

Rev. Proc. 2002-14

SECTION 1. PURPOSE

This revenue procedure provides: (1) limitations on depreciation deductions for owners of passenger automobiles first placed in service during calendar year 2002, 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 2002, 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 2002 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 2002 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 2002. 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 inclusion 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; Rev. Proc. 99-14 (1999-1 C.B. 413) for all automobiles first leased in calendar year 1999; Rev. Proc. 2000-18 (2000-9 I.R.B. 722) for all automobiles first leased in calendar year 2000, and Rev. Proc. 2001-19 (2001-9 I.R.B. 732) for all automobiles first leased in calendar year 2001.

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 2002. 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; Rev. Proc. 99-14, for the maximum fair market value figure for automobiles first made available in calendar year 1999; Rev. Proc. 2000-18, for the maximum fair market value figure for automobiles first made available in calendar year 2000; and Rev. Proc. 2001-19, for the maximum fair market value figure for automobiles first made available in calendar year 2001.

SECTION 4. APPLICATION

01. A taxpayer placing an automobile in service for the first time during calendar year 2002 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 2002 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 2002 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 automo-

bile 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 137.7 for October 2001. The October 2001 index exceeded the October 1987 index by 22.5. The Internal Revenue Service has, therefore, determined that the automobile price inflation adjustment for 2002 is 19.53125 percent ($22.5/115.2 \times 100\%$). This adjustment is applicable to all automobiles that are first placed in service in calendar year 2002. The dollar limitations in § 280F(a) must therefore be multiplied by a factor of 0.1953125, 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 automobiles) for calendar year 2002. To determine the dollar limitations applicable to an electric automobile first placed in service during calendar year 2002, the dollar limitations in § 280F(a) are tripled in accordance with § 280F(a)(1)(C) and are then multiplied by a factor of 0.1953125; the resulting increases, after rounding to the nearest \$100, are added to the tripled 1988 limitations to give the depreciation limitations for calendar year 2002.

(2) *Amount of the Limitation.* For automobiles (other than electric automobiles) placed in service in calendar year 2002, 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 2002, Table 2 of this revenue procedure contains these amounts.

REV. PROC. 2002-14 TABLE 1
DEPRECIATION LIMITATIONS FOR AUTOMOBILES
(OTHER THAN ELECTRIC AUTOMOBILES)
FIRST PLACED IN SERVICE IN CALENDAR YEAR 2002

<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. 2002-14 TABLE 2
DEPRECIATION LIMITATIONS FOR ELECTRIC AUTOMOBILES
FIRST PLACED IN SERVICE IN CALENDAR YEAR 2002

<i>Tax Year</i>	<i>Amount</i>
1st Tax Year	\$ 9,180
2nd Tax Year	\$14,700
3rd Tax Year	\$ 8,750
Each Succeeding Year	\$ 5,325

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

The inclusion amounts for automobiles first leased in calendar year 2002 are calculated 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 applying these procedures, while lessees of electric automobiles should use Table 4 of this revenue procedure.

REV. PROC. 2002-14 TABLE 3
DOLLAR AMOUNTS FOR AUTOMOBILES (OTHER THAN
ELECTRIC AUTOMOBILES)
WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2002

Fair Market Value of Automobile		Tax Year During Lease				
		1st	2nd	3rd	4th	5th and Later
Over	Not Over					
\$15,500	15,800	2	3	5	6	6
15,800	16,100	3	7	9	11	13
16,100	16,400	4	10	14	17	19
16,400	16,700	6	13	18	22	26
16,700	17,000	7	16	23	28	31
17,000	17,500	9	20	29	35	40
17,500	18,000	11	25	37	44	50
18,000	18,500	14	30	44	53	61
18,500	19,000	16	35	52	62	72
19,000	19,500	18	40	60	71	82

REV. PROC. 2002-14 TABLE 3—CONTINUED
DOLLAR AMOUNTS FOR AUTOMOBILES (OTHER THAN
ELECTRIC AUTOMOBILES)
WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2002

