



TaxNewsFlash

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Rev. Proc. 2019-13: Safe harbor method of accounting, 100% first-year depreciation for passenger automobiles

The IRS today released an advance version of Rev. Proc. 2019-13 to provide a safe harbor method of accounting for determining depreciation deductions for passenger automobiles that qualify for the 100% additional first-year depreciation deduction under section 168(k) and that are subject to the depreciation limitations for passenger automobiles of section 280F(a).

These provisions were included as part of the December 2017 tax law (Pub. L. No. 115-97) that is also known the “Tax Cuts and Jobs Act.” The additional first-year depreciation deduction applies to “qualified property”—including passenger automobiles—acquired and placed in service after September 27, 2017, and before January 1, 2027.

Read [Rev. Proc. 2019-13](#) [PDF 96 KB]

Background

The 2017 tax law extended and modified the additional first-year depreciation deduction (bonus depreciation) measures. Under the tax law, generally, the bonus depreciation percentage is increased to 100% (up from 50%) for property acquired and placed in service after September 27, 2017, and before 2023. It also provides a phase-down of the bonus depreciation percentage, allowing an 80% deduction for property placed in service in 2023; a 60% deduction for property placed in service in 2024; a 40% deduction for property placed in service in 2025; and a 20% deduction for property placed in service in 2026.

The 2017 tax law also increased the depreciation limitations for passenger automobiles placed in service after 2017. If bonus depreciation is not claimed, the allowable depreciation is limited to \$10,000 in year one; \$16,000 in year two; \$9,600 in year three; and \$5,760 in all subsequent years (these limitations will be indexed for inflation for automobiles placed in service after 2018).

Rev. Proc. 2019-13

As explained in a related IRS release—[IR-2019-14](#)—Rev. Proc. 2019-13 provides a safe harbor method of accounting for passenger automobiles. The safe harbor allows depreciation deductions for the excess amount during the recovery period, subject to the depreciation limitations applicable to passenger automobiles. The safe harbor is available for:

- A passenger automobile acquired and placed in service by the taxpayer after September 27, 2017
- That is qualified property under section 168(k) for which the 100% additional first-year depreciation deduction is allowable
- That has an unadjusted depreciable basis (as defined in Rev. Proc. 2019-13) exceeding the first-year limitation amount under section 280F(a)(1)(A)(i)
- For which the taxpayer did not elect to treat the cost or a portion of the cost as an expense under section 179

To apply the safe-harbor method, the taxpayer must use the applicable depreciation table in Appendix A of IRS Publication 946. The safe harbor method does not apply to a passenger automobile placed in service by the taxpayer after 2022, or to a passenger automobile for which the taxpayer elected out of the 100% additional first year depreciation deduction or elected under section 179 to expense all or a portion of the cost of the passenger automobile.

Taxpayers adopt the safe harbor method of accounting by applying it to deduct depreciation of a passenger automobile on their return for the first tax year following the placed-in-service year.

Rev. Proc. 2019-13 provides examples illustrating application of the safe harbor method of accounting.

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