

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. 2016-23

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 2016, including separate tables of limitations on depreciation deductions for trucks and vans; (2) amounts that must be included in income by lessees of passenger automobiles first leased by the taxpayer during calendar year 2016, including a separate table of inclusion amounts for lessees of trucks and vans; and (3) revised tables of depreciation limitations and lessee inclusion amounts for passenger automobiles that were first placed in service or first leased by the taxpayer, respectively, during 2015 and to which the 50-percent additional first year depreciation deduction under § 168(k)(1)(A) of the Internal Revenue Code applies as extended by § 143(a) of the Protecting Americans from Tax Hikes Act of 2015 (the Act), enacted as part of the Consolidated Appropriations Act, 2016, Division Q, Pub. L. No. 114-113, ___ Stat. ___ (December 18, 2015). The tables detailing these depreciation limitations and lessee inclusion amounts reflect the automobile price inflation adjustments required by § 280F(d)(7).

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 168(k)(1) provides that, in the case of qualified property, the depreciation deduction allowed under § 167(a) for the taxable year in which the property is placed in service includes an allowance equal to 50 percent of the property’s adjusted basis (hereinafter, referred to as “§ 168(k) additional first year depreciation deduction”). Prior to the Act, § 168(k)(1) did not apply to property generally placed in service after December 31, 2014. Section 143(b) of the Act extended the § 168(k) additional first year depreciation deduction to qualified property (as defined in § 168(k)(2) after the amendments made by § 143(b)(1) of the Act) placed in service by the taxpayer after December 31, 2015, and generally before January 1, 2020. The § 168(k) additional first year depreciation deduction percentage is 50 percent for qualified property placed in service during calendar year 2016. Section 168(k)(2)(F)(i)

and (iii), as amended by § 143(b)(1) of the Act, increase the first year depreciation allowed under § 280F(a)(1)(A)(i) by \$8,000 for passenger automobiles placed in service by the taxpayer before January 1, 2018, and to which the § 168(k) additional first year depreciation deduction applies.

.03 Tables 1 through 4 of this revenue procedure provide depreciation limitations for passenger automobiles placed in service during calendar year 2016. Table 1 (passenger automobiles that are not trucks or vans) and Table 2 (trucks and vans) provide depreciation limitations for passenger automobiles for which the § 168(k) additional first year depreciation deduction, as amended by § 143(b) of the Act, applies. Table 3 (passenger automobiles that are not trucks or vans) and Table 4 (trucks and vans) provide depreciation limitations for passenger automobiles for which the § 168(k) additional first year depreciation deduction, as amended by § 143(b) of the Act, does not apply. The § 168(k) additional first year depreciation deduction, as amended by § 143(b) of the Act, does not apply for 2016 if the taxpayer: (1) acquired the passenger automobile used; (2) did not use the passenger automobile during 2016 more than 50 percent for business purposes; (3) elected out of the § 168(k) additional first year depreciation deduction pursuant to § 168(k)(7), as added by § 143(b)(6)(D) of the Act; or (4) elected to increase the alternative minimum tax (AMT) credit limitation under § 53, instead of claiming the § 168(k) additional first year depreciation deduction, for qualified property placed in service during 2016 pursuant to § 168(k)(4), as amended by § 143(b)(3) of the Act.

.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. Table 5 applies to lessees of passenger automobiles that are not trucks and vans and Table 6 applies to lessees of trucks and vans. Each table shows inclusion amounts for a range of fair market values for each taxable year after the passenger automobile is first leased.

.05 Section 143(a) of the Act extended the 50-percent additional first year depreciation deduction under § 168(k) to qualified property (as defined in § 168(k)(2)) acquired by the taxpayer after December 31, 2007, and before January 1, 2016, 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, 2016. 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 § 168(k) additional first year depreciation deduction applies. Accordingly, Tables 7 and 8 of this revenue procedure update Rev. Proc. 2015-19, 2015-8 I.R.B. 656, by providing revised depreciation limitations for passenger automobiles placed in service during calendar year 2015 for which the § 168(k) additional first year depreciation deduction, as extended by § 143(a) of the Act, applies. This revenue procedure also updates the lease inclusion amounts in Tables 3 and 4 of Rev. Proc. 2015-19 for passenger automobiles first leased by the taxpayer in calendar year 2015.

