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. 2019-26

SECTION 1. PURPOSE

This revenue procedure provides: (1) tables of limitations on depreciation deductions for owners of passenger automobiles first placed in service by the taxpayer during calendar year 2019; and (2) a table of amounts that must be included in income by lessees of passenger automobiles first leased by the taxpayer during calendar year 2019. The tables detailing these depreciation limitations and lessee inclusion amounts reflect the automobile price inflation adjustments required by § 280F(d)(7). For purposes of this revenue procedure, the term “passenger automobiles” includes trucks and vans.

SECTION 2. BACKGROUND

.01 For owners of passenger automobiles, § 280F(a) imposes dollar limitations on the depreciation deduction for the year the taxpayer places the passenger automobile in service and for each succeeding year. For passenger automobiles placed in service after 2018, § 280F(d)(7) requires the Internal Revenue Service to increase the amounts allowable as depreciation deductions by a price inflation adjustment amount that is determined using the automobile component of the Chained Consumer Price Index for all Urban Consumers published by the Department of Labor.

.02 Section 168(k)(1) provides that, in the case of qualified property, the depreciation deduction allowed under § 167(a) for the taxable year in which the property is placed in service includes an allowance equal to the applicable percentage of the property's adjusted basis (hereinafter, referred to as "§ 168(k) additional first year depreciation deduction"). Pursuant to § 168(k)(6)(A), the applicable percentage is 100 percent for qualified property acquired and placed in service after September 27, 2017, and placed in service before January 1, 2023, and is phased down 20 percent each year for property placed in service through December 31, 2026. Pursuant to § 168(k)(8)(B)(i), the applicable percentage is 30 percent for qualified property acquired before September 28, 2017, and placed in service in 2019. For qualified property acquired and placed in service after September 27, 2017, § 168(k)(2)(F)(i) increases the first year depreciation allowed under § 280F(a)(1)(A)(i) by $8,000. For qualified property acquired by the taxpayer before September 28, 2017, and placed in service by the taxpayer during 2019, § 168(k)(2)(F)(iii) increases the first year depreciation allowed under § 280F(a)(1)(A)(i) by $4,800.

.03 Tables 1 through 3 of this revenue procedure provide depreciation limitations for passenger automobiles placed in service during calendar year 2019. Table 1 provides depreciation limitations for passenger automobiles acquired by the taxpayer before September 28, 2017, and placed in service by the taxpayer during calendar year 2019, for which the § 168(k) additional first year depreciation deduction applies. Table 2 provides depreciation limitations for passenger automobiles acquired by the taxpayer after September 27, 2017, and placed in service by the taxpayer during calendar year 2019, for which the § 168(k) additional first year depreciation deduction applies. Table 3 provides depreciation limitations for passenger automobiles placed in service during calendar year 2019 for which no § 168(k) additional first year depreciation deduction applies. The § 168(k) additional first year depreciation deduction does not apply for 2019 if the taxpayer: (1) did not use the passenger automobile during 2019 more than 50 percent for business purposes; (2) elected out of the § 168(k) additional first year depreciation deduction pursuant to § 168(k)(7) for the class of property that includes passenger automobiles; or (3) acquired the passenger automobile used and the acquisition of such property did not meet the acquisition requirements in § 168(k)(2)(E)(ii).

.04 Section 280F(c)(2) requires a reduction to the amount of deduction allowed to the lessee of a leased passenger automobile. Pursuant to § 280F(c)(3), the reduction must be substantially equivalent to the limitations on the depreciation deductions imposed on owners of passenger automobiles. Under § 1.280F-7(a) of the Income Tax Regulations, this reduction requires a lessee to include in gross income an amount determined by applying a formula to the amount obtained from a table. Table 4 applies to lessees of passenger automobiles. This table shows income inclusion amounts for a range of fair market values for each taxable year after the passenger automobile is first leased.

SECTION 3. SCOPE

.01 The limitations on depreciation deductions in section 4.01(2) of this revenue procedure apply to passenger automobiles, other than leased passenger automobiles, that are placed in service by the taxpayer in calendar year 2019, and continue to apply for each taxable year that the passenger automobile remains in service.

