

service and each succeeding year. Section 280F(d)(7) requires the amounts allowable as depreciation deductions to be increased by a price inflation adjustment amount for passenger automobiles placed in service after calendar year 1988.

For leased automobiles, § 280F(c) requires a reduction in the deduction allowed to the lessee of the automobile. The reduction must be substantially equivalent to the limitations on the depreciation deductions imposed on owners of automobiles. Under § 1.280F-7(a) of the Income Tax Regulations, this reduction requires the lessees to include in gross income an inclusion amount determined by applying a formula to the amount obtained from a table. The table shows inclusion amounts for a range of fair market values for each tax year after the automobile is first leased.

SECTION 3. SCOPE AND OBJECTIVE

01. The limitations on depreciation deductions in section 4.02 of this revenue procedure apply to automobiles (other than leased automobiles) that are placed in service in calendar year 1996 and continue to apply for each tax year that the automobile remains in service.

02. The table in section 4.03 of this revenue procedure applies to leased automobiles for which the lease term begins in calendar year 1996. Lessees of such automobiles must use this table to determine the inclusion amount for each tax year during which the auto-

mobile is leased. *See* §§ 1.280F-5T(d) and 1.280F-5T(e) of the temporary Income Tax Regulations, § 1.280F-7(a), Rev. Proc. 89-64, 1989-2 C.B. 783, Rev. Proc. 90-22, 1990-1 C.B. 504, Rev. Proc. 91-30, 1991-1 C.B. 563, Rev. Proc. 92-43, 1992-1 C.B. 873, Rev. Proc. 93-35, 1993-2 C.B. 472, Rev. Proc. 94-53, 1994-2 C.B. 712, and Rev. Proc. 95-9, 1995-1 C.B. 498, to determine inclusion amounts for automobiles first leased before January 1, 1996.

SECTION 4. APPLICATION

01. A taxpayer placing an automobile in service for the first time during calendar year 1996 is limited to the depreciation deduction shown in Table 1 of section 4.02(2). A taxpayer first leasing an automobile in calendar year 1996 must use Table 2 in section 4.03 to determine the inclusion amount that is added to gross income. Otherwise, the procedures of § 1.280F-7(a) must be followed.

02. *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 CPI automobile component for October of the preceding calendar year exceeds the CPI automobile component for October 1987. The term “CPI automobile component” is defined in § 280F(d)(7)(B)(ii) as the “automobile component” of the Consumer Price Index for all Urban

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, 1.280F-5T.)

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SECTION 1. PURPOSE

This revenue procedure provides limitations on depreciation deductions for owners of passenger automobiles first placed in service during calendar year 1996, and the amounts to be included in income by lessees of passenger automobiles first leased during calendar year 1996. The tables detailing these amounts reflect the automobile price inflation adjustments required by § 280F(d)(7) of the Internal Revenue Code.

SECTION 2. BACKGROUND

For owners of automobiles, § 280F(a) imposes dollar limitations on the depreciation deduction for both the year that the automobile is placed in

Consumers published by the Department of Labor (the CPI). The new car component of the CPI was 115.2 for October 1987 and 138.6 for October 1995. The October 1995 index exceeded the October 1987 index by 23.4. The Internal Revenue Service has, therefore, determined that the auto-

mobile price inflation adjustment for 1996 is 20.31 percent ($23.4/115.2 \times 100\%$). This adjustment is applicable to all automobiles that are first placed in service in calendar year 1996. The dollar limitations in § 280F(a) must therefore be multiplied by a factor of 0.2031, and the resulting increases,

after rounding to the nearest \$100, are added to the 1988 limitations to give the depreciation limitations for 1996.

(2) *Amount of the Limitation.* For automobiles placed in service in calendar year 1996, Table 1 contains the dollar amount of the depreciation limitations for each tax year.

REV. PROC. 96-25 TABLE 1	
DEPRECIATION LIMITATIONS FOR AUTOMOBILES FIRST PLACED IN SERVICE IN CALENDAR YEAR 1996	
<i>Tax Year</i>	<i>Amount</i>
1st Tax Year	\$3,060
2nd Tax Year	\$4,900
3rd Tax Year	\$2,950
Each Succeeding Year	\$1,775

03. *Inclusions in Income of Lessees of Automobiles.*

The inclusion amounts for automobiles first leased in calendar year 1996 are calculated under the procedures described in § 1.280F-7(a). Table 2 of this revenue procedure is the applicable table to be used in applying those procedures.

