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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.)

Rev. Proc. 2011-21

SECTION 1. PURPOSE

This revenue procedure provides: (1) limitations on depreciation deductions for owners of passenger automobiles first placed in service by the taxpayer during calendar year 2011, including separate tables of limitations on depreciation deductions for trucks and vans; (2) the amounts that must be included in income by lessees of passenger automobiles first leased by the taxpayer during calendar year 2011, including a separate table of inclusion amounts for lessees of trucks and vans; and (3) revised tables of depreciation limitations and lessee inclusion amounts for passenger automobiles that were first placed in service or first leased by the taxpayer, respectively, during 2010 and to which the 50 percent additional first year depreciation deduction

under § 168(k)(1)(A) of the Internal Revenue Code or the 100 percent additional first year depreciation deduction under § 168(k)(5) applies. The tables detailing these depreciation limitations and lessee inclusion amounts reflect the automobile price inflation adjustments required by § 280F(d)(7).

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 1988, § 280F(d)(7) requires the Internal Revenue Service to increase the amounts allowable as depreciation deductions by a price inflation adjustment amount. The method of calculating this price inflation amount for trucks and vans placed in service in or after calendar year 2003 uses a different CPI “automobile component” (the “new trucks” component) than that used in the price inflation amount calculation for other passenger automobiles (the “new cars” component), resulting in somewhat higher depreciation deductions for trucks and vans. This change reflects the higher rate of price inflation for trucks and vans since 1988.

.02 Section 2022(a) of the Small Business Jobs Act of 2010, Pub. L. No. 111-240, 124 Stat. 2504 (September 27, 2010), extended the 50 percent additional first year depreciation deduction under § 168(k) to qualified property (as defined in § 168(k)(2)) acquired by the taxpayer after December 31, 2007, and before January 1, 2011, if no written binding contract for the acquisition of the property existed before January 1, 2008, and if the taxpayer places the property in service generally before January 1, 2011. Section 401(a) of the Tax Relief, Unemployment Insurance Reauthorization, and

Job Creation Act of 2010, Pub. L. No. 111-312, 124 Stat. 3296 (Dec. 17, 2010) (the “Act”) further extended the 50 percent additional first year depreciation deduction under § 168(k) to qualified property acquired by the taxpayer after December 31, 2007, and before January 1, 2013, if no written binding contract for the acquisition of the property existed before January 1, 2008, and if the taxpayer places the property in service generally before January 1, 2013.

Section 401(b) of the Act further amended § 168(k) by adding § 168(k)(5). It allows a 100 percent additional first year depreciation deduction for qualified property acquired by a taxpayer after September 8, 2010, and before January 1, 2012, if the taxpayer places the property in service generally before January 1, 2012.

Section 168(k)(2)(F)(i) increases the first year depreciation allowed under § 280F(a)(1)(A)(i) by \$8,000 for passenger automobiles to which the additional first year depreciation deduction under § 168(k) (hereinafter, referred to as “§ 168(k) additional first year depreciation deduction”) applies.

. 03 Section 168(k)(2)(D)(i) provides that the § 168(k) additional first year depreciation deduction does not apply to any property required to be depreciated under the alternative depreciation system of § 168(g), including property described in § 280F(b)(1). Section 168(k)(2)(D)(iii) permits a taxpayer to elect out of the § 168(k) additional first year depreciation deduction for any class of property. Section 168(k)(4), as amended by the Act, permits a corporation to elect to increase the alternative minimum tax (“AMT”) credit limitation under § 53(c), instead of claiming the § 168(k) additional first year depreciation deduction for all eligible qualified property placed in service after December 31, 2010, that is round 2 extension property (as defined in §

168(k)(4)(I)(iv).

Accordingly, this revenue procedure provides tables for passenger automobiles for which the § 168(k) additional first year depreciation deduction applies. This revenue procedure also provides tables for passenger automobiles for which the § 168(k) additional first year depreciation deduction does not apply, either because taxpayer (1) purchased the passenger automobile used; (2) did not use the passenger automobile during 2011 more than 50 percent for business purposes; (3) elected out of the § 168(k) additional first year depreciation deduction pursuant to § 168(k)(2)(D)(iii); or (4) elected to increase the § 53 AMT credit limitation in lieu of claiming § 168(k) additional first year depreciation.

.04 Section 280F(c) requires a reduction in the deduction allowed to the lessee of a leased passenger automobile. The reduction must be substantially equivalent to the limitations on the depreciation deductions imposed on owners of passenger automobiles. Under § 1.280F-7(a) of the Income Tax Regulations, this reduction requires a lessee to include in gross income an amount determined by applying a formula to the amount obtained from a table. One table applies to lessees of trucks and vans and another table applies to all other passenger automobiles. Each table shows inclusion amounts for a range of fair market values for each taxable year after the passenger automobile is first leased.

