
210,000	220,000	116	255	378	454	524
220,000	230,000	122	267	398	477	551
230,000	240,000	127	281	416	500	577
240,000	And up	133	294	435	523	603

SECTION 5. EFFECTIVE DATE

This revenue procedure applies to passenger automobiles that a taxpayer first places in service or first leases during calendar year 2012.

SECTION 6. DRAFTING INFORMATION

The principal author of this revenue procedure is Bernard P. Harvey of the Office of Associate Chief Counsel (Income Tax & Accounting). For further information regarding this revenue procedure, contact Mr. Harvey at (202) 622-4930 (not a toll-free call).