.02 The table in section 4.02 of this revenue procedure applies to leased passenger automobiles for which the lease term begins during calendar year 2019. Lessees of these passenger automobiles must use these tables to determine the inclusion amount for each taxable year during which the passenger automobile is leased. See Rev. Proc. 2014-21, 2014-11 I.R.B. 641, as amplified and modified by section 4.03 of Rev. Proc. 2015-19, 2015-8 I.R.B. 656, for passenger automobiles first leased during calendar year 2014; Rev. Proc. 2015-19, as amplified and modified by section 4.03 of Rev. Proc. 2016-23, 2016-16 I.R.B. 581, for passenger automobiles first leased during calendar year 2015, Rev. Proc. 2016-23 for passenger automobiles first leased during calendar year 2016, Rev. Proc. 2017-29, 2017-14 I.R.B. 1065, for passenger automobiles first leased during calendar year 2017, and Rev. Proc. 2018-03, 2018-2 I.R.B. 285, for passenger automobiles first leased during calendar year 2018.

SECTION 4. APPLICATION

.01 <u>Limitations on Depreciation Deductions for Certain Automobiles</u>.

(1) <u>Amount of the inflation adjustment</u>. Under § 280F(d)(7)(B)(i), the automobile price inflation adjustment for any calendar year is the percentage (if any) by which the C-CPI-U automobile component for October of the preceding calendar year exceeds the automobile component of the CPI (as defined in § 1(f)(4)) for October of 2017, multiplied by the amount determined under § 1(f)(3)(B). The amount determined under § 1(f)(3)(B) is the amount obtained by dividing the new vehicle component of the

C-CPI-U for calendar year 2016 by the new vehicle component of the CPI for calendar year 2016, where the C-CPI-U and the CPI for calendar year 2016 means the average of such amounts as of the close of the 12-month period ending on August 31, 2016. Section 280F(d)(7)(B)(ii) defines the term "C-CPI-U automobile component" as the automobile component of the Chained Consumer Price Index for All Urban Consumers as described in § 1(f)(6). The product of the October 2017 CPI new vehicle component (144.868) and the amount determined under § 1(f)(3)(B) (0.694370319) is 100.592. The new vehicle component of the C-CPI-U released in November 2018 was 101.318 for October 2018. The October 2018 C-CPI-U new vehicle component exceeded the product of the October 2017 CPI new vehicle component and the amount determined under § 1(f)(3)(B) by 0.726 (101.318 - 100.592). The percentage by which the C-CPI-U new vehicle component for October 2018 exceeds the product of the new vehicle component of the CPI for October of 2017 and the amount determined under § 1(f)(3)(B) is 0.722 percent (0.726/100.592 x 100%), the automobile price inflation adjustment for 2019 for passenger automobiles. The dollar limitations in § 280F(a) are therefore multiplied by a factor of 0.00722, and the resulting increases, after rounding to the nearest $100, are added to the 2018 limitations to give the depreciation limitations applicable to passenger automobiles for calendar year 2019. This adjustment applies to all passenger automobiles that are first placed in service in calendar year 2019.

(2) Amount of the limitation. Tables 1 through 3 contain the dollar amount of the depreciation limitation for each taxable year for passenger automobiles a taxpayer places in service during calendar year 2019. Use Table 1 for a passenger automobile to which the § 168(k) additional first year depreciation deduction applies that is acquired

before September 28, 2017, and placed in service during calendar year 2019; Table 2 for a passenger automobile to which the § 168(k) additional first year depreciation deduction applies that is acquired after September 27, 2017, and placed in service during calendar year 2019; and Table 3 for a passenger automobile for which no § 168(k) additional first year depreciation deduction applies.

REV. PROC. 2019-26 TABLE 1

DEPRECIATION LIMITATIONS FOR PASSENGER AUTOMOBILES ACQUIRED BEFORE SEPTEMBER 28, 2017, AND PLACED IN SERVICE DURING CALENDAR YEAR 2019 FOR WHICH THE § 168(k) ADDITIONAL FIRST YEAR DEPRECIATION DEDUCTION APPLIES

Tax Year	Amount
1st Tax Year	$ 14,900
2nd Tax Year	$ 16,100
3rd Tax Year	$ 9,700
Each Succeeding Year	$ 5,760