SECTION 3. SCOPE

.01 The limitations on depreciation deductions 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 2011, and continue to apply

for each taxable year that the passenger automobile remains in service.

.02 The tables in section 4.02 of this revenue procedure apply to leased passenger automobiles for which the lease term begins during calendar year 2011. Lessees of these passenger automobiles must use these tables to determine the inclusion amount for each taxable year during which the passenger automobile is leased. See Rev. Proc. 2006-18, 2006-1 C.B. 645, for passenger automobiles first leased during calendar year 2006; Rev. Proc. 2007-30, 2007-1 C.B. 1104, for passenger automobiles first leased during calendar year 2007; Rev. Proc. 2008-22, 2008-1 C.B. 658, for passenger automobiles first leased during calendar year 2008; Rev. Proc. 2009-24, 2009-1 C.B. 885, for passenger automobiles first leased during calendar year 2009; and Rev. Proc. 2010-18, 2010-1 C.B. 427, as amplified and modified by section 4.03 of this revenue procedure, for passenger automobiles first leased during calendar year 2010.

SECTION 4. APPLICATION

.01 Limitations on Depreciation Deductions for Certain Automobiles.

(1) Amount of the inflation adjustment.

(a) Passenger automobiles (other than trucks or vans). 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. Section 280F(d)(7)(B)(ii) defines the term "CPI automobile component" as the automobile component of the Consumer Price Index for all Urban Consumers published by the Department of Labor. The new car component of the CPI was 115.2 for October 1987 and 137.880 for October 2010. The October 2010 index exceeded the October

1987 index by 22.680. Therefore, the automobile price inflation adjustment for 2011 for passenger automobiles (other than trucks and vans) is 19.69 percent ($22.680/115.2 \times 100\%$). The dollar limitations in § 280F(a) are multiplied by a factor of 0.1969, 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 trucks and vans) for calendar year 2011. This adjustment applies to all passenger automobiles (other than trucks and vans) that are first placed in service in calendar year 2011.

(b) Trucks and vans. To determine the dollar limitations for trucks and vans first placed in service during calendar year 2011, the Service uses the new truck component of the CPI instead of the new car component. The new truck component of the CPI was 112.4 for October 1987 and 142.556 for October 2010. The October 2010 index exceeded the October 1987 index by 30.156. Therefore, the automobile price inflation adjustment for 2011 for trucks and vans is 26.83 percent ($30.156/112.4 \times 100\%$). The dollar limitations in § 280F(a) are multiplied by a factor of 0.2683, and the resulting increases, after rounding to the nearest \$100, are added to the 1988 limitations to give the depreciation limitations for trucks and vans. This adjustment applies to all trucks and vans that are first placed in service in calendar year 2011.

(2) Amount of the limitation. Tables 1 through 4 contain the dollar amount of the depreciation limitation for each taxable year for passenger automobiles a taxpayer places in service in calendar year 2011. Use Table 1 for a passenger automobile (other than a truck or van), and Table 2 for a truck or van, placed in service in calendar year 2011 for which the § 168(k) additional first year depreciation deduction applies. Use

Table 3 for a passenger automobile (other than a truck or van), and Table 4 for a truck or van, placed in service in calendar year 2011 for which the § 168(k) additional first year depreciation deduction does not apply. The Service intends to issue additional guidance addressing the interaction between the 100 percent additional first year depreciation deduction and § 280F(a) for the taxable years subsequent to the first taxable year.

REV. PROC. 2011-21 TABLE 1	
DEPRECIATION LIMITATIONS FOR PASSENGER AUTOMOBILES (THAT ARE NOT TRUCKS OR VANS) PLACED IN SERVICE IN CALENDAR YEAR 2011 FOR WHICH THE § 168(k) ADDITIONAL FIRST YEAR DEPRECIATION DEDUCTION APPLIES	
<u>Tax Year</u>	<u>Amount</u>
1st Tax Year	\$ 11,060
2nd Tax Year	\$ 4,900
3rd Tax Year	\$ 2,950
Each Succeeding Year	\$ 1,775

REV. PROC. 2011-21 TABLE 2	
DEPRECIATION LIMITATIONS FOR TRUCKS AND VANS PLACED IN SERVICE IN CALENDAR YEAR 2011 FOR WHICH THE § 168(k) ADDITIONAL FIRST YEAR DEPRECIATION DEDUCTION APPLIES	
<u>Tax Year</u>	<u>Amount</u>
1st Tax Year	\$ 11,260
2nd Tax Year	\$ 5,200
3rd Tax Year	\$ 3,150
Each Succeeding Year	\$ 1,875

