

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. 2014-21

## 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 2014, including separate tables of limitations on depreciation deductions for trucks and vans; and (2) the amounts that must be included in income by lessees of passenger automobiles first leased by the taxpayer during calendar year 2014, including a separate table of inclusion amounts for lessees of trucks and vans. 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.

## 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 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 2014, 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 2014. 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.

2009-24, 2009-17 I.R.B. 885, for passenger automobiles first leased during calendar year 2009; Rev. Proc. 2010-18, 2010-09 I.R.B. 427, as amplified and modified by section 4.03 of Rev. Proc. 2011-21, 2011-12 I.R.B. 560, for passenger automobiles first leased during calendar year 2010; Rev. Proc. 2011-21, for passenger automobiles first leased during calendar year 2011; Rev. Proc. 2012-23, 2012-14 I.R.B. 712, for passenger automobiles first leased during calendar year 2012, and Rev. Proc. 2013-21, 2013-12 I.R.B. 660, for passenger automobiles first leased during calendar year 2013.

#### 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 144.169 for October 2013. The October 2013 index exceeded the October 1987 index by 28.969. Therefore, the automobile price inflation adjustment for 2014 for passenger automobiles (other than trucks and vans) is 25.1 percent ( $28.969/115.2 \times 100\%$ ). The dollar limitations in § 280F(a) are multiplied by a factor of 0.251, 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 2014. This adjustment applies to all passenger automobiles (other than trucks and vans) that are first placed in service in calendar year 2014.

(b) Trucks and vans. To determine the dollar limitations for trucks and vans first placed in service during calendar year 2014, 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 151.877 for October 2013. The October 2013 index exceeded the October 1987 index by 39.477. Therefore, the automobile price inflation adjustment for 2014 for trucks and vans is 35.1 percent ( $39.477/112.4 \times 100\%$ ). The dollar limitations in § 280F(a) are multiplied by a factor of 0.351, 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 2014.

(2) Amount of the limitation. Tables 1 and 2 contain the dollar amount of the depreciation limitation for each taxable year for passenger automobiles a taxpayer places in service in calendar year 2014. 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 2014.

REV. PROC. 2014-21 TABLE 1	
DEPRECIATION LIMITATIONS FOR PASSENGER AUTOMOBILES (THAT ARE NOT TRUCKS OR VANS) PLACED IN SERVICE IN CALENDAR YEAR 2014	
<u>Tax Year</u>	<u>Amount</u>
1st Tax Year	\$ 3,160
2nd Tax Year	\$ 5,100
3rd Tax Year	\$ 3,050

Each Succeeding Year	\$ 1,875
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REV. PROC. 2014-21 TABLE 2	
DEPRECIATION LIMITATIONS FOR TRUCKS AND VANS PLACED IN SERVICE IN CALENDAR YEAR 2014	
<u>Tax Year</u>	<u>Amount</u>
1st Tax Year	\$ 3,460
2nd Tax Year	\$ 5,500
3rd Tax Year	\$ 3,350
Each Succeeding Year	\$ 1,975

.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 2014. In applying these procedures, lessees of passenger automobiles other than trucks and vans should use Table 3 of this revenue procedure, while lessees of trucks and vans should use Table 4 of this revenue procedure.

REV. PROC. 2014-21 TABLE 3						
DOLLAR AMOUNTS FOR PASSENGER AUTOMOBILES (THAT ARE NOT TRUCKS OR VANS) WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2014						
Fair Market Value of Passenger Automobile		Tax Year During Lease				
Over	Not Over	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup> & later
\$18,500	\$19,000	3	5	8	10	11
19,000	19,500	3	6	10	11	13
19,500	20,000	3	8	11	13	14
20,000	20,500	4	8	13	14	17
20,500	21,000	4	9	14	17	18
21,000	21,500	5	10	15	18	21
21,500	22,000	5	11	17	20	22
22,000	23,000	6	13	18	23	25
23,000	24,000	7	14	22	26	29
24,000	25,000	8	16	25	29	33
25,000	26,000	8	19	27	32	38
26,000	27,000	9	20	31	35	42

