## *kemg* TaxNewsFlash

**United States** 

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## Rev. Proc. 2018-25: Automobile depreciation deduction limits for 2018, reflecting new tax law

The IRS today released an advance version of Rev. Proc. 2018-25—a revenue procedure that the IRS releases annually to provide:

- The annual depreciation limitations for passenger automobiles (including trucks and vans) first placed in service in calendar year 2018
- The lease inclusion amounts for automobiles first leased in 2018 (as well as amounts for trucks and vans first leased in 2018)

**Rev. Proc. 2018-25** [PDF 46 KB] reflects changes made to section 280F by the new tax law (Pub. L. No. 115-97, enacted December 22, 2017) that imposes dollar limitations on the depreciation deductions for passenger automobiles placed in service during 2018 and for each succeeding year.

## Tables in Rev. Proc. 2018-25

The tables in listed in Rev. Proc. 2018-25 provide the depreciation limits for automobiles placed in service during 2018:

- Table 1 provides the depreciation limits for automobiles acquired **before September 28, 2017,** and placed in service during 2018—thus reflecting the section 168(k) additional first year depreciation deduction.
- Table 2 provides the depreciation limits for automobiles acquired **after September 27**, **2017**, and placed in service during 2018—thus reflecting the additional first year depreciation deduction.
- Table 3 provide the depreciation limit for automobiles placed in service during 2018 for which no additional first year depreciation deduction applies (that is, when the

taxpayer does not use the automobile during 2018 more than 50% for business purposes, or elected out of the additional first year depreciation deduction, or acquired a used automobile that fails to satisfy the statutory rules).

• Table 4 applies to lessees of passenger automobiles, and shows income inclusion amounts for "a range of fair market values" for each tax year after the automobile is first leased.

## Inflation adjustment beginning in 2019

The depreciation limitations for passenger automobiles placed in service in 2018 were established by the new tax law, and the same limitations apply to passenger automobiles, trucks, and vans. These limitations are required to be adjusted annually for inflation beginning in 2019.

Because the inflation adjustments are calculated differently for passenger automobiles than for trucks and vans, the limitations for the two categories have historically differed in years that they have been inflation adjusted. It is expected the limitations will differ again beginning in 2019.

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