

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. 2018-25

SECTION 1. PURPOSE

This revenue procedure provides: (1) tables of limitations on depreciation deductions for owners of passenger automobiles first placed in service by the taxpayer during calendar year 2018; and (2) a table of amounts that must be included in income by lessees of passenger automobiles first leased by the taxpayer during calendar year 2018. For purposes of this revenue procedure, the term “passenger automobiles” includes trucks and vans.

SECTION 2. BACKGROUND

.01 For owners of passenger automobiles, § 280F(a), as modified by § 13202(a)(1) of “An Act to provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018”, Pub. L. No. 115-97 (Dec. 22, 2017) (the “Act”), imposes dollar limitations on the depreciation deduction for the year the taxpayer places the passenger automobile in service and for each succeeding year. The dollar limitation amounts in this revenue procedure reflect the new limits provided in § 13202(a)(1) of the Act and are applicable to passenger automobiles placed in service

during calendar year 2018.

.02 Section 13201 of the Act amended § 168(k) to extend and modify the additional first year depreciation deduction for qualified property acquired and placed in service after September 27, 2017, and before January 1, 2027. 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 the applicable percentage of the property's adjusted basis (hereinafter, referred to as "§ 168(k) additional first year depreciation deduction"). Pursuant to § 168(k)(6)(A), the applicable percentage is 100 percent for qualified property acquired and placed in service after September 27, 2017, and placed in service before January 1, 2023, and is phased down 20 percent each year for property placed in service through December 31, 2026. However, if a taxpayer elects to apply § 168(k)(10) in the case of qualified property placed in service by the taxpayer during the first taxable year ending after September 27, 2017, the depreciation deduction allowed under § 167(a) for the taxable year includes an allowance equal to 50 percent of the property's adjusted basis. Pursuant to § 168(k)(8)(B)(i), the applicable percentage is 40 percent for qualified property acquired before September 28, 2017, and placed in service in 2018. For qualified property acquired and placed in service after September 27, 2017, § 168(k)(2)(F)(i) increases the first year depreciation allowed under § 280F(a)(1)(A)(i) by \$8,000. For qualified property acquired by the taxpayer before September 28, 2017, and placed in service by the taxpayer during 2018, § 168(k)(2)(F)(iii) increases the first year depreciation allowed under § 280F(a)(1)(A)(i) by \$6,400.

.03 Tables 1 through 3 of this revenue procedure provide depreciation limitations for

passenger automobiles placed in service during calendar year 2018. Table 1 provides depreciation limitations for passenger automobiles acquired by the taxpayer before September 28, 2017, and placed in service by the taxpayer during calendar year 2018, for which the § 168(k) additional first year depreciation deduction applies. Table 2 provides depreciation limitations for passenger automobiles acquired by the taxpayer after September 27, 2017, and placed in service by the taxpayer during calendar year 2018, for which the § 168(k) additional first year depreciation deduction applies. Table 3 provides depreciation limitations for passenger automobiles placed in service during calendar year 2018 for which no § 168(k) additional first year depreciation deduction applies. The § 168(k) additional first year depreciation deduction does not apply for 2018 if the taxpayer: (1) did not use the passenger automobile during 2018 more than 50 percent for business purposes; (2) elected out of the § 168(k) additional first year depreciation deduction pursuant to § 168(k)(7) for the class of property that includes passenger automobiles; or (3) acquired the passenger automobile used and the acquisition of such property did not meet the acquisition requirements in § 168(k)(2)(E)(ii).

.04 Section 280F(c)(2) requires a reduction to the amount of deduction allowed to the lessee of a leased passenger automobile. Pursuant to § 280F(c)(3), 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 4 applies to lessees of passenger automobiles. This table shows income 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 2018, and continue to apply for each taxable year that the passenger automobile remains in service.

.02 The table in section 4.02 of this revenue procedure applies to leased passenger automobiles for which the lease term begins during calendar year 2018. 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. 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; Rev. Proc. 2015-19, as amplified and modified by section 4.03 of Rev. Proc. 2016-23, 2016-16 I.R.B. 581, for passenger automobiles first leased during calendar year 2015, Rev. Proc. 2016-23 for passenger automobiles first leased during calendar year 2016, and Rev. Proc. 2017-29, 2017-14 I.R.B. 1065, for passenger automobiles first leased during calendar year 2017.

SECTION 4. APPLICATION

.01 Limitations on Depreciation Deductions for Certain Automobiles.

(1) Amount of the inflation adjustment. Section 280F(a), as amended by § 13202(a)(1) of the Act, provides the limitation on depreciation for passenger

automobiles placed in service during calendar year 2018. Accordingly, no adjustment for inflation applies to calendar year 2018. See § 280F(d)(7)(A), as amended by § 13202(a)(2)(B) of the Act.

(2) Amount of the limitation. Tables 1 through 3 contain the dollar amount of the depreciation limitation for each taxable year for passenger automobiles a taxpayer places in service during calendar year 2018. Use Table 1 for a passenger automobile to which the § 168(k) additional first year depreciation deduction applies that is acquired before September 28, 2017, and placed in service during calendar year 2018; Table 2 for a passenger automobile to which the § 168(k) additional first year depreciation deduction applies that is acquired after September 27, 2017, and placed in service during calendar year 2018; and Table 3 for a passenger automobile for which no § 168(k) additional first year depreciation deduction applies.