Fair Market Value of Automobile		Tax Year During Lease				
		1st	2nd	3rd	4th	5th and Later
Over	Not Over					
19,500	20,000	21	45	67	80	93
20,000	20,500	23	50	75	89	103
20,500	21,000	25	56	82	98	114
21,000	21,500	28	60	90	108	123
21,500	22,000	30	66	97	117	134
22,000	23,000	33	74	108	130	150
23,000	24,000	38	84	123	149	171
24,000	25,000	43	94	139	166	192
25,000	26,000	47	104	154	185	213
26,000	27,000	52	114	169	203	234
27,000	28,000	57	124	185	220	255
28,000	29,000	61	135	199	239	276
29,000	30,000	66	145	214	258	296
30,000	31,000	71	155	230	275	318
31,000	32,000	75	165	245	294	338
32,000	33,000	80	175	260	312	360
33,000	34,000	85	185	276	329	381
34,000	35,000	89	196	290	348	402
35,000	36,000	94	206	305	367	422
36,000	37,000	99	216	321	384	443
37,000	38,000	103	226	336	403	464
38,000	39,000	108	236	351	421	485
39,000	40,000	112	247	366	439	506
40,000	41,000	117	257	381	457	527
41,000	42,000	122	267	396	475	549
42,000	43,000	126	278	411	493	570
43,000	44,000	131	288	426	512	590
44,000	45,000	136	298	441	530	611
45,000	46,000	140	308	457	548	632
46,000	47,000	145	318	472	566	653
47,000	48,000	150	328	487	584	674
48,000	49,000	154	339	502	602	695
49,000	50,000	159	349	517	620	717
50,000	51,000	164	359	532	639	737
51,000	52,000	168	369	548	657	758
52,000	53,000	173	379	563	675	779
53,000	54,000	177	390	578	693	800
54,000	55,000	182	400	593	711	821

REV. PROC. 2002-14 TABLE 3—CONTINUED

DOLLAR AMOUNTS FOR AUTOMOBILES (OTHER THAN
ELECTRIC AUTOMOBILES)
WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2002

Fair Market Value of Automobile		Tax Year During Lease				
		1st	2nd	3rd	4th	5th and Later
Over	Not Over					
55,000	56,000	187	410	608	729	842
56,000	57,000	191	420	624	747	863
57,000	58,000	196	430	639	766	883
58,000	59,000	201	440	654	784	905
59,000	60,000	205	451	669	802	925
60,000	62,000	212	466	692	829	957
62,000	64,000	222	486	722	866	999
64,000	66,000	231	507	752	902	1,041
66,000	68,000	240	527	783	938	1,083
68,000	70,000	250	547	813	974	1,125
70,000	72,000	259	568	843	1,011	1,166
72,000	74,000	268	589	873	1,047	1,208
74,000	76,000	277	609	904	1,083	1,250
76,000	78,000	287	629	934	1,120	1,292
78,000	80,000	296	650	964	1,156	1,334
80,000	85,000	312	686	1,017	1,219	1,408
85,000	90,000	335	737	1,092	1,311	1,512
90,000	95,000	359	787	1,169	1,401	1,617
95,000	100,000	382	838	1,245	1,491	1,722
100,000	110,000	417	915	1,358	1,627	1,880
110,000	120,000	463	1,017	1,509	1,810	2,089
120,000	130,000	510	1,119	1,660	1,991	2,299
130,000	140,000	556	1,221	1,812	2,172	2,509
140,000	150,000	603	1,323	1,963	2,354	2,718
150,000	160,000	649	1,425	2,115	2,535	2,928
160,000	170,000	696	1,527	2,266	2,717	3,137
170,000	180,000	742	1,629	2,418	2,898	3,347
180,000	190,000	789	1,731	2,569	3,080	3,556
190,000	200,000	835	1,833	2,720	3,262	3,766
200,000	210,000	881	1,935	2,872	3,443	3,976
210,000	220,000	928	2,037	3,023	3,625	4,185
220,000	230,000	974	2,139	3,175	3,806	4,395
230,000	240,000	1,021	2,241	3,326	3,988	4,604
240,000	250,000	1,067	2,343	3,478	4,169	4,814

