

Part III

Administrative, Procedural, and Miscellaneous

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.)

Rev. Proc. 98-30

SECTION 1. PURPOSE

This revenue procedure provides: (1) limitations on depreciation deductions for owners of passenger automobiles first placed in service during calendar year 1998, 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 1998, 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 1998 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 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. 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 1998 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 1998. 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, 1997-11 I.R.B. 10, for automobiles first leased during calendar year 1997, including electric automobiles first leased on or after January 1, 1997, and before August 6, 1997; and Rev. Proc. 98-24, 1998-10 I.R.B. 31, for electric automobiles first leased after August 5, 1997, and before January 1, 1998.

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 1998. See Rev. Proc. 97-20, for the maximum fair market value figure for automobiles first made available in calendar year 1997.

SECTION 4. APPLICATION

01. A taxpayer placing an automobile in service for the first time during calendar year 1998 is limited to the depreciation deduction shown in Table 1 of section 4.02(2) or, in the case of an electric automobile, Table 2. A taxpayer first leasing an automobile in calendar year 1998 must determine the inclusion amount that is added to gross income using Table 3 of section 4.03 or, in the case of an electric automobile, Table 4. Otherwise, the procedures of

§ 1.280F-7(a) must be followed. An employer providing an automobile for the first time in calendar year 1998 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 exceeds 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.

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 140.6 for October 1997. The October 1997 index exceeded the October 1987 index by

25.4. The Internal Revenue Service has, therefore, determined that the automobile price inflation adjustment for 1998 is 22.05 percent ($25.4/115.2 \times 100\%$). This adjustment is applicable to all automobiles that are first placed in service in calendar year 1998. The dollar limitations in § 280F(a) must therefore be multiplied by a factor of 0.2205, 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 1998. To determine the dollar limitations applicable to an electric automobile first placed in service during calendar year 1998, the dollar limitations in § 280F(a) are tripled in accordance with § 280F(a)(1)(C) and are then multiplied by a factor of 0.2205; the resulting increases, after rounding to the nearest \$100, are added to the tripled 1988 limitations to give the depreciation limitations for 1998.

(2) Amount of the Limitation. For automobiles (other than electric automobiles) placed in service in calendar year 1998, Table 1 contains the dollar amount of the depreciation limitations for each tax year. For electric automobiles placed in service in calendar year 1998, Table 2 contains these amounts.

REV. PROC. 98-30 TABLE 1

DEPRECIATION LIMITATIONS FOR AUTOMOBILES
(OTHER THAN ELECTRIC AUTOMOBILES)
FIRST PLACED IN SERVICE IN CALENDAR YEAR 1998

<u>Tax Year</u>	<u>Amount</u>
1st Tax Year	\$3,160
2nd Tax Year	\$5,000
3rd Tax Year	\$2,950
Each Succeeding Year	\$1,775

REV. PROC. 98-30 TABLE 2

DEPRECIATION LIMITATIONS FOR ELECTRIC AUTOMOBILES
FIRST PLACED IN SERVICE IN CALENDAR YEAR 1998

<u>Tax Year</u>	<u>Amount</u>
1st Tax Year	\$9,380
2nd Tax Year	\$15,000
3rd Tax Year	\$8,950
Each Succeeding Year	\$5,425

03. Inclusions in Income of Lessees of Automobiles.

The inclusion amounts for automobiles first leased in calendar year 1998 are calculated under the procedures described in § 1.280F-7(a). Lessees of automobiles other than electric automobiles should use Table 3 in applying these procedures, while lessees of electric automobiles should use Table 4.

