

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. 2022-17

SECTION 1. PURPOSE

This revenue procedure provides: (1) two tables of limitations on depreciation deductions for owners of passenger automobiles placed in service by the taxpayer during calendar year 2022; and (2) a table of dollar amounts that must be used to determine income inclusions by lessees of passenger automobiles with a lease term beginning in calendar year 2022. These tables reflect the automobile price inflation adjustments required by § 280F(d)(7) of the Internal Revenue Code. 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) 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 2018, § 280F(d)(7) requires the Internal Revenue Service to increase the amounts allowable as depreciation deductions by a price inflation adjustment amount that is determined using the automobile component of the Chained Consumer Price Index for all Urban Consumers published by the Department of Labor (“C-CPI-U”).

.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 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. Pursuant to § 168(k)(8)(D)(i), no § 168(k) additional first year depreciation deduction is allowed or allowable for qualified property acquired by the taxpayer before September 28, 2017, and placed in service by the taxpayer after 2019. 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.

.03 Tables 1 and 2 of this revenue procedure provide depreciation limitations for passenger automobiles placed in service by the taxpayer during calendar year 2022. Table 1 provides depreciation limitations for passenger automobiles acquired by the taxpayer after September 27, 2017, and placed in service by the taxpayer during calendar year 2022, for which the § 168(k) additional first year depreciation deduction applies. Table 2 provides depreciation limitations for passenger automobiles placed in service by the taxpayer during calendar year 2022 for which no § 168(k) additional first year depreciation deduction applies. The § 168(k) additional first year depreciation deduction does not apply for 2022 if the taxpayer: (1) did not use the passenger automobile during 2022 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; (3) acquired the passenger

automobile used and the acquisition of such property did not meet the acquisition requirements in § 168(k)(2)(E)(ii) and § 1.168(k)-2(b)(3)(iii) of the Income Tax Regulations; or (4) acquired the passenger automobile before September 28, 2017, and placed it in service after 2019.

.04 Section 280F(c)(2) requires a reduction to the amount allowable as a deduction 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), this reduction is accomplished by requiring the lessee to include in gross income an amount determined by applying a formula to a dollar amount obtained from a table.

.05 Table 3 of this revenue procedure provides the dollar amount used by lessees of passenger automobiles with a lease term beginning in 2022 to determine the income inclusion amount for those passenger automobiles. The table provides dollar amounts for a range of fair market values.

SECTION 3. SCOPE

.01 The limitations on depreciation deductions in Tables 1 and 2 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 2022, and continue to apply for each taxable year that the passenger automobile remains in service.

.02 The dollar amount in Table 3 of this revenue procedure applies to leased passenger automobiles with a lease term beginning in calendar year 2022, and continues to apply for each taxable year during the lease.

.03 See Rev. Proc. 2017-29, 2017-14 I.R.B. 1065, for passenger automobiles placed in service or leased during calendar year 2017; Rev. Proc. 2018-25, 2018-18 I.R.B. 543, for passenger automobiles placed in service or leased during calendar year 2018; Rev. Proc. 2019-26, 2019-24 I.R.B. 1323, for passenger automobiles placed in service or leased during calendar year 2019; Rev. Proc. 2020-37, 2020-33 I.R.B. 381, for passenger automobiles placed in service or leased during calendar year 2020; and Rev. Proc. 2021-31, 2021-34 I.R.B. 324, for passenger automobiles placed in service or leased during calendar year 2021.

SECTION 4. APPLICATION

.01 Limitations on Depreciation Deductions for Certain Automobiles.

(1) Amount of the inflation adjustment. Under § 280F(d)(7)(B)(i), the automobile price inflation adjustment for any calendar year is the percentage (if any) by which the C-CPI-U automobile component for October of the preceding calendar year exceeds the automobile component of the CPI (as defined in § 1(f)(4)) for October of 2017, multiplied by the amount determined under § 1(f)(3)(B). The amount determined under § 1(f)(3)(B) is the amount obtained by dividing the new vehicle component of the C-CPI-U for calendar year 2016 by the new vehicle component of the CPI for calendar year 2016, where the C-CPI-U and the CPI for calendar year 2016 means the average of such amounts as of the close of the 12-month period ending on August 31, 2016. Section 280F(d)(7)(B)(ii) defines the term "C-CPI-U automobile component" as the automobile component of the Chained Consumer Price Index for All Urban Consumers as described in § 1(f)(6). The product of the October 2017 CPI new vehicle component (144.868) and the amount determined under § 1(f)(3)(B) (0.694370319) is 100.592.

