Internal Revenue Code Section 280F(a)
Limitation on depreciation for luxury automobiles; limitation where certain property used for personal purposes.

(a) Limitation on amount of depreciation for luxury automobiles.

(1) Depreciation.

(A) Limitation. The amount of the depreciation deduction for any taxable year for any passenger automobile shall not exceed—

(i) $2,560 for the 1st taxable year in the recovery period,

(ii) $4,100 for the 2nd taxable year in the recovery period,

(iii) $2,450 for the 3rd taxable year in the recovery period, and

(iv) $1,475 for each succeeding taxable year in the recovery period.

(B) Disallowed deductions allowed for years after recovery period.

(i) In general. Except as provided in clause (ii), the unrecovered basis of any passenger automobile shall be treated as an expense for the 1st taxable year after the recovery period. Any excess of the unrecovered basis over the limitation of clause (ii) shall be treated as an expense in the succeeding taxable year.

(ii) $1,475 limitation. The amount treated as an expense under clause (i) for any taxable year shall not exceed $1,475.

(iii) Property must be depreciable. No amount shall be allowable as a deduction by reason of this subparagraph with respect to any property for any taxable year unless a depreciation deduction would be allowable with respect to such property for such taxable year.

(iv) Amount treated as depreciation deduction. For purposes of this subtitle, any amount allowable as a deduction by reason of this subparagraph shall be treated as a depreciation deduction allowable under section 168.

(C) Special rule for certain clean-fuel passenger automobiles.

(i) Modified automobiles. In the case of a passenger automobile which is propelled by a fuel which is not a clean-burning fuel and to which is installed qualified clean-fuel vehicle property (as defined in section 179A(c)(1)(A)) for purposes of permitting such vehicle to be
propelled by a clean burning fuel (as defined in section 179A(e)(1)), subparagraph (A) shall not apply to the cost of the installed qualified clean burning vehicle property.

(ii) Purpose built passenger vehicles. In the case of a purpose built passenger vehicle (as defined in section 4001(a)(2)(C)(ii)), each of the annual limitations specified in subparagraphs (A) and (B) shall be tripled.

(iii) Application of subparagraph. This subparagraph shall apply to property placed in service after August 5, 1997, and before January 1, 2007.

(2) Coordination with reductions in amount allowable by reason of personal use, etc. This subsection shall be applied before—

(A) the application of subsection (b), and

(B) the application of any other reduction in the amount of any depreciation deduction allowable under section 168 by reason of any use not qualifying the property for such credit or depreciation deduction.

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