



endar year 1997; and (3) the maximum allowable value of employer-provided automobiles first made available to employees for personal use in calendar year 1997 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 both the year that the automobile is placed in service and each succeeding year. 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 calendar year 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. The 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 auto-

mobile 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 1997 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 automobiles for which the lease term begins in calendar year 1997. Lessees of such automobiles must use this table to determine the inclusion amount for each tax year during which the automobile is leased. *See* Rev. Proc. 96-25, 1996-8 I.R.B. 19, which provides information on determining inclusion amounts for automobiles first leased before January 1, 1997.

03. 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 1997.

SECTION 4. APPLICATION

01. A taxpayer placing an automobile in service for the first time during calendar year 1997 is limited to the depreciation deduction shown in Table 1 of section 4.02(2). A taxpayer first leasing an automobile in calendar year 1997 must use Table 2 in section 4.03 to determine the inclusion amount that is added to gross income. Otherwise, the procedures of § 1.280F-7(a) must be followed. An employer providing an automobile for the first time in calendar year 1997 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). If the fair market value of the automobile does exceed the amount specified in section 4.04(2), 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.

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, 1.61-21.)

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SECTION 1. PURPOSE

This revenue procedure provides: (1) limitations on depreciation deductions for owners of passenger automobiles first placed in service during calendar year 1997; (2) the amounts to be included in income by lessees of passenger automobiles first leased during cal-

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 Con-

sumer 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 x 100%). This adjustment is applicable to all automobiles that are first placed in service in calendar year

1997. The dollar limitations in § 280F(a) must therefore be multiplied by a factor of 0.2283, and the resulting increases, after rounding to the nearest \$100, are added to the 1988 limitations to give the depreciation limitations for 1997.

(2) *Amount of the Limitation.* For automobiles placed in service in calendar year 1997, Table 1 contains the dollar amount of the depreciation limitations for each tax year.

REV. PROC. 97-20 TABLE 1

DEPRECIATION LIMITATIONS FOR AUTOMOBILES FIRST PLACED IN SERVICE IN CALENDAR YEAR 1997

<i>Tax Year</i>	<i>Amount</i>
1st Tax Year	\$3,160
2nd Tax Year	\$5,000
3rd Tax Year	\$3,050
Each Succeeding Year	\$1,775

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

The inclusion amounts for automobiles first leased in calendar year 1997 are calculated under the procedures described in § 1.280F-7(a). Table 2 of this revenue procedure is the applicable table to be used in applying those procedures.

REV. PROC. 97-20 TABLE 2

DOLLAR AMOUNTS FOR AUTOMOBILES
WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 1997

Fair Market Value of Automobile		Tax Year During Lease				
		1st	2nd	3rd	4th	5th and Later
Over	Not Over					
\$ 15,800	16,100	1	5	5	8	10
16,100	16,400	4	10	13	18	21
16,400	16,700	6	15	22	27	32
16,700	17,000	9	20	30	36	44
17,000	17,500	12	28	40	49	58
17,500	18,000	16	37	53	65	77
18,000	18,500	20	46	66	82	95
18,500	19,000	24	55	80	97	114
19,000	19,500	28	64	93	113	132
19,500	20,000	32	73	106	129	151
20,000	20,500	36	82	120	145	169
20,500	21,000	40	91	133	161	187
21,000	21,500	45	99	147	177	205
21,500	22,000	49	108	160	193	224
22,000	23,000	55	122	180	216	252
23,000	24,000	63	140	206	249	288
24,000	25,000	71	158	233	280	326
25,000	26,000	79	176	259	313	362
26,000	27,000	88	193	287	344	399
27,000	28,000	96	211	313	377	435
28,000	29,000	104	229	340	408	473
29,000	30,000	112	247	366	441	509
30,000	31,000	120	265	393	472	546
31,000	32,000	128	283	420	504	583
32,000	33,000	137	301	446	536	620
33,000	34,000	145	319	472	568	657

REV. PROC. 97-20 TABLE 2—Continued

DOLLAR AMOUNTS FOR AUTOMOBILES
WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 1997

