

Rev. Proc. 2000-18

SECTION 1. PURPOSE

This revenue procedure provides: (1) limitations on depreciation deductions for owners of passenger automobiles first placed in service during calendar year 2000, including separate limitations on passenger automobiles designed to be propelled primarily by electricity and built by an original equipment manufacturer (electric automobiles); (2) the amounts to be included in income by lessees of passenger automobiles first leased during calendar year 2000, including separate inclusion amounts for electric automobiles; and (3) the maximum allowable value of employer-provided automobiles first made available to employees for personal use in calendar year 2000 for which the vehicle cents-per-mile valuation rule provided under § 1.61-21(e) of the Income Tax Regulations may be applicable. The tables detailing these depreciation limitations and lessee inclusion amounts reflect the automobile price inflation adjustments required by § 280F(d)(7) of the Internal Revenue Code. The maximum allowable automobile value for applying the vehicle cents-per-mile valuation rule reflects the automobile price inflation adjustment of § 280F(d)(7) as required by § 1.61-21(e)(1)(iii)(A).

SECTION 2. BACKGROUND

For owners of automobiles, § 280F(a) imposes dollar limitations on the depreciation deduction for the year that the automobile is placed in service and each succeeding year. In the case of electric automobiles placed in service after August 5, 1997, and before January 1, 2005, § 280F(a)(1)(C) requires tripling of these limitation amounts. 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 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), 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. There is a table for lessees of electric automobiles and a table for all other passenger automobiles. Each table shows inclusion amounts for a range of fair market values for each tax year after the automobile is first leased.

For automobiles first provided by employers to employees that meet the requirements of § 1.61-21(e)(1), the value to the employee of the use of the automobile may be determined under the vehicle cents-per-mile valuation rule of § 1.61-21(e). Section 1.61-21(e)(1)(iii)(A) provides that for an automobile first made available after 1988 to any employee of the employer for personal use, the value of the use of the automobile may not be determined under the vehicle cents-per-mile valuation rule for a calendar year if the fair market value of the automobile (determined pursuant to § 1.61-21(d)(5)(i) through (iv)) on the first date the automobile is made available to the employee exceeds \$12,800 as adjusted by § 280F(d)(7).

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 2000 and continue to apply for each tax year that the automobile remains in service.

02. The tables in section 4.03 of this revenue procedure apply to leased automobiles for which the lease term begins in calendar year 2000. Lessees of such automobiles must use these tables to determine the inclusion amount for each tax year during which the automobile is leased.

03. See Rev. Proc. 96-25, 1996-1 C.B. 681, for information on determining in-

clusion amounts for automobiles first leased before January 1, 1997; Rev. Proc. 97-20, 1997-1 C.B. 647, for automobiles first leased during calendar year 1997, including electric automobiles first leased on or after January 1, 1997, and before August 6, 1997; Rev. Proc. 98-24, 1998-1 C.B. 663, for electric automobiles first leased after August 5, 1997, and before January 1, 1998; Rev. Proc. 98-30, 1998-1 C.B. 930, for all automobiles first leased in calendar year 1998; and Rev. Proc. 99-14, 1999-5 I.R.B. 56, for all automobiles first leased in calendar year 1999.

04. The maximum fair market value figure in section 4.04(2) of this revenue procedure applies to employer-provided automobiles first made available to any employee for personal use in calendar year 2000. See Rev. Proc. 97-20, for the maximum fair market value figure for automobiles first made available in calendar year 1997; Rev. Proc. 98-30, for the maximum fair market value figure for automobiles first made available in calendar year 1998; and Rev. Proc. 99-14, for the maximum fair market value figure for automobiles first made available in calendar year 1999.