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 2016, 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 2016. 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. 2011-21, 2011-12 I.R.B. 560, for passenger automobiles first leased during calendar year 2011; Rev. Proc. 2012-23, 2012-14 I.R.B. 712, for passenger automobiles first leased during calendar year 2012; Rev. Proc. 2013-21, 2013-12 I.R.B. 660, for passenger automobiles first leased during calendar year 2013; Rev. Proc. 2014-21, 2014-11 I.R.B. 641, as amplified and modified by section 4.03 of Rev. Proc. 2015-19, 2015-8 I.R.B. 656, for passenger automobiles first leased during calendar year 2014; and Rev. Proc. 2015-19, as amplified and modified by section 4.03 of this revenue procedure, for passenger automobiles first leased during calendar year 2015.

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 143.516 for October 2015. The October 2015 index exceeded the October 1987 index by 28.316. Therefore, the automobile price inflation adjustment for 2016 for passenger automobiles (other than trucks and vans) is 24.6 percent ($28.316/115.2 \times 100\%$). The dollar limitations in § 280F(a) are multiplied by a factor of 0.246, 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 2016. This adjustment applies to all passenger automobiles (other than trucks and vans) that are first placed in service in calendar year 2016.

(b) Trucks and vans. To determine the dollar limitations for trucks and vans first placed in service during calendar year 2016, 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 155.035 for October 2015. The October 2015 index exceeded the October 1987 index by 42.635. Therefore, the automobile price inflation adjustment for 2016 for trucks and vans is 37.9 percent ($42.635/112.4 \times 100\%$). The dollar limitations in § 280F(a) are multiplied by a factor of 0.379, 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 2016.

(2) Amount of the limitation. Tables 1 and 2 contain the dollar amount of the depreciation limitation for each taxable year for passenger automobiles a taxpayer

places in service in calendar year 2016. 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 2016 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 2016 for which the § 168(k) additional first year depreciation deduction does not apply.

REV. PROC. 2016-23 TABLE 1	
DEPRECIATION LIMITATIONS FOR PASSENGER AUTOMOBILES (THAT ARE NOT TRUCKS OR VANS) PLACED IN SERVICE IN CALENDAR YEAR 2016 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. 2016-23 TABLE 2	
DEPRECIATION LIMITATIONS FOR TRUCKS AND VANS PLACED IN SERVICE IN CALENDAR YEAR 2016 FOR WHICH THE § 168(k) ADDITIONAL FIRST YEAR DEPRECIATION DEDUCTION APPLIES	
<u>Tax Year</u>	<u>Amount</u>
1st Tax Year	\$ 11,560
2nd Tax Year	\$ 5,700
3rd Tax Year	\$ 3,350
Each Succeeding Year	\$ 2,075

REV. PROC. 2016-23 TABLE 3	
DEPRECIATION LIMITATIONS FOR PASSENGER AUTOMOBILES (THAT ARE NOT TRUCKS OR VANS) PLACED IN SERVICE IN CALENDAR YEAR 2016 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. 2016-23 TABLE 4	
DEPRECIATION LIMITATIONS FOR TRUCKS AND VANS PLACED IN SERVICE IN CALENDAR YEAR 2016 FOR WHICH THE § 168(k) ADDITIONAL FIRST YEAR DEPRECIATION DEDUCTION DOES NOT APPLY	
<u>Tax Year</u>	<u>Amount</u>
1st Tax Year	\$ 3,560
2nd Tax Year	\$ 5,700
3rd Tax Year	\$ 3,350
Each Succeeding Year	\$ 2,075

.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 2016. 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. 2016-23 TABLE 5						
DOLLAR AMOUNTS FOR PASSENGER AUTOMOBILES (THAT ARE NOT TRUCKS OR VANS) WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2016						
Fair Market Value of Passenger Automobile		Tax Year During Lease				
		1 st	2 nd	3 rd	4 th	5 th & later
Over	Not Over	6	13	20	23	27
\$19,000	\$19,500	7	15	23	27	30
19,500	20,000	8	17	26	30	35
20,000	20,500	9	19	29	33	39
20,500	21,000	10	21	31	38	42
21,000	21,500	11	23	34	41	47
21,500	22,000	12	26	39	46	53
22,000	23,000	14	30	44	54	60
23,000	24,000					

