

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. 2023-14

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 2023; 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 2023. 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, referred to as "§ 168(k) additional first year depreciation deduction" hereinafter. 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. Accordingly, the applicable percentage for qualified property acquired after September 27, 2017, and placed in service after December 31, 2022, and before January 1, 2024, is 80 percent. 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 2023. 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 2023, 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 2023 for which no § 168(k) additional first

year depreciation deduction applies. The § 168(k) additional first year depreciation deduction does not apply for 2023 if the taxpayer: (1) did not use the passenger automobile during 2023 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 2023 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 2023, 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 2023, and continues to apply for each taxable year during the lease.

.03 See 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; Rev. Proc. 2021-31, 2021-34 I.R.B. 324, for passenger automobiles placed in service or leased during calendar year 2021; and Rev. Proc. 2022-17, 2022-13 I.R.B. 930, for passenger automobiles placed in service or leased during calendar year 2022.

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 2022 was 122.399 for October 2022. The October 2022 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 21.807 (122.399 - 100.592). The percentage by which the C-CPI-U new vehicle component for October 2022 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 21.679 percent ($21.807/100.592 \times 100\%$), the automobile price inflation adjustment for 2023 for passenger automobiles. The dollar limitations in § 280F(a) are therefore multiplied by a factor of 0.21679, 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 2023. This adjustment applies to all passenger automobiles that are placed in service in calendar year 2023.

(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 2023. 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 2023; use Table 2 for a passenger automobile for which no § 168(k)

additional first year depreciation deduction applies.

REV. PROC. 2023-14 TABLE 1

DEPRECIATION LIMITATIONS FOR PASSENGER AUTOMOBILES ACQUIRED
AFTER SEPTEMBER 27, 2017, AND PLACED IN SERVICE DURING CALENDAR
YEAR 2023, FOR WHICH THE § 168(k) ADDITIONAL FIRST YEAR DEPRECIATION
DEDUCTION APPLIES

Tax Year	Amount
1st Tax Year	\$ 20,200
2nd Tax Year	\$ 19,500
3rd Tax Year	\$ 11,700
Each Succeeding Year	\$ 6,960

REV. PROC. 2023-14 TABLE 2

DEPRECIATION LIMITATIONS FOR PASSENGER AUTOMOBILES
PLACED IN SERVICE DURING CALENDAR YEAR 2023 FOR WHICH NO § 168(k)
ADDITIONAL FIRST YEAR DEPRECIATION DEDUCTION APPLIES

Tax Year	Amount
1st Tax Year	\$ 12,200
2nd Tax Year	\$ 19,500
3rd Tax Year	\$ 11,700
Each Succeeding Year	\$ 6,960

.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 2023. In applying these procedures, lessees of passenger automobiles should use Table 3 of this revenue procedure.

REV. PROC. 2023-14 TABLE 3
DOLLAR AMOUNTS FOR PASSENGER AUTOMOBILES
WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2023

Fair Market Value of Passenger Automobile Over	Fair Market Value of Passenger Automobile Not Over	1 st Tax Year During Lease	2 nd Tax Year During Lease	3 rd Tax Year During Lease	4 th Tax Year During Lease	5 th Tax Year During Lease & later
\$60,000	\$62,000	0	0	1	3	5
62,000	64,000	13	29	43	54	63
64,000	66,000	26	57	86	104	122
66,000	68,000	39	86	128	154	181
68,000	70,000	52	114	170	206	239
70,000	72,000	65	143	212	256	297
72,000	74,000	78	171	255	306	356
74,000	76,000	91	200	296	358	414
76,000	78,000	104	228	339	408	473
78,000	80,000	117	257	381	459	531
80,000	85,000	140	306	455	548	634
85,000	90,000	172	378	560	674	780
90,000	95,000	204	449	666	801	926
95,000	100,000	237	520	772	927	1,073
100,000	110,000	286	627	930	1,117	1,292
110,000	120,000	350	769	1,142	1,371	1,584
120,000	130,000	415	912	1,353	1,623	1,877
130,000	140,000	480	1,054	1,564	1,877	2,169
140,000	150,000	545	1,196	1,776	2,130	2,462
150,000	160,000	610	1,339	1,986	2,384	2,754
160,000	170,000	675	1,481	2,198	2,637	3,046
170,000	180,000	740	1,623	2,409	2,891	3,338
180,000	190,000	805	1,766	2,620	3,143	3,632
190,000	200,000	870	1,908	2,831	3,397	3,924
200,000	210,000	935	2,050	3,043	3,650	4,216
210,000	220,000	999	2,193	3,254	3,903	4,509
220,000	230,000	1,064	2,335	3,465	4,157	4,801
230,000	240,000	1,129	2,478	3,676	4,410	5,094
240,000	and over	1,194	2,620	3,887	4,664	5,386

SECTION 5. EFFECTIVE DATE

This revenue procedure applies to passenger automobiles placed in service

during calendar year 2023 or with a lease term beginning in calendar year 2023.

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).