SECTION 4. APPLICATION

01. A taxpayer placing an automobile in service for the first time during calendar year 2000 is limited to the depreciation deduction shown in Table 1 of section 4.02(2) of this revenue procedure or, in the case of an electric automobile, Table 2 of this revenue procedure. A taxpayer first leasing an automobile in calendar year 2000 must determine the inclusion amount that is added to gross income using Table 3 of section 4.03 of this revenue procedure or, in the case of an electric automobile, Table 4 of this revenue procedure. In addition, the procedures of § 1.280F-7(a) must be followed. An employer providing an automobile for the first time in calendar year 2000 for the personal use of any employee may determine the value of the use of the automobile by using the cents-per-mile valuation rule in § 1.61-21(e) if the fair market value of the automobile does not exceed the amount specified in section 4.04(2) of this revenue procedure. If the fair market

value of the automobile exceeds the amount specified in section 4.04(2) of this revenue procedure, the employer may determine the value of the use of the automobile under the general valuation rules of § 1.61-21(b) or under the special valuation rules of § 1.61-21(d) (Automobile lease valuation) or § 1.61-21(f) (Commuting valuation) if the applicable requirements are met.

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 Consumers published by the Department of Labor (the CPI). The new car component of the CPI was 115.2 for October 1987 and 138.8 for October 1999. The October 1999 index exceeded the October 1987 index by 23.6. The Internal Revenue Service has, therefore, determined that the automobile price inflation adjustment for 2000 is 20.49 percent (23.6/115.2 x 100%). This adjustment is applicable to all automobiles that are first placed in service in calendar year 2000. The dollar limitations in § 280F(a) must therefore be multiplied by a factor of 0.2049, and the resulting increases, after rounding to the nearest \$100, are added to the 1988 limitations to give the depreciation limitations applicable to passenger automobiles (other than electric automo-

biles) for calendar year 2000. To determine the dollar limitations applicable to an electric automobile first placed in service during calendar year 2000, the dollar limitations in § 280F(a) are tripled in accordance with § 280F(a)(1)(C) and are then multiplied by a factor of 0.2049; the resulting increases, after rounding to the nearest \$100, are added to the tripled 1988 limitations to give the depreciation limitations for calendar year 2000.

(2) *Amount of the Limitation.* For automobiles (other than electric automobiles) placed in service in calendar year 2000, Table 1 of this revenue procedure contains the dollar amount of the depreciation limitations for each tax year. For electric automobiles placed in service in calendar year 2000, Table 2 of this revenue procedure contains these amounts.

REV. PROC. 2000-18, TABLE 1

DEPRECIATION LIMITATIONS FOR AUTOMOBILES
(OTHER THAN ELECTRIC AUTOMOBILES)
FIRST PLACED IN SERVICE IN CALENDAR YEAR 2000

<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

REV. PROC. 2000-18, TABLE 2

DEPRECIATION LIMITATIONS FOR ELECTRIC AUTOMOBILES
FIRST PLACED IN SERVICE IN CALENDAR YEAR 2000

<i>Tax Year</i>	<i>Amount</i>
1st Tax Year	\$9,280
2nd Tax Year	\$14,800
3rd Tax Year	\$8,850
Each Succeeding Year	\$5,325

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

The inclusion amounts for automobiles first leased in calendar year 2000 are cal-

culated under the procedures described in § 1.280F-7(a). Lessees of automobiles other than electric automobiles should use Table 3 of this revenue procedure in ap-

plying these procedures, while lessees of electric automobiles should use Table 4 of this revenue procedure.

REV. PROC. 2000-18, TABLE 3

DOLLAR AMOUNTS FOR AUTOMOBILES (OTHER THAN ELECTRIC AUTOMOBILES)
WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2000