REV. PROC. 2014-21 TABLE 3  
DOLLAR AMOUNTS FOR PASSENGER AUTOMOBILES  
(THAT ARE NOT TRUCKS OR VANS)  
WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2014

Fair Market Value of Passenger Automobile		Tax Year During Lease				
		1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup> & later
Over	Not Over					
27,000	28,000	10	22	33	40	45
28,000	29,000	11	24	36	43	49
29,000	30,000	12	26	39	46	53
30,000	31,000	13	28	41	50	57
31,000	32,000	14	30	44	53	61
32,000	33,000	14	32	47	56	65
33,000	34,000	15	34	50	59	69
34,000	35,000	16	36	52	64	72
35,000	36,000	17	38	55	67	76
36,000	37,000	18	39	59	70	80
37,000	38,000	19	41	61	74	84
38,000	39,000	20	43	64	77	88
39,000	40,000	21	45	67	80	92
40,000	41,000	21	47	70	84	96
41,000	42,000	22	49	73	87	100
42,000	43,000	23	51	75	91	104
43,000	44,000	24	53	78	94	108
44,000	45,000	25	55	81	97	112
45,000	46,000	26	56	84	101	116
46,000	47,000	27	58	87	104	120
47,000	48,000	28	60	90	107	124
48,000	49,000	28	62	93	111	127
49,000	50,000	29	64	96	114	131
50,000	51,000	30	66	98	118	135
51,000	52,000	31	68	101	121	139
52,000	53,000	32	70	104	124	143
53,000	54,000	33	72	106	128	147
54,000	55,000	34	74	109	131	151
55,000	56,000	34	76	112	135	155
56,000	57,000	35	78	115	138	159
57,000	58,000	36	80	118	141	163
58,000	59,000	37	81	121	145	167
59,000	60,000	38	83	124	148	171
60,000	62,000	39	86	128	153	177
62,000	64,000	41	90	134	159	185
64,000	66,000	43	94	139	167	192
66,000	68,000	44	98	145	173	201

REV. PROC. 2014-21 TABLE 3						
DOLLAR AMOUNTS FOR PASSENGER AUTOMOBILES (THAT ARE NOT TRUCKS OR VANS) WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2014						
Fair Market Value of Passenger Automobile		Tax Year During Lease				
Over	Not Over	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup> & later
68,000	70,000	46	102	150	180	209
70,000	72,000	48	105	156	188	216
72,000	74,000	50	109	162	194	224
74,000	76,000	51	113	168	200	232
76,000	78,000	53	117	173	208	239
78,000	80,000	55	120	179	215	247
80,000	85,000	58	127	189	226	261
85,000	90,000	62	137	203	243	281
90,000	95,000	67	146	217	260	301
95,000	100,000	71	156	231	277	320
100,000	110,000	77	170	253	303	349
110,000	120,000	86	189	281	337	389
120,000	130,000	95	208	310	370	428
130,000	140,000	103	228	337	405	467
140,000	150,000	112	247	366	438	507
150,000	160,000	121	266	394	473	545
160,000	170,000	130	284	423	507	585
170,000	180,000	138	304	451	541	624
180,000	190,000	147	323	479	575	663
190,000	200,000	156	342	507	609	703
200,000	210,000	164	361	536	643	742
210,000	220,000	173	380	565	676	781
220,000	230,000	182	399	593	710	821
230,000	240,000	190	418	622	744	860
240,000	and over	199	437	650	778	899

REV. PROC. 2014-21 TABLE 4						
DOLLAR AMOUNTS FOR TRUCKS AND VANS WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2014						
Fair Market Value of Truck or Van		Tax Year During Lease				
Over	Not Over	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup> & later
\$19,000	\$19,500	2	4	5	7	8
19,500	20,000	2	5	7	8	10
20,000	20,500	3	6	8	10	12