REV. PROC. 2002-14 TABLE 4

DOLLAR AMOUNTS FOR ELECTRIC AUTOMOBILES
WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2002

Fair Market Value of Automobile		Tax Year During Lease				
		1st	2nd	3rd	4th	5th and Later
Over	Not Over					
\$46,000	47,000	3	6	10	11	12
47,000	48,000	7	16	26	29	33
48,000	49,000	12	26	41	47	54
49,000	50,000	17	36	56	66	74
50,000	51,000	21	47	71	83	96
51,000	52,000	26	57	86	102	117
52,000	53,000	31	67	101	120	138
53,000	54,000	35	77	117	138	159
54,000	55,000	40	87	132	156	180
55,000	56,000	45	98	146	174	201
56,000	57,000	49	108	161	193	222
57,000	58,000	54	118	177	211	242
58,000	59,000	59	128	192	229	264
59,000	60,000	63	139	206	248	284
60,000	62,000	70	154	229	275	316
62,000	64,000	79	174	260	311	358
64,000	66,000	89	195	290	347	400
66,000	68,000	98	215	320	384	442
68,000	70,000	107	236	350	420	484
70,000	72,000	117	256	381	456	525
72,000	74,000	126	276	411	493	567
74,000	76,000	135	297	441	529	609
76,000	78,000	145	317	472	564	652
78,000	80,000	154	337	502	602	693
80,000	85,000	170	373	555	665	767
85,000	90,000	193	424	631	756	871
90,000	95,000	217	475	706	847	976
95,000	100,000	240	526	782	937	1,081
100,000	110,000	275	602	896	1,073	1,239
110,000	120,000	321	705	1,047	1,255	1,448
120,000	130,000	368	806	1,199	1,436	1,658
130,000	140,000	414	909	1,350	1,617	1,868
140,000	150,000	460	1,011	1,501	1,800	2,076
150,000	160,000	507	1,113	1,652	1,981	2,287
160,000	170,000	553	1,215	1,804	2,163	2,496
170,000	180,000	600	1,317	1,955	2,344	2,706
180,000	190,000	646	1,419	2,107	2,525	2,916

REV. PROC. 2002-14 TABLE 4—CONTINUED
DOLLAR AMOUNTS FOR ELECTRIC AUTOMOBILES
WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2002

Fair Market Value of Automobile		Tax Year During Lease				
		1st	2nd	3rd	4th	5th and Later
Over	Not Over					
190,000	200,000	693	1,521	2,258	2,707	3,125
200,000	210,000	739	1,623	2,410	2,888	3,335
210,000	220,000	786	1,725	2,561	3,070	3,544
220,000	230,000	832	1,827	2,712	3,252	3,754
230,000	240,000	879	1,929	2,863	3,434	3,963
240,000	250,000	925	2,031	3,015	3,615	4,173

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 137.7 for October 2000. The October 2000 index exceeded the October 1987 index by 22.5. The Internal Revenue Service has, therefore, determined that the adjustment for 2002 is 19.53125 percent (22.5/115.2 x 100%). This adjustment is applicable to all

employer-provided automobiles first made available to any employee for personal use in calendar year 2002. The maximum fair market value specified in § 1.61-21(e)(1)(iii)(A) must therefore be multiplied by a factor of 0.1953125, and the resulting increase, after rounding to the nearest \$100, is added to \$12,800 to give the maximum value for calendar year 2002.

(2) *The Maximum Automobile Value.* For automobiles first made available in calendar year 2002 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 \$15,300.

SECTION 5. EFFECTIVE DATE

This revenue procedure applies to automobiles (other than leased automob-

iles) that are first placed in service during calendar year 2002, to leased automobiles that are first leased during calendar year 2002, and to employer-provided automobiles first made available to employees for personal use in calendar year 2002.

DRAFTING INFORMATION

The principal author of this revenue procedure is Bernard P. Harvey of the Office of the Associate 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 Dan E. Boeskin of the Office of the Associate Chief Counsel (Tax Exempt and Government Entities) at (202) 622-6040 (not toll-free calls).