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| **623. What special limitations apply to calculating depreciation on automobiles and other property classified as “listed property”?**    **Limitations**    For any *passenger automobile* placed in service during taxable years after June 18, 1984, the amount of the depreciation deduction, including any amount elected as an expense (see above), cannot exceed the monetary limitations as set forth under the applicable heading in the exhibit, below. Note that once the unadjusted basis of an automobile is recovered, depreciation is no longer deductible. For certain automobiles acquired after September 11, 2001, and before January 1, 2005, the first year depreciation limitation was increased by $4,600. For certain automobiles purchased after May 5, 2003 and before January 1, 2005, the first year depreciation limit was increased by $7,650.[[1]](http://pro.nuco.com/taxfacts2015/tfins/p1-fit/genrul/adjgrinc/Pages/0623-00-TF1.aspx?k=depreciation+automobiles" \l "_ftn1) For certain automobiles purchased after December 31, 2007 and before January 1, 2010, the first year depreciation limit was increased by $8,000.[[2]](http://pro.nuco.com/taxfacts2015/tfins/p1-fit/genrul/adjgrinc/Pages/0623-00-TF1.aspx?k=depreciation+automobiles" \l "_ftn2)   |  |  |  |  |  | | --- | --- | --- | --- | --- | | **Property**  **Placed in Service** | **First**  **Year** | **Second**  **Year** | **Third**  **Year** | **Succeeding**  **Years** | | 6-19-84 through 4-2-85 | $4,000 | $6,000 | $6,000 | $6,000 | | 4-3-85 through 1986 | $3,200 | $4,800 | $4,800 | $4,800 | | 1987 and 1988 | $2,560 | $4,100 | $2,450 | $1,475 | | 1989 and 1990 | $2,660 | $4,200 | $2,550 | $1,475 | | 1991 | $2,660 | $4,300 | $2,550 | $1,575 | | 1992 | $2,760 | $4,400 | $2,650 | $1,575 | | 1993 | $2,860 | $4,600 | $2,750 | $1,675 | | 1994 | $2,960 | $4,700 | $2,850 | $1,675 | | 1995 and 1996 | $3,060 | $4,900 | $2,950 | $1,775 | | 1997 | $3,160 | $5,000 | $3,050 | $1,775 | | 1998 | $3,160 | $5,000 | $2,950 | $1,775 | | 1999 | $3,060 | $5,000 | $2,950 | $1,775 | | 2000, 2001, 2002, and 2003 | $3,060 | $4,900 | $2,950 | $1,775 | | 2004 | $2,960 | $4,800 | $2,850 | $1,675 | | 2005 | $2,960 | $4,700 | $2,850 | $1,675 | | 2006 | $2,960 | $4,800 | $2,850 | $1,775 | | 2007 | $3,060 | $4,900 | $2,850 | $1,775 | | 2008 and 2009 | $2,960 | $4,800 | $2,850 | $1,775 | | 2010 | $3,060 | $4,900 | $2,950 | $1,775 | | 2011 | $3,060 | $4,900 | $2,950 | $1,775 | | 2012 | $3,160 | $5,100 | $3,050 | $1,875 | | 2013 | $3,160 | $5,100 | $3,050 | $1,875 | | 2014 | $3,160 | $5,100 | $3,050 | $1,875 | | 2015 | $3,160 | $5,100 | $3,050 | $1,875 | | [Rev. Proc. 2015-19;Rev. Proc. 2014-21; Rev. Proc.2013-21; Rev. Proc. 2012-23; Rev. Proc. 2011-21; Rev. Proc. 2010-18, 2010-9 IRB 427; Rev. Proc. 2009-24, 2009-17 IRB 885; Rev. Proc. 2008-22, 2008-12 IRB 658; Rev. Proc. 2007-30, 2007-18 IRB 1104; Rev. Proc. 2006-18, 2006-12 IRB 645; Rev. Proc. 2005-13, 2005-12 IRB 759; Rev. Proc. 2004-20, 2004-13 IRB 642; Rev. Proc. 2003-75, 2003-2 CB 1018; Rev. Proc. 2002-14, 2002-1 CB 450; Rev. Proc. 2001-19, 2001-1 CB 732; Rev. Proc. 2000-18, 2000-1 CB 722; Rev. Proc. 99-14, 1999-1 CB 413; Rev. Proc. 98-30, 1998-2 CB 930; Rev. Proc. 97-20, 1997-1 CB 647; Rev. Proc. 96-25, 1996-1 CB 681; Rev. Proc. 95-9, 1995-1 CB 498; Rev. Proc. 94-53, 1994-2 CB 712; Rev. Proc. 93-35, 1993-2 CB 472; Rev. Proc. 92-43, 1992-1 CB 873; Rev. Proc. 91-30, 1991-1 CB 563; Rev. Proc. 90-22, 1990-1 CB 504; Rev. Proc. 89-64, 1989-2 CB 783; IRC Sec. 280F(a).] | | | | | |  |  |  |  |  |       The dollar limitations are determined in the year the automobile is placed in service and are subject to an inflation adjustment (rounded to the nearest multiple of $100) for the calendar year in which the automobile is placed in service.