Fair Market Value of Automobile		Tax Year During Lease				
		1st	2nd	3rd	4th	5th and Later
Over	Not Over					
34,000	35,000	153	337	499	600	693
35,000	36,000	161	355	526	631	731
36,000	37,000	169	373	552	664	767
37,000	38,000	178	391	578	696	804
38,000	39,000	186	409	605	727	841
39,000	40,000	194	427	632	759	878
40,000	41,000	202	445	658	791	915
41,000	42,000	210	463	685	823	951
42,000	43,000	218	481	712	854	989
43,000	44,000	227	498	739	886	1,026
44,000	45,000	235	516	765	919	1,062
45,000	46,000	243	534	792	951	1,098
46,000	47,000	251	552	819	982	1,136
47,000	48,000	259	570	845	1,015	1,172
48,000	49,000	268	588	871	1,047	1,209
49,000	50,000	276	606	898	1,078	1,246
50,000	51,000	284	624	925	1,110	1,282
51,000	52,000	292	642	951	1,142	1,320
52,000	53,000	300	660	978	1,174	1,356
53,000	54,000	308	678	1,004	1,206	1,394
54,000	55,000	317	695	1,032	1,237	1,430
55,000	56,000	325	713	1,058	1,270	1,467
56,000	57,000	333	732	1,084	1,301	1,504
57,000	58,000	341	750	1,110	1,334	1,540
58,000	59,000	349	768	1,137	1,365	1,578
59,000	60,000	358	785	1,164	1,397	1,615
60,000	62,000	370	812	1,204	1,445	1,670
62,000	64,000	386	848	1,257	1,509	1,743
64,000	66,000	403	884	1,310	1,573	1,817
66,000	68,000	419	920	1,363	1,637	1,890
68,000	70,000	435	956	1,417	1,700	1,964
70,000	72,000	452	991	1,470	1,764	2,038
72,000	74,000	468	1,027	1,524	1,827	2,112
74,000	76,000	484	1,063	1,577	1,891	2,186
76,000	78,000	501	1,099	1,630	1,955	2,259
78,000	80,000	517	1,135	1,683	2,019	2,333
80,000	85,000	546	1,198	1,776	2,130	2,462
85,000	90,000	587	1,287	1,909	2,291	2,645
90,000	95,000	627	1,377	2,042	2,450	2,830
95,000	100,000	668	1,467	2,175	2,609	3,014
100,000	110,000	730	1,601	2,375	2,848	3,290
110,000	120,000	812	1,780	2,641	3,167	3,659
120,000	130,000	893	1,960	2,907	3,486	4,027
130,000	140,000	975	2,139	3,173	3,805	4,395
140,000	150,000	1,057	2,318	3,439	4,125	4,763
150,000	160,000	1,139	2,498	3,704	4,444	5,131
160,000	170,000	1,221	2,677	3,971	4,762	5,500
170,000	180,000	1,302	2,857	4,236	5,082	5,868
180,000	190,000	1,384	3,036	4,503	5,400	6,237
190,000	200,000	1,466	3,215	4,769	5,719	6,605
200,000	210,000	1,548	3,394	5,035	6,039	6,973
210,000	220,000	1,630	3,574	5,300	6,358	7,341
220,000	230,000	1,712	3,753	5,567	6,676	7,710
230,000	240,000	1,793	3,932	5,833	6,996	8,078
240,000	250,000	1,875	4,112	6,099	7,314	8,446

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).) 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 adjustment for 1997 is 22.83 percent ($26.3/115.2 \times 100\%$). This adjustment is applicable to all

employer-provided automobiles first made available to any employee for personal use in calendar year 1997. The maximum fair market value specified in § 1.61-21(e)(1)(iii)(A) must therefore be multiplied by a factor of 0.2283, and the resulting increase, after rounding to the nearest \$100, is added to \$12,800 to give the maximum value for 1997.

(2) *The Maximum Automobile Value.* For automobiles first made available in calendar year 1997 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 \$15,700.

SECTION 5. EFFECTIVE DATE

This revenue procedure is effective for automobiles (other than leased automobiles) that are first placed in service during calendar year 1997, to leased

automobiles that are first leased during calendar year 1997, and to employer-provided automobiles first made available to employees for personal use in calendar year 1997.

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. Janine Cook of the Office of the Associate Chief Counsel (Employee Benefits and Exempt Organizations) at (202) 622-6040 (not toll-free calls).