24,000	25,000	16	34	50	60	69
25,000	26,000	17	38	56	67	78
26,000	27,000	19	42	62	74	85
27,000	28,000	21	46	68	81	93
28,000	29,000	23	50	73	89	101
29,000	30,000	25	53	80	95	110
30,000	31,000	26	58	85	102	118
31,000	32,000	28	62	91	109	126
32,000	33,000	30	65	98	116	134
33,000	34,000	32	69	103	123	142
34,000	35,000	34	73	109	130	150
35,000	36,000	35	77	115	137	158
36,000	37,000	37	81	121	144	166
37,000	38,000	39	85	127	151	174
38,000	39,000	41	89	132	158	183
39,000	40,000	42	93	138	166	190
40,000	41,000	44	97	144	172	199
41,000	42,000	46	101	150	179	207
42,000	43,000	48	105	155	187	215
43,000	44,000	50	109	161	193	223
44,000	45,000	51	113	167	201	231
45,000	46,000	53	117	173	207	239
46,000	47,000	55	121	179	214	247
47,000	48,000	57	124	185	222	255
48,000	49,000	59	128	191	228	264
49,000	50,000	60	133	196	236	271
50,000	51,000	62	136	203	242	280
51,000	52,000	64	140	209	249	288
52,000	53,000	66	144	214	257	295
53,000	54,000	68	148	220	263	304
54,000	55,000	69	152	226	271	312
55,000	56,000	71	156	232	277	320
56,000	57,000	73	160	238	284	328
57,000	58,000	75	164	243	292	336
58,000	59,000	77	168	249	298	345
59,000	60,000	78	172	255	306	352
60,000	62,000	81	178	264	316	364
62,000	64,000	85	185	276	330	381
64,000	66,000	88	194	287	344	397
66,000	68,000	92	201	299	358	413
68,000	70,000	95	209	311	372	430
70,000	72,000	99	217	322	387	445
72,000	74,000	102	225	334	400	462
74,000	76,000	106	233	346	414	478
76,000	78,000	110	241	357	428	494
78,000	80,000	113	249	369	442	510

80,000	85,000	120	262	390	467	538
85,000	90,000	128	282	419	502	579
90,000	95,000	137	302	448	537	620
95,000	100,000	146	322	477	572	660
100,000	110,000	160	351	521	625	721
110,000	120,000	178	390	580	695	801
120,000	130,000	196	430	638	765	882
130,000	140,000	214	469	697	835	963
140,000	150,000	232	508	755	906	1,044
150,000	160,000	249	548	814	975	1,126
160,000	170,000	267	588	872	1,045	1,207
170,000	180,000	285	627	930	1,116	1,288
180,000	190,000	303	666	989	1,186	1,368
190,000	200,000	321	706	1,047	1,256	1,449
200,000	210,000	339	745	1,106	1,326	1,530
210,000	220,000	357	784	1,165	1,396	1,611
220,000	230,000	375	824	1,223	1,466	1,692
230,000	240,000	393	863	1,281	1,537	1,773
240,000	and over	411	902	1,340	1,607	1,854

REV. PROC. 2016-23 TABLE 6						
DOLLAR AMOUNTS FOR TRUCKS AND VANS WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2016						
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
\$19,500	\$20,000	3	8	12	14	16
20,000	20,500	4	10	15	17	20
20,500	21,000	5	12	17	21	25
21,000	21,500	6	14	20	25	28
21,500	22,000	7	16	23	28	32
22,000	23,000	8	19	28	33	38
23,000	24,000	10	23	33	41	46
24,000	25,000	12	26	40	47	55
25,000	26,000	14	30	46	54	63
26,000	27,000	16	34	51	62	70
27,000	28,000	17	38	58	68	79
28,000	29,000	19	42	63	76	86
29,000	30,000	21	46	69	82	95
30,000	31,000	23	50	75	89	103
31,000	32,000	25	54	80	97	111
32,000	33,000	26	58	86	104	119
33,000	34,000	28	62	92	111	127
34,000	35,000	30	66	98	117	136

35,000	36,000	32	70	104	124	143
36,000	37,000	34	73	110	132	151
37,000	38,000	35	78	115	139	160
38,000	39,000	37	82	121	146	167
39,000	40,000	39	85	128	152	176
40,000	41,000	41	89	133	160	184
41,000	42,000	42	94	139	166	192
42,000	43,000	44	97	145	174	200
43,000	44,000	46	101	151	181	208
44,000	45,000	48	105	157	187	217
45,000	46,000	50	109	162	195	224
46,000	47,000	51	113	169	201	233
47,000	48,000	53	117	174	209	240
48,000	49,000	55	121	180	216	248
49,000	50,000	57	125	186	222	257
50,000	51,000	59	129	191	230	265
51,000	52,000	60	133	197	237	273
52,000	53,000	62	137	203	244	281
53,000	54,000	64	141	209	250	290
54,000	55,000	66	144	216	257	298
55,000	56,000	68	148	221	265	305
56,000	57,000	69	153	226	272	314
57,000	58,000	71	156	233	279	321
58,000	59,000	73	160	239	285	330
59,000	60,000	75	164	244	293	338
60,000	62,000	77	170	253	304	350
62,000	64,000	81	178	265	317	366
64,000	66,000	85	186	276	331	383
66,000	68,000	88	194	288	345	399
68,000	70,000	92	202	299	360	414
70,000	72,000	95	210	311	374	431
72,000	74,000	99	217	324	387	447
74,000	76,000	102	226	335	401	463
76,000	78,000	106	233	347	415	480
78,000	80,000	110	241	358	430	495
80,000	85,000	116	255	379	454	524
85,000	90,000	125	274	409	489	564
90,000	95,000	134	294	437	525	605
95,000	100,000	143	314	466	560	645
100,000	110,000	156	344	510	612	706
110,000	120,000	174	383	569	682	787
120,000	130,000	192	422	628	752	868
130,000	140,000	210	462	685	823	949
140,000	150,000	228	501	744	893	1,030
150,000	160,000	246	540	803	963	1,111
160,000	170,000	264	580	861	1,033	1,192

