Rev. Proc. 2025-16

Limitations on depreciation for auto owners and lessees.

SECTION 1. PURPOSE

This revenue procedure provides: (1) two tables of limitations on depreciation deductions for owners of passenger automobiles placed in service by the taxpayer during calendar year 2025; and (2) a table of dollar amounts that must be used to determine income inclusions by lessees of passenger automobiles with a lease term beginning in calendar year 2025. These tables reflect the automobile price inflation adjustments required by § 280F(d)(7) of the Internal Revenue Code. 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 (C-CPI-U).

.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, referred to as "§ 168(k) additional first year depreciation deduction" hereinafter. 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. Accordingly, the applicable percentage for qualified property acquired after September 27, 2017, and placed in service after December 31, 2024, and before January 1, 2026, is 40 percent. Pursuant to § 168(k)(8)(D)(i), no § 168(k) additional first year depreciation deduction is allowed or allowable for qualified property acquired by the taxpayer before September 28, 2017, and placed in service by the taxpayer after 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.

.03 Tables 1 and 2 of this revenue procedure provide depreciation limitations for passenger automobiles placed in service by the taxpayer during calendar year 2025. Table 1 provides depreciation limitations for passenger automobiles acquired by the taxpayer after September 27, 2017, and placed in service by the taxpayer during calendar year 2025, for which the § 168(k) additional first year depreciation deduction applies. Table 2 provides depreciation limitations for passenger automobiles placed in service by the taxpayer during calendar year 2025 for which no § 168(k) additional first year depreciation deduction applies. The § 168(k) additional first year depreciation deduction does not apply for 2025 if the taxpayer: (1) did not use the passenger automobile during 2025 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; (3) acquired the passenger automobile used and the acquisition of such property did not meet the acquisition requirements in § 168(k)(2)(E)(ii) and § 1.168(k)-2(b)(3)(iii) of the Income Tax Regulations; or (4) acquired the passenger automobile before September 28, 2017, and placed it in service after 2019.

.04 Section 280F(c)(2) requires a reduction to the amount allowable as a deduction 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), this reduction is accomplished by requiring the lessee to include in gross income an amount determined by applying a formula to a dollar amount obtained from a table.

.05 Table 3 of this revenue procedure provides the dollar amount used by lessees of passenger automobiles with a lease term beginning in 2025 to determine the income inclusion amount for those passenger automobiles. The table provides dollar amounts for a range of passenger automobile fair market values.

SECTION 3. SCOPE

.01 The limitations on depreciation deductions in Tables 1 and 2 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 2025 and continue to apply for each taxable year that the passenger automobile remains in service.

.02 The dollar amounts in Table 3 of this revenue procedure apply to leased passenger automobiles with a lease term beginning in calendar year 2025 and continue to apply for each taxable year during the lease.

.03 For other recent calendar years, see Rev. Proc. 2020-37, 2020-33 I.R.B. 381, for passenger automobiles placed in service or leased during calendar year 2020; Rev. Proc. 2021-31, 2021-34 I.R.B. 324, for passenger automobiles placed in service or leased during calendar year 2021; Rev. Proc. 2022-17, 2022-13 I.R.B. 930, for passenger automobiles placed in service or leased during calendar year 2022; Rev. Proc. 2023-14, 2023-6 I.R.B. 466, for passenger automobiles placed in service or leased during calendar year 2023; and Rev. Proc. 2024-13, 2024-9 I.R.B. 678, for passenger automobiles placed in service or leased during calendar year 2024.

SECTION 4. APPLICATION

.01 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 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 2024 was 123.153 for October 2024. The October 2024 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 22.561 (123.153 - 100.592). The percentage by which the C-CPI-U new vehicle component for October 2024 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 22.428 percent (22.561/100.592 x 100%), the automobile price inflation adjustment for 2025 for passenger automobiles. The dollar limitations in § 280F(a) are therefore multiplied by a factor of 0.22428, 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 2025. This adjustment applies to all passenger automobiles that are placed in service in calendar year 2025.