REV. PROC. 98-30 TABLE 3

DOLLAR AMOUNTS FOR AUTOMOBILES (OTHER THAN ELECTRIC AUTOMOBILES)
WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 1998

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	8	12	14
16,100	16,400	4	10	16	22	25
16,400	16,700	6	15	25	31	36
16,700	17,000	9	20	33	41	47
17,000	17,500	12	28	43	53	62
17,500	18,000	16	37	56	70	80
18,000	18,500	20	46	70	85	99
18,500	19,000	24	55	83	101	117
19,000	19,500	28	64	96	117	136
19,500	20,000	32	73	110	133	154
20,000	20,500	36	82	123	149	173
20,500	21,000	40	91	136	165	191
21,000	21,500	45	99	150	181	209
21,500	22,000	49	108	163	197	228
22,000	23,000	55	122	183	221	255
23,000	24,000	63	140	210	252	292
24,000	25,000	71	158	236	285	329
25,000	26,000	79	176	263	316	366
26,000	27,000	88	193	290	348	403
27,000	28,000	96	211	317	380	439
28,000	29,000	104	229	343	412	477
29,000	30,000	112	247	370	444	513
30,000	31,000	120	265	396	476	550
31,000	32,000	128	283	423	508	587
32,000	33,000	137	301	449	540	624
33,000	34,000	145	319	476	571	661
34,000	35,000	153	337	502	604	697
35,000	36,000	161	355	529	635	735
36,000	37,000	169	373	556	667	771
37,000	38,000	178	391	582	699	808
38,000	39,000	186	409	608	731	845
39,000	40,000	194	427	635	763	882
40,000	41,000	202	445	662	794	919
41,000	42,000	210	463	688	827	955
42,000	43,000	218	481	715	859	992
43,000	44,000	227	498	742	891	1,028
44,000	45,000	235	516	769	922	1,066
45,000	46,000	243	534	795	955	1,102
46,000	47,000	251	552	822	986	1,140
47,000	48,000	259	570	849	1,018	1,176
48,000	49,000	268	588	875	1,050	1,213

REV. PROC. 98-30 TABLE 3

DOLLAR AMOUNTS FOR AUTOMOBILES (OTHER THAN ELECTRIC AUTOMOBILES)
WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 1998

Fair Market Value of Automobile		Tax Year During Lease				
		1st	2nd	3rd	4th	5th and Later
Over	Not Over					
49,000	50,000	276	606	901	1,082	1,250
50,000	51,000	284	624	928	1,114	1,286
51,000	52,000	292	642	955	1,145	1,324
52,000	53,000	300	660	981	1,178	1,360
53,000	54,000	308	678	1,008	1,209	1,398
54,000	55,000	317	695	1,035	1,241	1,434
55,000	56,000	325	713	1,062	1,273	1,471
56,000	57,000	333	732	1,087	1,305	1,508
57,000	58,000	341	750	1,114	1,337	1,544
58,000	59,000	349	768	1,140	1,369	1,582
59,000	60,000	358	785	1,168	1,400	1,619
60,000	62,000	370	812	1,207	1,449	1,674
62,000	64,000	386	848	1,261	1,512	1,747
64,000	66,000	403	884	1,313	1,577	1,821
66,000	68,000	419	920	1,367	1,640	1,894
68,000	70,000	435	956	1,420	1,704	1,968
70,000	72,000	452	991	1,474	1,767	2,042
72,000	74,000	468	1,027	1,527	1,832	2,115
74,000	76,000	484	1,063	1,580	1,896	2,189
76,000	78,000	501	1,099	1,633	1,959	2,263
78,000	80,000	517	1,135	1,686	2,023	2,337
80,000	85,000	546	1,198	1,779	2,134	2,466
85,000	90,000	587	1,287	1,913	2,294	2,649
90,000	95,000	627	1,377	2,046	2,453	2,834
95,000	100,000	668	1,467	2,178	2,613	3,018
100,000	110,000	730	1,601	2,378	2,852	3,294
110,000	120,000	812	1,780	2,644	3,172	3,662
120,000	130,000	893	1,960	2,910	3,490	4,031
130,000	140,000	975	2,139	3,176	3,810	4,398
140,000	150,000	1,057	2,318	3,443	4,128	4,767
150,000	160,000	1,139	2,498	3,708	4,447	5,135
160,000	170,000	1,221	2,677	3,974	4,766	5,504
170,000	180,000	1,302	2,857	4,240	5,085	5,872
180,000	190,000	1,384	3,036	4,506	5,404	6,241
190,000	200,000	1,466	3,215	4,772	5,724	6,608
200,000	210,000	1,548	3,394	5,039	6,042	6,977
210,000	220,000	1,630	3,574	5,304	6,361	7,345
220,000	230,000	1,712	3,753	5,570	6,680	7,714
230,000	240,000	1,793	3,932	5,837	6,999	8,082
240,000	250,000	1,875	4,112	6,102	7,318	8,450