REV. PROC. 2011-21 TABLE 3	
DEPRECIATION LIMITATIONS FOR PASSENGER AUTOMOBILES (THAT ARE NOT TRUCKS OR VANS) PLACED IN SERVICE IN CALENDAR YEAR 2011 FOR WHICH THE § 168(k) ADDITIONAL FIRST YEAR DEPRECIATION DEDUCTION DOES NOT APPLY	
<u>Tax Year</u>	<u>Amount</u>
1st Tax Year	\$ 3,060
2nd Tax Year	\$ 4,900

3rd Tax Year	\$ 2,950
Each Succeeding Year	\$ 1,775

REV. PROC. 2011-21 TABLE 4	
DEPRECIATION LIMITATIONS FOR TRUCKS AND VANS PLACED IN SERVICE IN CALENDAR YEAR 2011 FOR WHICH THE § 168(k) ADDITIONAL FIRST YEAR DEPRECIATION DEDUCTION DOES NOT APPLY	
Tax Year	Amount
1st Tax Year	\$ 3,260
2nd Tax Year	\$ 5,200
3rd Tax Year	\$ 3,150
Each Succeeding Year	\$ 1,875

.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 first leased in calendar year 2011. In applying these procedures, lessees of passenger automobiles other than trucks and vans should use Table 5 of this revenue procedure, while lessees of trucks and vans should use Table 6 of this revenue procedure.

REV. PROC. 2011-21 TABLE 5						
DOLLAR AMOUNTS FOR PASSENGER AUTOMOBILES (THAT ARE NOT TRUCKS OR VANS) WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2011						
Fair Market Value of Passenger Automobile		Tax Year During Lease				
Over	Not Over	1 st	2 nd	3 rd	4 th	5 th & later
\$ 18,500	\$ 19,000	3	8	11	13	16
19,000	19,500	4	9	13	15	18
19,500	20,000	4	10	15	17	20
20,000	20,500	5	11	16	19	23
20,500	21,000	5	12	18	21	25
21,000	21,500	6	13	19	24	26
21,500	22,000	6	14	21	26	29
22,000	23,000	7	16	23	29	32
23,000	24,000	8	18	27	32	37

REV. PROC. 2011-21 TABLE 5
DOLLAR AMOUNTS FOR PASSENGER AUTOMOBILES
(THAT ARE NOT TRUCKS OR VANS)
WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2011

Fair Market Value of Passenger Automobile		Tax Year During Lease				
		1 st	2 nd	3 rd	4 th	5 th & later
Over	Not Over					
24,000	25,000	9	20	30	36	42
25,000	26,000	10	23	33	40	46
26,000	27,000	11	25	36	44	51
27,000	28,000	12	27	40	48	55
28,000	29,000	13	29	43	52	60
29,000	30,000	14	31	47	55	65
30,000	31,000	15	34	49	60	69
31,000	32,000	16	36	53	63	73
32,000	33,000	17	38	56	68	77
33,000	34,000	18	40	60	71	82
34,000	35,000	19	42	63	75	87
35,000	36,000	20	45	66	79	91
36,000	37,000	21	47	69	83	96
37,000	38,000	22	49	73	87	100
38,000	39,000	23	51	76	91	105
39,000	40,000	24	53	80	94	110
40,000	41,000	25	56	82	99	114
41,000	42,000	26	58	86	102	119
42,000	43,000	27	60	89	107	123
43,000	44,000	28	62	93	110	128
44,000	45,000	29	64	96	114	133
45,000	46,000	30	67	98	119	137
46,000	47,000	31	69	102	122	141
47,000	48,000	32	71	105	127	145
48,000	49,000	33	73	109	130	150
49,000	50,000	34	76	111	134	155
50,000	51,000	35	78	115	138	159
51,000	52,000	36	80	118	142	164
52,000	53,000	37	82	122	146	168
53,000	54,000	38	84	125	150	173
54,000	55,000	39	87	128	153	178
55,000	56,000	40	89	131	158	182
56,000	57,000	41	91	135	161	187
57,000	58,000	42	93	138	166	191
58,000	59,000	43	95	142	169	196
59,000	60,000	44	98	144	174	200
60,000	62,000	46	101	149	179	207