REV. PROC. 2019-26 TABLE 2

DEPRECIATION LIMITATIONS FOR PASSENGER AUTOMOBILES ACQUIRED AFTER SEPTEMBER 27, 2017, AND PLACED IN SERVICE DURING CALENDAR YEAR 2019, FOR WHICH THE § 168(k) ADDITIONAL FIRST YEAR DEPRECIATION DEDUCTION APPLIES

Tax Year	Amount
1st Tax Year	$ 18,100
2nd Tax Year	$ 16,100
3rd Tax Year	$ 9,700
Each Succeeding Year	$ 5,760

REV. PROC. 2019-26 TABLE 3

DEPRECIATION LIMITATIONS FOR PASSENGER AUTOMOBILES PLACED IN SERVICE DURING CALENDAR YEAR 2019 FOR WHICH NO § 168(k) ADDITIONAL FIRST YEAR DEPRECIATION DEDUCTION APPLIES

Tax Year	Amount
1st Tax Year	$ 10,100
2nd Tax Year	$ 16,100
3rd Tax Year	$ 9,700
Each Succeeding Year	$ 5,760

.02 Inclusions in Income of Lessees of Passenger Automobiles.

A taxpayer must follow the procedures in § 1.280F-7(a) for determining the income inclusion amounts for passenger automobiles first leased in calendar year 2019. In applying these procedures, lessees of passenger automobiles should use Table 4 of this revenue procedure.

REV. PROC. 2019-26 TABLE 4
DOLLAR AMOUNTS FOR PASSENGER AUTOMOBILES
WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2019

Fair Market Value of Passenger Automobile		Tax Year During Lease				
Over	Not Over	1st	2nd	3rd	4th	5th & later
$50,000	$51,000	0	1	1	3	3
51,000	52,000	4	11	15	20	23
52,000	53,000	9	20	30	36	43
53,000	54,000	13	30	44	53	63
54,000	55,000	17	40	58	70	83
55,000	56,000	22	49	72	88	102
56,000	57,000	26	59	86	105	122
57,000	58,000	31	68	101	122	142
58,000	59,000	35	78	115	139	161
59,000	60,000	39	88	129	156	181
60,000	62,000	46	102	151	181	211
62,000	64,000	55	121	179	216	250
64,000	66,000	63	140	208	251	289
66,000	68,000	72	160	236	284	329
68,000	70,000	81	179	265	318	369
70,000	72,000	90	198	293	353	408
72,000	74,000	98	217	322	387	448
74,000	76,000	107	236	351	421	487
76,000	78,000	116	255	379	456	526
78,000	80,000	125	275	407	489	567
80,000	85,000	140	308	458	549	635
85,000	90,000	162	356	529	635	734
90,000	95,000	184	404	600	720	833
95,000	100,000	206	452	671	806	931
100,000	110,000	238	525	778	934	1,079

REV. PROC. 2019-26 TABLE 4 DOLLAR AMOUNTS FOR PASSENGER AUTOMOBILES WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2019						
Fair Market Value of Passenger Automobile		Tax Year During Lease				
Over	Not Over	1st	2nd	3rd	4th	5th & later
110,000	120,000	282	621	920	1,105	1,277
120,000	130,000	326	717	1,063	1,276	1,474
130,000	140,000	370	812	1,206	1,447	1,672
140,000	150,000	413	909	1,348	1,618	1,869
150,000	160,000	457	1,005	1,491	1,788	2,067
160,000	170,000	501	1,101	1,633	1,960	2,264
170,000	180,000	545	1,197	1,776	2,130	2,461
180,000	190,000	588	1,293	1,919	2,301	2,659
190,000	200,000	632	1,389	2,061	2,473	2,856
200,000	210,000	676	1,485	2,204	2,643	3,053
210,000	220,000	720	1,581	2,346	2,815	3,250
220,000	230,000	763	1,677	2,489	2,986	3,448
230,000	240,000	807	1,773	2,632	3,156	3,645
240,000	and over	851	1,869	2,774	3,328	3,842

SECTION 5. EFFECTIVE DATE

This revenue procedure applies to passenger automobiles that a taxpayer first places in service or first leases during calendar year 2019.

SECTION 6. DRAFTING INFORMATION

The principal author of this revenue procedure is Bernard P. Harvey of the Office of Associate Chief Counsel (Income Tax & Accounting). For further information regarding this revenue procedure, contact Mr. Harvey at (202) 317-7005 (not a toll-free call).