The new vehicle component of the C-CPI-U released in November 2021 was 112.905 for October 2021. The October 2021 C-CPI-U new vehicle component exceeded the product of the October 2017 CPI new vehicle component and the amount determined under § 1(f)(3)(B) by 12.313 (112.905 - 100.592). The percentage by which the C-CPI-U new vehicle component for October 2021 exceeds the product of the new vehicle component of the CPI for October of 2017 and the amount determined under § 1(f)(3)(B) is 12.241 percent ($12.313/100.592 \times 100\%$), the automobile price inflation adjustment for 2022 for passenger automobiles. The dollar limitations in § 280F(a) are therefore multiplied by a factor of 0.12241, and the resulting increases, after rounding to the nearest \$100, are added to the 2018 limitations to give the depreciation limitations applicable to passenger automobiles for calendar year 2022. This adjustment applies to all passenger automobiles that are placed in service in calendar year 2022.

(2) Amount of the limitation. Tables 1 and 2 of this revenue procedure contain the depreciation limitation for each taxable year for passenger automobiles a taxpayer placed in service during calendar year 2022. Use Table 1 for a passenger automobile to which the § 168(k) additional first year depreciation deduction applies that is acquired by the taxpayer after September 27, 2017, and placed in service by the taxpayer during calendar year 2022; use Table 2 for a passenger automobile for which no § 168(k) additional first year depreciation deduction applies.

REV. PROC. 2022-17 TABLE 1	
DEPRECIATION LIMITATIONS FOR PASSENGER AUTOMOBILES ACQUIRED AFTER SEPTEMBER 27, 2017, AND PLACED IN SERVICE DURING CALENDAR YEAR 2022, FOR WHICH THE § 168(k) ADDITIONAL FIRST YEAR DEPRECIATION DEDUCTION APPLIES	
<u>Tax Year</u>	<u>Amount</u>
1st Tax Year	\$ 19,200

2nd Tax Year	\$ 18,000
3rd Tax Year	\$ 10,800
Each Succeeding Year	\$ 6,460

REV. PROC. 2022-17 TABLE 2 DEPRECIATION LIMITATIONS FOR PASSENGER AUTOMOBILES PLACED IN SERVICE DURING CALENDAR YEAR 2022 FOR WHICH NO § 168(k) ADDITIONAL FIRST YEAR DEPRECIATION DEDUCTION APPLIES

<u>Tax Year</u>	<u>Amount</u>
1st Tax Year	\$ 11,200
2nd Tax Year	\$ 18,000
3rd Tax Year	\$ 10,800
Each Succeeding Year	\$ 6,460

.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 with a lease term beginning in calendar year 2022. In applying these procedures, lessees of passenger automobiles should use Table 3 of this revenue procedure.

REV. PROC. 2022-17 TABLE 3						
DOLLAR AMOUNTS FOR PASSENGER AUTOMOBILES						
WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2022						
Fair Market Value of Passenger Automobile		Tax Year During Lease				
Over	Not Over	1 st	2 nd	3 rd	4 th	5 th & later
\$56,000	\$57,000	1	1	1	2	2
57,000	58,000	2	4	5	7	7
58,000	59,000	3	7	9	11	13
59,000	60,000	4	9	14	16	19
60,000	62,000	6	13	20	23	28
62,000	64,000	9	19	27	34	38
64,000	66,000	11	24	36	43	50
66,000	68,000	14	30	43	53	61
68,000	70,000	16	35	52	63	72
70,000	72,000	19	40	61	72	83
72,000	74,000	21	46	68	82	95
74,000	76,000	24	51	77	91	106
76,000	78,000	26	57	85	101	117
78,000	80,000	29	62	93	111	128
80,000	85,000	33	72	107	128	148
85,000	90,000	39	86	127	152	176
90,000	95,000	45	100	147	177	204
95,000	100,000	52	113	167	201	233
100,000	110,000	61	133	198	238	274
110,000	120,000	73	161	239	286	330
120,000	130,000	86	188	279	335	387
130,000	140,000	98	216	319	384	443
140,000	150,000	111	243	360	432	499
150,000	160,000	123	270	401	481	555
160,000	170,000	135	298	441	529	612
170,000	180,000	148	325	482	578	667
180,000	190,000	160	352	523	626	724
190,000	200,000	173	379	563	676	779
200,000	210,000	185	407	603	724	836
210,000	220,000	198	434	644	773	892
220,000	230,000	210	461	685	821	949
230,000	240,000	222	489	725	870	1,005
240,000	and over	235	516	766	918	1,061

SECTION 5. EFFECTIVE DATE

This revenue procedure applies to passenger automobiles placed in service during calendar year 2022 or with a lease term beginning in calendar year 2022.

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) 317-4640 (not a toll-free number).