(2) Amount of the limitation. Tables 1 and 2 of this revenue procedure contain the depreciation limitation for each taxable year for passenger automobiles a taxpayer placed in service during calendar year 2025. Use Table 1 for a passenger automobile to which the § 168(k) additional first year depreciation deduction applies that is acquired by the taxpayer after September 27, 2017, and placed in service by the taxpayer during calendar year 2025; use Table 2 for a passenger automobile for which no § 168(k)

additional first year depreciation deduction applies.

REV. PROC. 2025-16 TABLE 1

DEPRECIATION LIMITATIONS FOR PASSENGER AUTOMOBILES ACQUIRED AFTER SEPTEMBER 27, 2017, AND PLACED IN SERVICE DURING CALENDAR YEAR 2025, FOR WHICH THE § 168(k) ADDITIONAL FIRST YEAR DEPRECIATION DEDUCTION APPLIES

Tax Year	Amount
1st Tax Year	$ 20,200
2nd Tax Year	$ 19,600
3rd Tax Year	$ 11,800
Each Succeeding Year	$ 7,060

REV. PROC. 2025-16 TABLE 2

DEPRECIATION LIMITATIONS FOR PASSENGER AUTOMOBILES PLACED IN SERVICE DURING CALENDAR YEAR 2025 FOR WHICH NO § 168(k) ADDITIONAL FIRST YEAR DEPRECIATION DEDUCTION APPLIES

Tax Year	Amount
1st Tax Year	$ 12,200
2nd Tax Year	$ 19,600
3rd Tax Year	$ 11,800
Each Succeeding Year	$ 7,060

.02 Inclusions in Income of Lessees of Passenger Automobiles.

A taxpayer must follow the procedures in § 1.280F-7(a) for determining the inclusion amounts for passenger automobiles with a lease term beginning in calendar year 2025. In applying these procedures, lessees of passenger automobiles should use Table 3 of this revenue procedure.

REV. PROC. 2025-16 TABLE 3

DOLLAR AMOUNTS FOR PASSENGER AUTOMOBILES
WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2025

Fair Market Value of Passenger Automobile Over	Fair Market Value of Passenger Automobile Not Over	1st Tax Year During Lease	2nd Tax Year During Lease	3rd Tax Year During Lease	4th Tax Year During Lease	5th Tax Year During Lease & Later
62,000	64,000	13	26	36	43	50
64,000	66,000	25	53	78	92	107
66,000	68,000	38	81	118	142	163
68,000	70,000	50	109	159	191	220
70,000	72,000	63	136	201	240	277
72,000	74,000	76	164	241	289	334
74,000	76,000	88	192	282	338	391
76,000	78,000	101	219	324	387	447
78,000	80,000	113	247	364	437	504
80,000	85,000	135	295	437	522	604
85,000	90,000	167	364	539	646	745
90,000	95,000	198	434	641	768	888
95,000	100,000	230	502	744	892	1,029
100,000	110,000	277	606	898	1,076	1,242
110,000	120,000	340	744	1,103	1,322	1,525
120,000	130,000	403	882	1,308	1,568	1,809
130,000	140,000	466	1,021	1,512	1,814	2,093
140,000	150,000	529	1,159	1,717	2,060	2,377
150,000	160,000	592	1,297	1,923	2,305	2,661
160,000	170,000	655	1,435	2,128	2,551	2,945
170,000	180,000	718	1,573	2,333	2,797	3,229
180,000	190,000	781	1,711	2,538	3,043	3,513
190,000	200,000	844	1,850	2,742	3,289	3,797
200,000	210,000	907	1,988	2,948	3,534	4,081
210,000	220,000	970	2,126	3,153	3,780	4,364
220,000	230,000	1,033	2,264	3,358	4,026	4,648
230,000	240,000	1,096	2,402	3,563	4,272	4,932
240,000	and over	1,159	2,540	3,768	4,518	5,216

SECTION 5. EFFECTIVE DATE

This revenue procedure applies to passenger automobiles placed in service during calendar year 2025 or with a lease term beginning in calendar year 2025.

SECTION 6. DRAFTING INFORMATION

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