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	9	10	12
15,800	16,100	5	12	17	20	23
16,100	16,400	8	17	25	30	34
16,400	16,700	10	23	33	40	45
16,700	17,000	13	28	42	49	57
17,000	17,500	16	36	52	62	72
17,500	18,000	20	45	66	78	91
18,000	18,500	25	54	79	95	109
18,500	19,000	29	63	93	111	128
19,000	19,500	33	72	107	127	147
19,500	20,000	37	81	121	143	166
20,000	20,500	41	91	133	160	185
20,500	21,000	45	100	147	176	204
21,000	21,500	50	109	160	193	222
21,500	22,000	54	118	174	209	241
22,000	23,000	60	132	194	234	269
23,000	24,000	68	150	222	266	306
24,000	25,000	77	168	249	298	345
25,000	26,000	85	187	276	331	381
26,000	27,000	93	205	303	364	419
27,000	28,000	102	223	330	396	457
28,000	29,000	110	241	358	429	494
29,000	30,000	119	259	385	461	532
30,000	31,000	127	278	412	493	570
31,000	32,000	135	296	439	527	607
32,000	33,000	144	314	467	558	645
33,000	34,000	152	333	493	591	683
34,000	35,000	160	351	521	623	720
35,000	36,000	169	369	548	656	757
36,000	37,000	177	388	574	689	795
37,000	38,000	185	406	602	721	833
38,000	39,000	194	424	629	754	870
39,000	40,000	202	443	656	786	908
40,000	41,000	210	461	683	819	946
41,000	42,000	219	479	710	852	983
42,000	43,000	227	497	738	884	1,021
43,000	44,000	235	516	765	916	1,058
44,000	45,000	244	534	792	949	1,095
45,000	46,000	252	552	819	982	1,133
46,000	47,000	260	571	846	1,014	1,171
47,000	48,000	269	589	873	1,047	1,208
48,000	49,000	277	607	901	1,079	1,246
49,000	50,000	285	626	927	1,112	1,284
50,000	51,000	294	644	954	1,145	1,321
51,000	52,000	302	662	982	1,177	1,359
52,000	53,000	311	680	1,009	1,210	1,396
53,000	54,000	319	699	1,036	1,242	1,433

REV. PROC. 2000-18, TABLE 3 (Cont'd.)

DOLLAR AMOUNTS FOR AUTOMOBILES (OTHER THAN ELECTRIC AUTOMOBILES)
WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2000

Fair Market Value of Automobile		Tax Year During Lease				
		1st	2nd	3rd	4th	5th and Later
Over	Not Over					
54,000	55,000	327	717	1,063	1,275	1,471
55,000	56,000	336	735	1,090	1,308	1,508
56,000	57,000	344	754	1,117	1,340	1,546
57,000	58,000	352	772	1,145	1,372	1,584
58,000	59,000	361	790	1,172	1,405	1,621
59,000	60,000	369	808	1,199	1,438	1,659
60,000	62,000	381	836	1,240	1,486	1,715
62,000	64,000	398	873	1,294	1,551	1,790
64,000	66,000	415	909	1,348	1,617	1,865
66,000	68,000	432	945	1,403	1,681	1,941
68,000	70,000	448	982	1,457	1,747	2,016
70,000	72,000	465	1,019	1,511	1,811	2,092
72,000	74,000	482	1,055	1,566	1,876	2,166
74,000	76,000	498	1,092	1,620	1,942	2,241
76,000	78,000	515	1,129	1,673	2,007	2,317
78,000	80,000	532	1,165	1,728	2,072	2,392
80,000	85,000	561	1,229	1,823	2,186	2,523
85,000	90,000	603	1,320	1,959	2,349	2,711
90,000	95,000	644	1,412	2,095	2,511	2,899
95,000	100,000	686	1,504	2,230	2,674	3,087
100,000	110,000	749	1,641	2,433	2,918	3,369
110,000	120,000	832	1,824	2,705	3,243	3,745
120,000	130,000	916	2,006	2,977	3,569	4,120
130,000	140,000	999	2,190	3,248	3,894	4,496
140,000	150,000	1,083	2,372	3,520	4,219	4,872
150,000	160,000	1,166	2,556	3,790	4,545	5,248
160,000	170,000	1,250	2,738	4,062	4,871	5,623
170,000	180,000	1,333	2,921	4,334	5,196	5,998
180,000	190,000	1,416	3,105	4,605	5,521	6,374
190,000	200,000	1,500	3,287	4,877	5,846	6,750
200,000	210,000	1,583	3,470	5,148	6,172	7,126
210,000	220,000	1,667	3,653	5,419	6,498	7,501
220,000	230,000	1,750	3,836	5,691	6,823	7,877
230,000	240,000	1,834	4,019	5,962	7,148	8,253
240,000	250,000	1,917	4,202	6,233	7,474	8,629

