



Tax Reduction Letter

[CLICK HERE](#) to return to the home page

Revenue Procedure 94-53

SECTION 1. PURPOSE

This revenue procedure provides owners and lessees of passenger automobiles with tables detailing the limitations on depreciation deductions for automobiles first placed in service during calendar year 1994 and the amounts to be included in income for automobiles first leased during calendar year 1994. Each table reflects the automobile price inflation adjustments required by § 280F (d) (7) of the Internal Revenue Code.

SEC. 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) of the Income Tax Regulations, 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.

SEC. 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 1994 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 1994. Lessees of such automobiles must use this table to determine the inclusion amount for each tax year during which the automobile is leased. See §§ 1.280F-5T (d) and 1.280F-5T (e) of the temporary Income Tax Regulations, §.-1.280F-7 (a), Rev. Proc. 89-64, 1989-2 C.B. 783, Rev. Proc. 90-22, 1990-1 C.B. 504, Rev. Proc. 91-30, 1991-1 C.B. 563, Rev. Proc. 92-43, 1992-1 C.B. 873, and Rev. Proc 93-35, 1993-2 C.B. 472, to determine inclusion amounts for automobiles first leased before January 1, 1994.

SEC. 4. APPLICATION

01. A taxpayer placing an automobile in service for the first time during calendar year 1994 is limited to the depreciation deduction shown in Table 1 of section 4.02 (2). A taxpayer first leasing an automobile in calendar year 1994 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.

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 131.9 for October 1993. The October 1993 index exceeded the October 1987 index by 16.7. The Internal Revenue Service has, therefore, determined that the automobile price inflation adjustment for 1994 is 14.50 percent ($16.7/115.2 \times 100\%$). This adjustment is applicable to all automobiles that are first placed in service in calendar year 1994. The dollar limitations in § 280F (a) must therefore be multiplied by a factor of 0.1450, and the resulting increases, after rounding to the nearest \$100, are added to the 1988 limitations to give the depreciation limitations for 1994.

(2) *Amount of the Limitation.* For automobiles placed in service in calendar year 1994, Table 1 contains the dollar amount of the depreciation limitations for each tax year.

REV. PROC. 94-53 TABLE 1 DEPRECIATION LIMITATIONS FOR AUTOMOBILES FIRST PLACED IN SERVICE IN CALENDAR YEAR 1994

Tax Year	Amount
1st Tax Year	\$2,960
2nd Tax Year	\$4,700
3rd Tax Year	\$2,850
Each Succeeding Year	\$1,675

03. Inclusions in Income of Lessees of Automobiles.

The inclusion amounts for automobiles first leased in calendar year 1994 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. 94-53 TABLE 2 DOLLAR AMOUNTS FOR AUTOMOBILES WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 1994

Fair Market Value of Automobile Over	Tax Year During Lease
---	------------------------------

Over	Not Over	1st	2nd	3rd	4th	5th and Later
\$ 14,600	\$ 14,900	0	1	1	2	2
14,900	15,200	2	5	6	9	11
15,200	15,500	4	9	14	17	20
15,500	15,800	6	14	21	25	30
15,800	16,100	8	19	27	34	39
16,100	16,400	10	24	34	42	49
16,400	16,700	12	28	41	51	58
16,700	17,000	14	33	48	59	68
17,000	17,500	17	39	57	70	81
17,500	18,000	21	47	68	84	97
18,000	18,500	24	55	80	97	113
18,500	19,000	28	62	92	111	129
19,000	19,500	31	70	104	124	145
19,500	20,000	35	78	115	138	161
20,000	20,500	39	85	127	152	176
20,500	21,000	42	93	138	166	193
21,000	21,500	46	101	149	180	208
21,500	22,000	49	109	161	193	225
22,000	23,000	54	121	178	214	248
23,000	24,000	62	136	201	242	280
24,000	25,000	69	151	224	270	312
25,000	26,000	76	167	247	297	344
26,000	27,000	83	182	270	325	376
27,000	28,000	90	198	293	352	408
28,000	29,000	97	213	317	379	440
29,000	30,000	104	229	339	408	471
30,000	31,000	111	244	363	435	503
31,000	32,000	118	260	385	463	535
32,000	33,000	125	276	408	490	567
33,000	34,000	132	291	431	518	599
34,000	35,000	139	307	454	545	631
35,000	36,000	146	322	478	573	662
36,000	37,000	153	338	500	601	694
37,000	38,000	161	353	523	628	726
38,000	39,000	168	368	547	656	757
39,000	40,000	175	384	569	684	790
40,000	41,000	182	399	593	711	822
41,000	42,000	189	415	615	739	854
42,000	43,000	196	431	638	766	886

43,000	44,000	203	446	661	794	918
44,000	45,000	210	462	684	821	950
45,000	46,000	217	477	708	849	981
46,000	47,000	224	493	730	877	1,013
47,000	48,000	231	508	754	904	1,045
48,000	49,000	238	524	776	932	1,077
49,000	50,000	245	539	800	959	1,109
50,000	51,000	252	555	822	987	1,141
51,000	52,000	260	570	845	1,015	1,172
52,000	53,000	267	585	869	,042	1,204
53,000	54,000	274	601	892	,069	1,236
54,000	55,000	281	617	914	,097	1,268
55,000	56,000	288	632	938	,125	1,299
56,000	57,000	295	648	960	,153	1,331
57,000	58,000	302	663	984	1,180	1,363
58,000	59,000	309	679	1,006	1,208	1,395
59,000	60,000	316	694	1,030	1,235	1,427
60,000	62,000	327	717	1,065	1,276	1,475
62,000	64,000	341	748	1,111	1,332	1,538
64,000	66,000	355	780	1,156	1,387	1,602
66,000	68,000	369	811	1,202	1,442	1,666
68,000	70,000	383	842	1,248	1,497	1,730
70,000	72,000	397	873	1,294	1,553	1,793
72,000	74,000	412	903	1,341	1,608	1,857
74,000	76,000	426	935	1,386	1,663	1,921
76,000	78,000	440	966	1,432	1,718	1,985
78,000	80,000	454	997	1,478	1,774	2,048
80,000	85,000	479	1,051	1,559	1,870	2,160
85,000	90,000	514	1,129	1,674	2,008	2,319
90,000	95,000	550	1,206	1,789	2,146	2,478
95,000	100,000	585	1,284	1,904	2,284	2,637
100,000	110,000	638	1,400	2,077	2,489	2,876
110,000	120,000	709	1,555	2,307	2,767	3,195
120,000	130,000	779	1,710	2,537	3,043	3,514
130,000	140,000	850	1,865	2,767	3,319	3,833
140,000	150,000	921	2,020	2,997	3,595	4,151
150,000	160,000	992	2,175	3,228	3,870	4,470
160,000	170,000	1,062	2,331	3,457	4,147	4,788
170,000	180,000	1,133	2,486	3,687	4,423	5,107
180,000	190,000	1,204	2,641	3,917	4,699	5,425

190,000	200,000	1,274	2,796	4,148	4,974	5,745
200,000	210,000	1,345	2,951	4,378	5,250	6,063
210,000	220,000	1,416	3,106	4,608	5,527	6,381
220,000	230,000	1,487	3,261	4,838	5,803	6,699
230,000	240,000	1,557	3,416	5,069	6,078	7,019
240,000	250,000 1	1,628	3,571	5,299	6,354	7,337

SEC. 5. EFFECTIVE DATE

This revenue procedure is effective for automobiles (other than leased automobiles) that are first placed in service during calendar year 1994 and to leased automobiles that are first leased during calendar year 1994.