170,000	180,000	282	619	920	1,102	1,274
180,000	190,000	300	658	979	1,172	1,354
190,000	200,000	318	698	1,036	1,243	1,435
200,000	210,000	335	738	1,095	1,313	1,516
210,000	220,000	353	777	1,154	1,383	1,597
220,000	230,000	371	816	1,212	1,454	1,678
230,000	240,000	389	856	1,270	1,524	1,759
240,000	and over	407	895	1,329	1,594	1,839

.03 Revised Amounts for Passenger Automobiles Placed in Service During 2015.

(1) Calculation of the Revised Amount. The revised depreciation limits provided in this section 4.03 were calculated by increasing the existing limitations on the first year allowance in Rev. Proc. 2015-19 by \$8,000 as provided in § 168(k)(2)(F)(i).

(2) Amount of the Revised Limitation. For passenger automobiles (that are not trucks or vans) placed in service by the taxpayer in calendar year 2015 for which the § 168(k) additional first year depreciation deduction applies, Table 7 of this revenue procedure contains the revised dollar amount of the depreciation limitations for each taxable year. For trucks or vans placed in service by the taxpayer in calendar year 2015 for which the § 168(k) additional first year depreciation deduction applies, Table 8 of this revenue procedure contains the revised dollar amount of the depreciation limitations for each taxable year. If the § 168(k) additional first year depreciation deduction does not apply to a passenger automobile placed in service by the taxpayer in calendar year 2015, the depreciation limitations for each taxable year in Tables 1 and 2 of Rev. Proc. 2015-19 apply.

<p>REV. PROC. 2016-23 TABLE 7</p> <p>DEPRECIATION LIMITATIONS FOR PASSENGER AUTOMOBILES (THAT ARE NOT TRUCKS OR VANS) PLACED IN SERVICE IN CALENDAR YEAR 2015 FOR WHICH THE § 168(k) ADDITIONAL FIRST YEAR DEPRECIATION DEDUCTION APPLIES</p>

<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. 2016-23 TABLE 8	
DEPRECIATION LIMITATIONS FOR TRUCKS AND VANS PLACED IN SERVICE IN CALENDAR YEAR 2015 FOR WHICH THE § 168(k) ADDITIONAL FIRST YEAR DEPRECIATION DEDUCTION APPLIES	
<u>Tax Year</u>	<u>Amount</u>
1st Tax Year	\$11,460
2nd Tax Year	\$ 5,600
3rd Tax Year	\$ 3,350
Each Succeeding Year	\$ 1,975

(3) Modification to lease inclusion amounts for 2015. The lease inclusion amounts in Tables 3 and 4 of Rev. Proc. 2015-19 are modified by striking the first three lines of inclusion amounts in Table 3 and the first two lines of inclusion amounts in Table 4. Consequently, Table 3 of Rev. Proc. 2015-19 applies to passenger automobiles (other than trucks and vans) that are first leased by the taxpayer in calendar year 2015 with a fair market value over \$19,000, and Table 4 of Rev. Proc. 2015-19 applies to trucks and vans that are first leased by the taxpayer in calendar year 2015 with a fair market value over \$19,500.

SECTION 5. EFFECTIVE DATE

This revenue procedure, with the exception of section 4.03, applies to passenger automobiles that a taxpayer first places in service or first leases during calendar year 2016. Section 4.03 of this revenue procedure applies to passenger automobiles that a taxpayer first places in service or first leases during calendar year 2015.

SECTION 6. EFFECT ON OTHER DOCUMENTS

Rev. Proc. 2015-19 is amplified and modified.

SECTION 7. 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) 317-7005 (not a toll-free call).