REV. PROC. 98-30 TABLE 4

DOLLAR AMOUNTS FOR ELECTRIC AUTOMOBILES
WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 1998

Fair Market Value of Automobile		Tax Year During Lease				
		1st	2nd	3rd	4th	5th and Later
Over	Not Over					
\$ 47,000	48,000	5	11	18	21	23
48,000	49,000	13	29	45	52	60
49,000	50,000	21	47	71	85	96
50,000	51,000	29	65	98	116	134
51,000	52,000	38	83	124	148	171
52,000	53,000	46	101	151	180	207
53,000	54,000	54	119	177	212	244
54,000	55,000	62	137	204	244	281
55,000	56,000	70	155	231	275	318
56,000	57,000	79	172	258	307	355
57,000	58,000	87	190	284	340	391
58,000	59,000	95	208	311	372	428
59,000	60,000	103	226	338	403	465
60,000	62,000	115	253	378	451	520
62,000	64,000	132	289	430	515	594
64,000	66,000	148	325	484	578	668
66,000	68,000	164	361	537	643	741
68,000	70,000	181	396	591	706	815
70,000	72,000	197	432	644	770	888
72,000	74,000	214	468	697	834	962
74,000	76,000	230	504	750	898	1,035
76,000	78,000	246	540	803	962	1,109
78,000	80,000	263	576	856	1,025	1,183
80,000	85,000	291	639	949	1,137	1,312
85,000	90,000	332	728	1,083	1,296	1,496
90,000	95,000	373	818	1,215	1,456	1,681
95,000	100,000	414	908	1,348	1,615	1,865
100,000	110,000	475	1,042	1,548	1,855	2,141
110,000	120,000	557	1,221	1,814	2,174	2,509
120,000	130,000	639	1,401	2,080	2,492	2,878
130,000	140,000	721	1,580	2,346	2,812	3,245
140,000	150,000	803	1,759	2,612	3,131	3,614
150,000	160,000	884	1,939	2,878	3,450	3,982
160,000	170,000	966	2,118	3,144	3,769	4,350
170,000	180,000	1,048	2,297	3,410	4,088	4,719
180,000	190,000	1,130	2,477	3,676	4,406	5,087
190,000	200,000	1,212	2,656	3,942	4,726	5,455
200,000	210,000	1,293	2,835	4,209	5,044	5,824
210,000	220,000	1,375	3,015	4,474	5,364	6,191
220,000	230,000	1,457	3,194	4,740	5,683	6,560
230,000	240,000	1,539	3,373	5,006	6,002	6,928
240,000	250,000	1,621	3,552	5,273	6,320	7,297

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 140.6 for October 1997. The October 1997 index exceeded the October 1987 index by 25.4. The Internal Revenue Service has, therefore, determined that the adjustment for 1998 is 22.05 percent ($25.4/115.2 \times 100\%$). This adjustment is applicable to all employer-provided automobiles first made available to any employee for personal use in calendar year 1998. The maximum fair market value specified in § 1.61-21(e)(1)(iii)(A) must therefore be multiplied by a factor of 0.2205, and the resulting increase, after rounding to the nearest \$100, is added to \$12,800 to give the maximum value for 1998.

(2) The Maximum Automobile Value. For automobiles first made available in calendar year 1998 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 \$15,600.

SECTION 5. EFFECTIVE DATE

This revenue procedure is effective for automobiles (other than leased automobiles) that are first placed in service during calendar year 1998, to leased automobiles that are first leased during calendar year 1998, and to employer-provided automobiles first made available to employees for personal use in calendar year 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; 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).