REV. PROC. 2018-** TABLE 1	
DEPRECIATION LIMITATIONS FOR PASSENGER AUTOMOBILES ACQUIRED BEFORE SEPTEMBER 28, 2017, AND PLACED IN SERVICE DURING CALENDAR YEAR 2018 FOR WHICH THE § 168(k) ADDITIONAL FIRST YEAR DEPRECIATION DEDUCTION APPLIES	
<u>Tax Year</u>	<u>Amount</u>
1st Tax Year	\$ 16,400
2nd Tax Year	\$ 16,000
3rd Tax Year	\$ 9,600
Each Succeeding Year	\$ 5,760

REV. PROC. 2018-** TABLE 2	
DEPRECIATION LIMITATIONS FOR PASSENGER AUTOMOBILES ACQUIRED AFTER SEPTEMBER 27, 2017, AND PLACED IN SERVICE DURING CALENDAR YEAR 2018, FOR WHICH THE § 168(k) ADDITIONAL FIRST YEAR DEPRECIATION DEDUCTION APPLIES	
<u>Tax Year</u>	<u>Amount</u>
1st Tax Year	\$ 18,000
2nd Tax Year	\$ 16,000

3rd Tax Year	\$ 9,600
Each Succeeding Year	\$ 5,760

REV. PROC. 2018-** TABLE 3	
DEPRECIATION LIMITATIONS FOR PASSENGER AUTOMOBILES PLACED IN SERVICE DURING CALENDAR YEAR 2018 FOR WHICH NO § 168(k) ADDITIONAL FIRST YEAR DEPRECIATION DEDUCTION APPLIES	
<u>Tax Year</u>	<u>Amount</u>
1st Tax Year	\$ 10,000
2nd Tax Year	\$ 16,000
3rd Tax Year	\$ 9,600
Each Succeeding Year	\$ 5,760

.02 Inclusions in Income of Lessees of Passenger Automobiles.

A taxpayer must follow the procedures in § 1.280F-7(a) for determining the income inclusion amounts for passenger automobiles first leased in calendar year 2018. In applying these procedures, lessees of passenger automobiles should use Table 4 of this revenue procedure.

REV. PROC. 2018-** TABLE 4						
DOLLAR AMOUNTS FOR PASSENGER AUTOMOBILES WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2018						
Fair Market Value of Passenger Automobile		Tax Year During Lease				
Over	Not Over	1 st	2 nd	3 rd	4 th	5 th & later
\$50,000	\$51,000	1	3	5	5	6
51,000	52,000	4	9	13	16	19
52,000	53,000	7	15	22	27	31
53,000	54,000	10	21	31	37	44
54,000	55,000	12	27	40	48	56
55,000	56,000	15	33	49	59	68
56,000	57,000	18	39	58	69	81
57,000	58,000	20	45	67	80	93
58,000	59,000	23	51	76	91	105
59,000	60,000	26	57	85	101	117
60,000	62,000	30	66	98	118	135

REV. PROC. 2018-** TABLE 4						
DOLLAR AMOUNTS FOR PASSENGER AUTOMOBILES						
WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2018						
Fair Market Value of Passenger Automobile		Tax Year During Lease				
Over	Not Over	1 st	2 nd	3 rd	4 th	5 th & later
62,000	64,000	36	78	116	139	160
64,000	66,000	41	90	134	160	185
66,000	68,000	46	102	152	181	210
68,000	70,000	52	114	169	203	235
70,000	72,000	57	126	187	225	259
72,000	74,000	63	138	205	246	284
74,000	76,000	68	150	223	267	309
76,000	78,000	74	162	241	288	333
78,000	80,000	79	174	259	310	357
80,000	85,000	89	195	290	347	401
85,000	90,000	102	225	335	400	463
90,000	95,000	116	255	379	454	525
95,000	100,000	130	285	423	508	586
100,000	110,000	150	330	491	587	679
110,000	120,000	178	390	579	695	802
120,000	130,000	205	450	669	801	926
130,000	140,000	232	510	758	908	1,049
140,000	150,000	260	570	847	1,015	1,172
150,000	160,000	287	630	936	1,122	1,296
160,000	170,000	314	691	1,024	1,230	1,419
170,000	180,000	342	750	1,114	1,336	1,543
180,000	190,000	369	810	1,204	1,442	1,666
190,000	200,000	396	871	1,292	1,550	1,789
200,000	210,000	424	930	1,382	1,656	1,913
210,000	220,000	451	991	1,470	1,764	2,036
220,000	230,000	478	1,051	1,559	1,871	2,159
230,000	240,000	505	1,111	1,649	1,977	2,283
240,000	and over	533	1,171	1,738	2,084	2,406

SECTION 5. EFFECTIVE DATE

This revenue procedure applies to passenger automobiles that a taxpayer first places in service or first leases during calendar year 2018.

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