REV. PROC. 96-25 TABLE 2						
DOLLAR AMOUNTS FOR AUTOMOBILES WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 1996						
Fair Market Value of Automobile		Tax Year During Lease				
		1st	2nd	3rd	4th	5th and Later
Over	Not Over					
\$15,500	\$15,800	3	6	8	10	10
15,800	16,100	5	11	16	19	21
16,100	16,400	7	16	24	27	32
16,400	16,700	10	21	31	37	42
16,700	17,000	12	26	39	46	53
17,000	17,500	15	33	49	58	67
17,500	18,000	19	42	61	73	84
18,000	18,500	23	50	74	88	102
18,500	19,000	27	59	86	104	119
19,000	19,500	31	67	99	119	136
19,500	20,000	35	75	112	134	154
20,000	20,500	38	84	125	149	171
20,500	21,000	42	93	137	164	189
21,000	21,500	46	101	150	179	207
21,500	22,000	50	110	162	194	225
22,000	23,000	56	122	182	217	250
23,000	24,000	64	139	207	247	286
24,000	25,000	71	157	232	277	320
25,000	26,000	79	174	257	308	355
26,000	27,000	87	191	282	338	390
27,000	28,000	95	207	308	369	425
28,000	29,000	103	224	333	399	460

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DOLLAR AMOUNTS FOR AUTOMOBILES
WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 1996

Fair Market Value of Automobile		Tax Year During Lease				
		1st	2nd	3rd	4th	5th and Later
Over	Not Over					
29,000	30,000	110	242	358	429	495
30,000	31,000	118	259	383	459	531
31,000	32,000	126	276	408	490	565
32,000	33,000	134	293	433	520	600
33,000	34,000	141	310	459	550	635
34,000	35,000	149	327	484	581	670
35,000	36,000	157	344	509	611	705
36,000	37,000	165	361	535	641	740
37,000	38,000	172	378	560	672	775
38,000	39,000	180	395	585	702	810
39,000	40,000	188	412	611	732	844
40,000	41,000	196	429	636	762	880
41,000	42,000	203	446	661	793	915
42,000	43,000	211	463	687	822	950
43,000	44,000	219	480	712	853	985
44,000	45,000	227	497	737	883	1,020
45,000	46,000	235	514	762	914	1,054
46,000	47,000	242	531	788	944	1,089
47,000	48,000	250	548	813	974	1,125
48,000	49,000	258	565	838	1,005	1,159
49,000	50,000	266	582	863	1,035	1,195
50,000	51,000	273	599	889	1,065	1,230
51,000	52,000	281	616	914	1,096	1,264
52,000	53,000	289	633	939	1,126	1,299
53,000	54,000	297	650	964	1,157	1,334
54,000	55,000	304	668	989	1,186	1,370
55,000	56,000	312	684	1,015	1,217	1,404
56,000	57,000	320	701	1,040	1,247	1,440
57,000	58,000	328	718	1,066	1,277	1,474
58,000	59,000	336	735	1,091	1,307	1,509
59,000	60,000	343	753	1,115	1,338	1,544
60,000	62,000	355	778	1,154	1,383	1,597
62,000	64,000	370	812	1,205	1,443	1,667
64,000	66,000	386	846	1,255	1,504	1,737
66,000	68,000	402	880	1,305	1,565	1,807
68,000	70,000	417	914	1,356	1,626	1,876
70,000	72,000	433	948	1,406	1,686	1,947
72,000	74,000	448	982	1,457	1,747	2,016
74,000	76,000	464	1,016	1,508	1,807	2,086
76,000	78,000	479	1,050	1,558	1,868	2,156
78,000	80,000	495	1,084	1,609	1,928	2,226
80,000	85,000	522	1,144	1,697	2,034	2,349
85,000	90,000	561	1,229	1,823	2,186	2,523
90,000	95,000	600	1,314	1,950	2,337	2,698
95,000	100,000	638	1,400	2,075	2,489	2,873
100,000	110,000	697	1,527	2,265	2,716	3,135
110,000	120,000	774	1,697	2,518	3,019	3,485
120,000	130,000	852	1,868	2,770	3,322	3,834
130,000	140,000	930	2,038	3,023	3,624	4,185
140,000	150,000	1,007	2,208	3,276	3,927	4,534
150,000	160,000	1,085	2,378	3,529	4,230	4,884

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DOLLAR AMOUNTS FOR AUTOMOBILES
WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 1996

Fair Market Value of Automobile		Tax Year During Lease				
		1st	2nd	3rd	4th	5th and Later
Over	Not Over					
160,000	170,000	1,163	2,548	3,781	4,533	5,234
170,000	180,000	1,240	2,719	4,033	4,837	5,583
180,000	190,000	1,318	2,889	4,286	5,139	5,933
190,000	200,000	1,396	3,059	4,539	5,442	6,282
200,000	210,000	1,473	3,230	4,791	5,745	6,632
210,000	220,000	1,551	3,400	5,044	6,047	6,982
220,000	230,000	1,629	3,570	5,296	6,351	7,332
230,000	240,000	1,706	3,740	5,550	6,653	7,681
240,000	250,000	1,784	3,911	5,801	6,956	8,032

SECTION 5. EFFECTIVE DATE

This revenue procedure is effective for automobiles (other than leased automobiles) that are first placed in service during calendar year 1996 and to leased automobiles that are first leased during calendar year 1996.

DRAFTING INFORMATION

The principal author of this revenue procedure is Bernard P. Harvey of the Office of Assistant Chief Counsel Passthroughs and Special Industries). For further information regarding this revenue procedure contact Mr. Harvey on (202) 622-3110 (not a toll-free call).