[[3]](http://pro.nuco.com/taxfacts2015/tfins/p1-fit/genrul/adjgrinc/Pages/0623-00-TF1.aspx?k=depreciation+automobiles" \l "_ftn3) Taxpayers who lease passenger automobiles and are allowed a deduction for the lease are required to reduce the deduction if the fair market value of the automobile is greater than a certain amount. For lease terms beginning in 2012, the amount was $18,500 and for lease terms beginning in 2013, the amount was $19,000. In 2014, the amount is reduced to $18,500.[[4]](http://pro.nuco.com/taxfacts2015/tfins/p1-fit/genrul/adjgrinc/Pages/0623-00-TF1.aspx?k=depreciation+automobiles" \l "_ftn4) For 2015, the amount is further reduced to $17,500. [5] This reduction is accomplished by including in gross income an amount determined from tables promulgated by the IRS. The amount to be added to income is dependent on the fair market value of the automobile at the time the lease term begins. The higher the value of the automobile, the more that is added to income.[[5]](http://pro.nuco.com/taxfacts2015/tfins/p1-fit/genrul/adjgrinc/Pages/0623-00-TF1.aspx?k=depreciation+automobiles" \l "_ftn5) “Passenger automobiles” do not include ambulances, hearses, trucks, vans or other vehicles used by a taxpayer in a trade or business of transporting persons or property for compensation or hire.[[6]](http://pro.nuco.com/taxfacts2015/tfins/p1-fit/genrul/adjgrinc/Pages/0623-00-TF1.aspx?k=depreciation+automobiles" \l "_ftn6)    The amount of the depreciation deductions is also limited for “listed property” placed in service (or leased) after June 18, 1984 (generally) if the business use of the property does not exceed 50 percent of its total use during the taxable year.[[7]](http://pro.nuco.com/taxfacts2015/tfins/p1-fit/genrul/adjgrinc/Pages/0623-00-TF1.aspx?k=depreciation+automobiles" \l "_ftn7) “Listed property” includes any passenger automobile or other property used for transportation (generally, unless used in the transportation business); any property of a type used for entertainment, recreation or amusement; any computer (except computers used exclusively at a regular business establishment or at a dwelling unit that meets the home office requirement); any cellular telephone or similar equipment (but only for tax years that begin before January 1, 2010); or other property specified by the regulations.[[8]](http://pro.nuco.com/taxfacts2015/tfins/p1-fit/genrul/adjgrinc/Pages/0623-00-TF1.aspx?k=depreciation+automobiles" \l "_ftn8) In the case of passenger automobiles, this personal use limitation is applied after the passenger automobile limitation, above.[[9]](http://pro.nuco.com/taxfacts2015/tfins/p1-fit/genrul/adjgrinc/Pages/0623-00-TF1.aspx?k=depreciation+automobiles" \l "_ftn9)    If the business use of the listed property does not exceed 50 percent, depreciation under the regular pre-1987 ACRS and post-1986 ACRS is not allowed. For such property placed in service after 1986, the amount of the depreciation deduction is limited to that amount determined using the alternative depreciation system (see [Q 621](http://pro.nuco.com/taxfacts2015/tfins/p1-fit/genrul/adjgrinc/Pages/0621-00-TF1.aspx?k=461)).