REV. PROC. 2000-18, TABLE 4

DOLLAR AMOUNTS FOR ELECTRIC AUTOMOBILES
WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2000

Fair Market Value of Automobile		Tax Year During Lease				
		1st	2nd	3rd	4th	5th and Later
Over	Not Over					
\$ 47,000	48,000	7	17	26	32	36
48,000	49,000	14	31	47	57	66
49,000	50,000	20	45	69	82	95
50,000	51,000	27	59	90	107	124
51,000	52,000	33	74	110	133	153
52,000	53,000	39	88	132	157	183
53,000	54,000	46	102	153	183	211
54,000	55,000	52	116	174	209	240
55,000	56,000	59	130	195	234	270
56,000	57,000	65	145	216	259	299
57,000	58,000	72	159	237	284	328
58,000	59,000	78	173	258	310	357
59,000	60,000	85	187	279	335	387
60,000	62,000	95	208	311	373	430
62,000	64,000	107	237	353	423	489
64,000	66,000	120	266	394	474	547
66,000	68,000	133	294	437	524	606
68,000	70,000	146	322	480	574	664
70,000	72,000	159	351	521	625	723
72,000	74,000	172	379	564	675	781
74,000	76,000	185	407	606	727	838
76,000	78,000	198	436	648	777	897
78,000	80,000	211	464	690	828	955
80,000	85,000	234	514	763	916	1,058
85,000	90,000	266	585	869	1,042	1,204
90,000	95,000	298	656	975	1,168	1,350
95,000	100,000	331	727	1,080	1,295	1,495
100,000	110,000	379	834	1,237	1,485	1,714
110,000	120,000	444	975	1,449	1,737	2,006
120,000	130,000	509	1,117	1,660	1,990	2,297
130,000	140,000	574	1,259	1,870	2,243	2,589
140,000	150,000	638	1,402	2,080	2,496	2,881
150,000	160,000	703	1,543	2,292	2,748	3,173
160,000	170,000	768	1,685	2,503	3,000	3,465
170,000	180,000	833	1,827	2,713	3,254	3,756
180,000	190,000	897	1,970	2,923	3,506	4,049
190,000	200,000	962	2,112	3,134	3,759	4,340
200,000	210,000	1,027	2,253	3,346	4,011	4,632
210,000	220,000	1,092	2,395	3,556	4,264	4,924
220,000	230,000	1,156	2,538	3,766	4,517	5,215
230,000	240,000	1,221	2,680	3,977	4,769	5,507
240,000	250,000	1,286	2,821	4,189	5,022	5,798

04. *Maximum Automobile Value for Using the Cents-per-mile Valuation Rule.*

(1) *Amount of Adjustment.* Under § 1.61-21(e)(1)(iii)(A), the limitation on the fair market value of an employer-provided automobile first made available to any employee for personal use after 1988 is to be adjusted in accordance with § 280F(d)(7). Accordingly, the 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. *See*, section 4.02(1) of this revenue procedure. The new car component of the CPI was 115.2 for October 1987 and 138.8 for October 1999. The October 1999 index exceeded the October 1987 index by 23.6. The Internal Revenue Service has, therefore, determined that the adjustment for 2000 is 20.49 percent ($23.6/115.2 \times 100\%$). This adjustment is applicable to all employer-provided automobiles first made available to any employee for personal use in calendar year 2000. The maximum fair market value specified in § 1.61-21(e)(1)(iii)(A) must therefore be multiplied by a factor of 0.2049, and the resulting increase, after rounding to the nearest \$100, is added to \$12,800 to give the maximum value for calendar year 2000.

(2) *The Maximum Automobile Value.*

For automobiles first made available in calendar year 2000 to any employee of the employer for personal use, the vehicle cents-per-mile valuation rule may be applicable if the fair market value of the automobile on the date it is first made available does not exceed \$15,400.

SECTION 5. EFFECTIVE DATE

This revenue procedure applies to automobiles (other than leased automobiles) that are first placed in service during calendar year 2000, to leased automobiles that are first leased during calendar year 2000, and to employer-provided automobiles first made available to employees for personal use in calendar year 2000.

DRAFTING INFORMATION

The principal author of this revenue procedure is Bernard P. Harvey of the Office of the Assistant Chief Counsel (Passthroughs and Special Industries). For further information regarding the depreciation limitations and lessee inclusion amounts in this revenue procedure, contact Mr. Harvey at (202) 622-3110; for further information regarding the maximum automobile value for applying the vehicle

cents-per-mile valuation rule, contact Ms. Lynne Camillo of the Office of the Associate Chief Counsel (Employee Benefits and Exempt Organizations) at (202) 622-6040 (not toll-free calls).