REV. PROC. 2011-21 TABLE 5						
DOLLAR AMOUNTS FOR PASSENGER AUTOMOBILES (THAT ARE NOT TRUCKS OR VANS) WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2011						
Fair Market Value of Passenger Automobile		Tax Year During Lease				
Over	Not Over	1 st	2 nd	3 rd	4 th	5 th & later
62,000	64,000	48	105	156	187	216
64,000	66,000	50	109	163	195	225
66,000	68,000	52	114	169	203	234
68,000	70,000	54	118	176	211	243
70,000	72,000	56	123	182	218	253
72,000	74,000	58	127	189	226	262
74,000	76,000	60	132	195	234	270
76,000	78,000	62	136	202	242	279
78,000	80,000	64	140	209	250	288
80,000	85,000	67	148	220	264	304
85,000	90,000	72	159	237	283	327
90,000	95,000	77	170	253	303	350
95,000	100,000	82	181	269	323	372
100,000	110,000	90	198	293	352	406
110,000	120,000	100	220	326	391	452
120,000	130,000	110	242	359	430	497
130,000	140,000	120	264	392	469	543
140,000	150,000	130	286	424	509	588
150,000	160,000	140	308	457	548	633
160,000	170,000	150	330	490	587	679
170,000	180,000	160	352	523	626	724
180,000	190,000	170	374	555	666	769
190,000	200,000	180	396	588	705	815
200,000	210,000	190	418	621	744	860
210,000	220,000	200	440	654	784	904
220,000	230,000	210	462	687	823	950
230,000	240,000	220	484	719	863	995
240,000	And up	230	506	752	902	1,040

REV. PROC. 2011-21 TABLE 6						
DOLLAR AMOUNTS FOR TRUCKS AND VANS WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2011						
Fair Market Value of Truck or Van		Tax Year During Lease				
Over	Not Over	1 st	2 nd	3 rd	4 th	5 th & later

REV. PROC. 2011-21 TABLE 6
DOLLAR AMOUNTS FOR TRUCKS AND VANS
WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2011

Fair Market Value of Truck or Van		Tax Year During Lease				
		1 st	2 nd	3 rd	4 th	5 th & later
Over	Not Over					
\$ 19,000	\$ 19,500	3	7	9	12	13
19,500	20,000	3	8	11	14	15
20,000	20,500	4	9	13	15	18
20,500	21,000	4	10	15	17	20
21,000	21,500	5	11	16	20	22
21,500	22,000	5	12	18	22	24
22,000	23,000	6	14	20	24	29
23,000	24,000	7	16	24	28	32
24,000	25,000	8	18	27	32	37
25,000	26,000	9	20	31	36	41
26,000	27,000	10	23	33	40	46
27,000	28,000	11	25	37	43	51
28,000	29,000	12	27	40	48	55
29,000	30,000	13	29	43	52	60
30,000	31,000	14	31	47	56	64
31,000	32,000	15	34	49	60	69
32,000	33,000	16	36	53	63	74
33,000	34,000	17	38	56	68	78
34,000	35,000	18	40	60	71	83
35,000	36,000	19	43	62	76	87
36,000	37,000	20	45	66	79	92
37,000	38,000	21	47	69	83	97
38,000	39,000	22	49	73	87	101
39,000	40,000	23	51	76	91	105
40,000	41,000	24	54	79	95	109
41,000	42,000	25	56	82	99	114
42,000	43,000	26	58	86	103	118
43,000	44,000	27	60	89	107	123
44,000	45,000	28	62	93	110	128
45,000	46,000	29	65	95	115	132
46,000	47,000	30	67	99	118	137
47,000	48,000	31	69	102	123	141
48,000	49,000	32	71	106	126	146
49,000	50,000	33	73	109	130	151
50,000	51,000	34	76	112	134	155
51,000	52,000	35	78	115	138	160
52,000	53,000	36	80	118	143	164
53,000	54,000	37	82	122	146	169