[[10]](http://pro.nuco.com/taxfacts2015/tfins/p1-fit/genrul/adjgrinc/Pages/0623-00-TF1.aspx?k=depreciation+automobiles" \l "_ftn10) For such property placed in service after June 18, 1984 and before 1987, the amount of the recovery is generally limited to that amount determined using the straight line method over the following earnings and profit lives:[[11]](http://pro.nuco.com/taxfacts2015/tfins/p1-fit/genrul/adjgrinc/Pages/0623-00-TF1.aspx?k=depreciation+automobiles" \l "_ftn11)   |  |  | | --- | --- | | *In the case of:* | *The applicable recovery period is:* | | 3-year property | 5 years | | 5-year property | 12 years | | 10-year property | 25 years | | 15-year public utility property | 35 years | | 19-year real prop. and low income housing | 40 years | |  |  |     The more-than-50 percent business use requirement must be met solely by use of the listed property in a trade or business, without regard to the percentage of any use in another income producing activity. However, the percentage of use in any other income producing activity is added to the business use when determining the unadjusted basis of the property subject to depreciation (the unadjusted basis is the same as the initial basis, described above). If the listed property meets the more-than-50 percent business use requirement in the year it is placed in service and ceases to do so in a subsequent year, then any “excess depreciation” will be recaptured and included in gross income in the year it ceases to meet the requirement. “Excess depreciation” is the *excess,* if any, of the depreciation allowable while the property met the business use requirement *over* the depreciation that would have been allowable if the property had not met the requirement for the taxable year it was placed in service.[[12]](http://pro.nuco.com/taxfacts2015/tfins/p1-fit/genrul/adjgrinc/Pages/0623-00-TF1.aspx?k=depreciation+automobiles" \l "_ftn12) This excess depreciation recapture is distinct from the depreciation recapture that occurs on early disposition; see [Q 625](http://pro.nuco.com/taxfacts2015/tfins/p1-fit/genrul/adjgrinc/Pages/0625-00-TF1.aspx?k=461).    [[1]](http://pro.nuco.com/taxfacts2015/tfins/p1-fit/genrul/adjgrinc/Pages/0623-00-TF1.aspx?k=depreciation+automobiles" \l "_ftnref1)  .See IRC Secs. 168(k)(2)(F), IRC Sec. 168(k)(4)(D), prior to amendment by ESA 2008.  [[2]](http://pro.nuco.com/taxfacts2015/tfins/p1-fit/genrul/adjgrinc/Pages/0623-00-TF1.aspx?k=depreciation+automobiles" \l "_ftnref2)  .IRC Sec. 168(k)(2)(F), as amended by ESA 2008 and ARRA 2009.  [[3]](http://pro.nuco.com/taxfacts2015/tfins/p1-fit/genrul/adjgrinc/Pages/0623-00-TF1.aspx?k=depreciation+automobiles" \l "_ftnref3)  .IRC Sec. 280F(d)(7).  [[4]](http://pro.nuco.com/taxfacts2015/tfins/p1-fit/genrul/adjgrinc/Pages/0623-00-TF1.aspx?k=depreciation+automobiles" \l "_ftnref4)  .Rev. Proc. 2014-21, 2014-11 IRB 1.  Rev Proc. 2015-19 [5]  .See Treas. Reg. §1.280F-7; Rev. Proc. 2012-23.  [[6]](http://pro.nuco.com/taxfacts2015/tfins/p1-fit/genrul/adjgrinc/Pages/0623-00-TF1.aspx?k=depreciation+automobiles" \l "_ftnref6)  .IRC Sec. 280F(d)(5)(B).  [[7]](http://pro.nuco.com/taxfacts2015/tfins/p1-fit/genrul/adjgrinc/Pages/0623-00-TF1.aspx?k=depreciation+automobiles" \l "_ftnref7)  .IRC Sec. 280F(b).  [[8]](http://pro.nuco.com/taxfacts2015/tfins/p1-fit/genrul/adjgrinc/Pages/0623-00-TF1.aspx?k=depreciation+automobiles" \l "_ftnref8)  .IRC Sec. 280F(d)(4).  [[9]](http://pro.nuco.com/taxfacts2015/tfins/p1-fit/genrul/adjgrinc/Pages/0623-00-TF1.aspx?k=depreciation+automobiles" \l "_ftnref9)  .IRC Sec. 280F(a)(2).  [[10]](http://pro.nuco.com/taxfacts2015/tfins/p1-fit/genrul/adjgrinc/Pages/0623-00-TF1.aspx?k=depreciation+automobiles" \l "_ftnref10)  .IRC Sec. 280F(b)(1).  [[11]](http://pro.nuco.com/taxfacts2015/tfins/p1-fit/genrul/adjgrinc/Pages/0623-00-TF1.aspx?k=depreciation+automobiles" \l "_ftnref11)  .IRC Secs. 280F(b)(2), 312(k), both as in effect prior to amendment by TRA ’86).  [[12]](http://pro.nuco.com/taxfacts2015/tfins/p1-fit/genrul/adjgrinc/Pages/0623-00-TF1.aspx?k=depreciation+automobiles" \l "_ftnref12)  .IRC Sec. 280F(b)(2). |
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