REV. PROC. 2014-21 TABLE 4  
DOLLAR AMOUNTS FOR TRUCKS AND VANS  
WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2014

Fair Market Value of Truck or Van		Tax Year During Lease				
		1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup> & later
Over	Not Over					
20,500	21,000	3	7	10	11	14
21,000	21,500	3	8	11	14	15
21,500	22,000	4	9	12	15	18
22,000	23,000	5	10	15	17	21
23,000	24,000	5	12	18	21	24
24,000	25,000	6	14	20	25	28
25,000	26,000	7	16	23	28	32
26,000	27,000	8	18	26	31	36
27,000	28,000	9	20	28	35	40
28,000	29,000	10	21	32	38	44
29,000	30,000	11	23	35	41	48
30,000	31,000	11	26	37	45	52
31,000	32,000	12	27	41	48	56
32,000	33,000	13	29	43	52	60
33,000	34,000	14	31	46	55	64
34,000	35,000	15	33	49	58	68
35,000	36,000	16	35	51	62	72
36,000	37,000	17	37	54	65	76
37,000	38,000	18	38	58	69	79
38,000	39,000	18	41	60	72	83
39,000	40,000	19	43	63	75	87
40,000	41,000	20	44	66	79	91
41,000	42,000	21	46	69	82	95
42,000	43,000	22	48	72	85	99
43,000	44,000	23	50	74	89	103
44,000	45,000	24	52	77	93	106
45,000	46,000	24	54	80	96	111
46,000	47,000	25	56	83	99	115
47,000	48,000	26	58	86	102	119
48,000	49,000	27	60	88	106	123
49,000	50,000	28	62	91	109	127
50,000	51,000	29	63	95	113	130
51,000	52,000	30	65	97	117	134
52,000	53,000	31	67	100	120	138
53,000	54,000	31	69	103	123	142
54,000	55,000	32	71	106	126	146
55,000	56,000	33	73	108	130	150
56,000	57,000	34	75	111	133	154



REV. PROC. 2014-21 TABLE 4						
DOLLAR AMOUNTS FOR TRUCKS AND VANS WITH A LEASE TERM BEGINNING IN CALENDAR YEAR 2014						
Fair Market Value of Truck or Van		Tax Year During Lease				
Over	Not Over	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup> & later
57,000	58,000	35	77	114	137	157
58,000	59,000	36	79	116	141	161
59,000	60,000	37	80	120	144	165
60,000	62,000	38	84	123	149	172
62,000	64,000	40	87	130	155	180
64,000	66,000	41	91	136	162	187
66,000	68,000	43	95	141	169	195
68,000	70,000	45	99	146	176	203
70,000	72,000	47	102	153	182	211
72,000	74,000	48	107	158	189	219
74,000	76,000	50	110	164	196	227
76,000	78,000	52	114	169	203	235
78,000	80,000	54	118	175	209	243
80,000	85,000	57	124	185	222	256
85,000	90,000	61	134	199	239	276
90,000	95,000	65	144	213	256	295
95,000	100,000	70	153	227	273	315
100,000	110,000	76	168	248	298	345
110,000	120,000	85	187	277	332	383
120,000	130,000	93	206	305	366	423
130,000	140,000	102	225	334	400	462
140,000	150,000	111	244	362	434	501
150,000	160,000	120	263	390	468	541
160,000	170,000	128	282	419	502	580
170,000	180,000	137	301	447	536	619
180,000	190,000	146	320	475	571	658
190,000	200,000	154	339	504	604	698
200,000	210,000	163	358	532	639	736
210,000	220,000	172	377	561	672	776
220,000	230,000	180	397	589	706	815
230,000	240,000	189	416	617	740	854
240,000	and over	198	435	645	774	894

SECTION 5. EFFECTIVE DATE

This revenue procedure applies to passenger automobiles that a taxpayer first

places in service or first leases during calendar year 2014.

#### SECTION 6. 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) 317-7005 (not a toll-free call).