REV. PROC. 2011-21 TABLE 6						
DOLLAR AMOUNTS FOR TRUCKS AND VANS WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2011						
Fair Market Value of Truck or Van		Tax Year During Lease				
Over	Not Over	1 st	2 nd	3 rd	4 th	5 th & later
54,000	55,000	38	84	125	150	173
55,000	56,000	39	87	128	154	177
56,000	57,000	40	89	131	158	182
57,000	58,000	41	91	135	162	186
58,000	59,000	42	93	138	166	191
59,000	60,000	43	95	142	169	196
60,000	62,000	45	99	146	175	203
62,000	64,000	47	103	153	183	212
64,000	66,000	49	107	160	191	221
66,000	68,000	51	112	166	199	229
68,000	70,000	53	116	173	206	239
70,000	72,000	55	121	179	214	248
72,000	74,000	57	125	186	222	257
74,000	76,000	59	129	192	231	266
76,000	78,000	61	134	198	239	275
78,000	80,000	63	138	205	246	285
80,000	85,000	66	146	217	260	300
85,000	90,000	71	157	233	280	322
90,000	95,000	76	168	250	299	345
95,000	100,000	81	179	266	319	368
100,000	110,000	89	196	290	348	402
110,000	120,000	99	218	323	387	447
120,000	130,000	109	240	355	427	493
130,000	140,000	119	262	388	466	538
140,000	150,000	129	284	421	505	583
150,000	160,000	139	306	454	544	629
160,000	170,000	149	328	487	583	674
170,000	180,000	159	350	519	623	719
180,000	190,000	169	372	552	662	765
190,000	200,000	179	394	585	701	810
200,000	210,000	189	416	618	740	856
210,000	220,000	199	438	651	779	901
220,000	230,000	209	460	683	819	946
230,000	240,000	219	482	716	858	992
240,000	And up	229	504	749	897	1,037

.03 Revised Amounts for Passenger Automobiles Placed in Service During 2010.

(1) Calculation of the Revised Amount. The revised depreciation limits provided in this section 4.03 were calculated by increasing the existing limitations on the first year allowance in Rev. Proc. 2010-18 by \$8,000 as provided in § 168(k)(2)(F)(i).

(2) Amount of the Revised Limitation. For passenger automobiles (that are not trucks or vans) placed in service by the taxpayer in calendar year 2010 for which the § 168(k) additional first year depreciation deduction applies, Table 7 of this revenue procedure contains the revised dollar amount of the depreciation limitations for each taxable year. For trucks or vans placed in service by the taxpayer in calendar year 2010 for which the § 168(k) additional first year depreciation deduction applies, Table 8 of this revenue procedure contains the revised dollar amount of the depreciation limitations for each taxable year. If the § 168(k) additional first year depreciation deduction does not apply to a passenger automobile placed in service by the taxpayer in calendar year 2010, the depreciation limitations for each taxable year in Tables 1 and 2 of Rev. Proc. 2010-18 apply.

REV. PROC. 2011-21 TABLE 7	
DEPRECIATION LIMITATIONS FOR PASSENGER AUTOMOBILES (THAT ARE NOT TRUCKS OR VANS) PLACED IN SERVICE IN CALENDAR YEAR 2010 FOR WHICH THE § 168(k) ADDITIONAL FIRST YEAR DEPRECIATION DEDUCTION APPLIES	
<u>Tax Year</u>	<u>Amount</u>
1st Tax Year	\$11,060
2nd Tax Year	\$ 4,900
3rd Tax Year	\$ 2,950
Each Succeeding Year	\$ 1,775

REV. PROC. 2011-21 TABLE 8	
DEPRECIATION LIMITATIONS FOR TRUCKS AND VANS PLACED IN SERVICE IN CALENDAR YEAR 2010 FOR WHICH THE § 168(k) ADDITIONAL FIRST YEAR DEPRECIATION DEDUCTION APPLIES	
<u>Tax Year</u>	<u>Amount</u>
1st Tax Year	\$11,160
2nd Tax Year	\$ 5,100
3rd Tax Year	\$ 3,050
Each Succeeding Year	\$ 1,875

(3) Modification to lease inclusion amounts for 2010. The lease inclusion amounts in Tables 3 and 4 of Rev. Proc. 2010-18 are modified by striking the first four lines of the inclusion amounts in each table. Consequently, Table 3 of Rev. Proc. 2010-18 applies to passenger automobiles (other than trucks and vans) that are first leased by the taxpayer in calendar year 2010 with a fair market value over \$18,500, and Table 4 of Rev. Proc. 2010-18 applies to trucks and vans that are first leased by the taxpayer in calendar year 2010 with a fair market value over \$19,000.

SECTION 5. EFFECTIVE DATE

This revenue procedure, with the exception of section 4.03, applies to passenger automobiles that a taxpayer first places in service or first leases during calendar year 2011. Section 4.03 of this revenue procedure applies to passenger automobiles that a taxpayer first places in service or first leases during calendar year 2010.

SECTION 6. EFFECT ON OTHER DOCUMENTS

Rev. Proc. 2010-18 is amplified and modified.

SECTION 7. DRAFTING INFORMATION

The principal author of this revenue procedure is Bernard P. Harvey of the Office of Associate Chief Counsel (Income Tax & Accounting). For further information regarding this revenue procedure, contact Mr. Harvey at (202) 622-4930 (not a toll-free

call).