

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. 98-24

SECTION 1. PURPOSE

This revenue procedure provides limitations on depreciation deductions for owners of passenger automobiles designed to be propelled primarily by electricity and built by an original equipment manufacturer (electric automobiles) first placed in service after August 5, 1997, and before January 1, 1998, and the amounts to be included in income by lessees of electric automobiles first leased after August 5, 1997, and before January 1, 1998. The tables detailing these depreciation limitations and lessee inclusion amounts reflect the tripling of the base depreciation limits provided in § 280F(a)(1)(A) required by § 280F(a)(1)(C) of the Internal Revenue Code, and the automobile price inflation adjustments required by § 280F(d)(7).

SECTION 2. BACKGROUND

For owners of automobiles, § 280F(a)(1)(A) imposes dollar limitations on the depreciation deduction for both the year that the automobile is placed in service and each succeeding year. Section 280F(a)(1)(C)(ii) provides that in the case of a “purpose built passenger vehicle” (as defined in § 4001(a)(2)(C)(ii)), each of the annual limitations specified in § 280F(a)(1)(A) shall be tripled. Section 4001(a)(2)(C)(ii) provides that a purpose built passenger vehicle means a passenger vehicle produced by an original equipment manufacturer and designed so that the vehicle may be propelled primarily by electricity.

Section 280F(d)(7) requires the amounts allowable as depreciation deductions under § 280F(a)(1)(A) 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 al-

lowed 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. 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 electric automobiles (other than leased electric automobiles) that are placed in service after August 5, 1997, and before January 1, 1998, 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 electric automobiles for which the lease term begins after August 5, 1997, and before January 1, 1998. Lessees of such automobiles must use this table 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 depreciation limitations and income inclusion amounts for electric automobiles first purchased or leased before January 1, 1997, and Rev. Proc. 97-20, 1997-11 I.R.B. 10, for depreciation limitations and income inclusion amounts for electric automobiles first purchased or leased on or after January 1, 1997, and before August 6, 1997.

SECTION 4. APPLICATION

01. A taxpayer placing an electric automobile in service for the first time after August 5, 1997, and before January 1, 1998, is limited to the depreciation deduction shown in Table 1 of section 4.02(2) of this revenue procedure. A taxpayer first leasing an electric automobile after August 5, 1997, and before January 1, 1998, must use Table 2 in section 4.03 of this revenue procedure to determine the inclusion amount that is added to gross income.

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 141.5 for October 1996. The October 1996 index exceeded the October 1987 index by 26.3. The Internal Revenue Service has, therefore, determined that the automobile price inflation adjustment for 1997 is 22.83 percent ($26.3/115.2 \times 100\%$). This adjustment is applicable to all automobiles that are first placed in service in calendar year 1997. To determine the dollar limitations applicable to an electric automobile first placed

in service after August 5, 1997, and before January 1, 1998, the dollar limitations in § 280F(a)(1)(A) are tripled in accordance with § 280F(a)(1)(C) and are then multiplied by a factor of 0.2283; the resulting increases, after rounding to the nearest \$100, are added to the tripled 1988 limitations to give the depreciation limitations for 1997.

(2) *Amount of the Limitation.* For electric automobiles placed in service after August 5, 1997, and before January 1, 1998, Table 1 contains the dollar amount of the depreciation limitations for each tax year.

REV. PROC. 98-24 TABLE 1	
DEPRECIATION LIMITATIONS FOR ELECTRIC AUTOMOBILE FIRST PLACED IN SERVICE AFTER AUGUST 5, 1997, AND BEFORE JANUARY 1, 1998	
Tax Year	Amount
1st Tax Year	\$9,480
2nd Tax Year	\$15,100
3rd Tax Year	\$9,050
Each Succeeding Year	\$5,425

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

The inclusion amounts for electric automobiles first leased after August 5, 1997, and before January 1, 1998, are calculated under the procedures described in § 1.280F-7(a) of the Income Tax regulations. Table 2 of this revenue procedure is the applicable table to be used in applying those procedures.

REV. PROC. 98-24 TABLE 2						
DOLLAR AMOUNTS FOR ELECTRIC AUTOMOBILES WITH A LEASE TERM BEGINNING AFTER AUGUST 5, 1997, AND BEFORE JANUARY 1, 1998						
Fair Market Value of Automobile		Tax Year During Lease				
Over	Not Over	1st	2nd	3rd	4th	5th and Later
\$ 47,000	48,000	1	4	7	9	11
48,000	49,000	9	22	33	41	48
49,000	50,000	17	40	60	73	84
50,000	51,000	25	58	87	104	122
51,000	52,000	34	75	114	136	159
52,000	53,000	42	93	140	169	195
53,000	54,000	50	111	167	200	232
54,000	55,000	58	129	194	232	269

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DOLLAR AMOUNTS FOR ELECTRIC AUTOMOBILES
WITH A LEASE TERM BEGINNING AFTER AUGUST 5, 1997,
AND BEFORE JANUARY 1, 1998

Fair Market Value of Automobile		Tax Year During Lease				
Over	Not Over	1st	2nd	3rd	4th	5th and Later
55,000	56,000	66	147	220	264	306
56,000	57,000	74	165	247	296	342
57,000	58,000	83	183	273	328	379
58,000	59,000	91	201	300	359	417
59,000	60,000	99	219	326	392	453
60,000	62,000	111	246	366	440	508
62,000	64,000	128	282	419	503	582
64,000	66,000	144	318	472	567	656
66,000	68,000	160	354	525	631	730
68,000	70,000	177	389	579	695	803
70,000	72,000	193	425	632	759	876
72,000	74,000	209	461	686	822	950
74,000	76,000	226	497	738	887	1,023
76,000	78,000	242	533	792	950	1,097
78,000	80,000	259	568	845	1,014	1,171
80,000	85,000	287	632	938	1,125	1,300
85,000	90,000	328	721	1,071	1,285	1,484
90,000	95,000	369	811	1,204	1,444	1,669
95,000	100,000	410	900	1,337	1,604	1,853
100,000	110,000	471	1,035	1,537	1,843	2,128
110,000	120,000	553	1,214	1,803	2,162	2,497
120,000	130,000	635	1,393	2,069	2,481	2,866
130,000	140,000	717	1,573	2,334	2,801	3,233
140,000	150,000	798	1,752	2,601	3,119	3,602
150,000	160,000	880	1,932	2,866	3,439	3,970
160,000	170,000	962	2,111	3,133	3,757	4,338
170,000	180,000	1,044	2,290	3,399	4,076	4,707
180,000	190,000	1,126	2,469	3,665	4,395	5,075
190,000	200,000	1,208	2,649	3,930	4,715	5,443
200,000	210,000	1,289	2,828	4,197	5,033	5,812
210,000	220,000	1,371	3,008	4,462	5,353	6,179
220,000	230,000	1,453	3,187	4,729	5,671	6,548
230,000	240,000	1,535	3,366	4,995	5,990	6,916
240,000	250,000	1,617	3,545	5,261	6,309	7,285

SECTION 5. EFFECTIVE DATE

This revenue procedure is effective for electric automobiles (other than leased electric automobiles) that are first placed in service after August 5, 1997, and before January 1, 1998, and for leased electric au-

tomobiles that are first leased after August 5, 1997, and before January 1, 1998.

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 (not a toll-free call).