

Internal Revenue Service

Department of the Treasury

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Washington, DC 20224

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Person to Contact:

Telephone Number:

Refer Reply To:
CC:DOM:P&SI:6-PLR-121658-98
Date:
June 4, 1999

In re: Request for Private Letter Ruling

Legend:

Taxpayers =

Corporation =

Vehicle =

Corporate Client =

District =

Dear :

This letter responds to the request, dated , and the supplemental information submitted by Taxpayers, dated , and . Taxpayers request a ruling that Vehicle is neither a passenger automobile as defined in § 280F(d)(5) of the Internal Revenue Code nor listed property as defined in § 280F(d)(4) and that § 280F does not limit Taxpayer's depreciation deductions for Vehicle.

Taxpayers represent the facts and information relating to the request as follows:

Taxpayers are Husband and Wife and subject to the audit jurisdiction of District. Corporation, which Husband wholly owns, was formed on . Husband formed Corporation to provide security protection services including security escort transportation services to Corporate Client and other clients. Corporate Client is a nationally recognized music production company. Taxpayer and Corporation are unrelated to Corporate Client.

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Husband purchased Vehicle in _____ On _____, Corporation began leasing Vehicle from Husband. Corporate Client required Corporation to provide security transportation services for Corporate Client's executives and clients that was commensurate with the lifestyles of executives and clients in the music and entertainment industry. Due to the nature of the music and entertainment industry, corporate executives and entertainers are escorted and driven in luxury vehicles to various business engagements.

Corporation uses Vehicle to provide secure transportation services. Vehicle is used on a daily basis for Corporate Client's executives and entertainers. Over 90 percent of Corporation's revenue is from Corporate Client. Vehicle is used exclusively in providing transportation and secure transportation services by Corporation. Part of the compensation paid Corporation for security services is allocable to use of the Vehicle in providing transportation services.

Section 280F(a) of the Code limits the deductions that taxpayers are allowed to claim with respect to passenger automobiles. However, § 280F(d)(5)(B)(ii) excludes from the term passenger automobile any vehicle used by taxpayer directly in the trade or business of transporting person for compensation or hire.

Section 280F(b) of the Code provides that if any listed property is not predominantly used in a qualified business use for any taxable year, the deduction allowed under § 168 with respect to such property for such taxable year and any subsequent taxable year shall be determined under § 168(g) (relating to alternative depreciation system). Section 280F(d)(4) provides that the term "listed property" means any passenger automobile and any other property used as a means of transportation. Section 280F(d)(4)(C) provides that, except to the extent provided in regulations, the term "any other property used as a means of transportation" shall not apply to any property substantially all of the use of which is in a trade or business of providing to unrelated persons services consisting of the transportation of persons for compensation or hire.

Corporation's security business directly involves transporting persons for compensation or hire. Although Corporation provides security services, Corporation uses Vehicle for providing unrelated persons services consisting of the transportation of persons for compensation or hire.

After examining the representations and information submitted by Taxpayers, and based solely on these representations of facts, we reach the following conclusions regarding the proper tax treatment of Vehicle:

1. Vehicle is excluded from the term "passenger automobile,"

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2. The term “any other property used as a means of transportation” does not apply to Vehicle and, therefore, Vehicle is not “listed property,” and
3. Because Vehicle is not a passenger automobile or listed property within the meaning of § 280F(d), § 280F does not limit Taxpayers’ deductions for Vehicle.

This letter ruling is directed only to Taxpayers. Section 6110(k)(3) of the Code provides that this ruling may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative. We also are sending a copy of this letter to District.

Sincerely yours,

/s/ Charles B. Ramsey

Charles B. Ramsey
Chief, Branch 6
Office of the Assistant Chief Counsel
(Passthroughs and Special Industries)

Enclosure:

Copy for section 6110 purposes