



OFFICE OF
CHIEF COUNSEL

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
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CC:PSI:6:ACooper
COR-126567-01



Dear [REDACTED]:

The Acting Chief Counsel asked me to respond to your letter about the relation between Notice 2000-4, which discusses the depreciation of property subject to section 168 acquired in a like-kind exchange or as a result of an involuntary conversion, and the annual depreciation limitation for luxury vehicles under section 280F. In your letter, you expressed concern about the lack of formal guidance from the Internal Revenue Service (IRS) whether one or two limitations will apply in the year of the exchange or involuntary conversion.

Only one depreciation limitation is allowed for luxury vehicles involved in an exchange or involuntary conversion. Section 280F(d)(10) provides that, for purposes of determining the depreciation limitation under section 280F, any property acquired in a nonrecognition transaction, such as a like-kind exchange or an involuntary conversion, is treated as a single property originally placed in service in the taxable year in which the acquired property is placed in service. Thus, the depreciation limitation amount is based on the year in which the acquired vehicle is placed in service.

The 2001 Priority Guidance Plan released by the Department of the Treasury and the IRS includes issuance of proposed regulations under section 168 relating to property involved in like-kind exchanges and involuntary conversions. This regulation project may address the issue you raised in more detail. We appreciate your concern with this issue and hope to provide more guidance soon.

If I can be of further assistance, please contact me or Alan Cooper at (202) 622-3110.

Sincerely,

Charles B. Ramsey
Chief, Branch 6
Office of Associate Chief Counsel
(Passthroughs and Special Industries)