

**Statutory Notes and Related Subsidiaries**

EFFECTIVE DATE OF REPEAL

Repeal applicable to crude oil removed from the premises on or after Aug. 23, 1988, see section 1941(c) of Pub. L. 100-418, set out as an Effective Date of 1988 Amendment note under section 164 of this title.

**§ 280E. Expenditures in connection with the illegal sale of drugs**

No deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the Controlled Substances Act) which is prohibited by Federal law or the law of any State in which such trade or business is conducted.

(Added Pub. L. 97-248, title III, §351(a), Sept. 3, 1982, 96 Stat. 640.)

**Editorial Notes**

REFERENCES IN TEXT

The Controlled Substances Act, referred to in text, is title II of Pub. L. 91-513, Oct. 27, 1970, 84 Stat. 1242, which is classified principally to subchapter I (§801 et seq.) of chapter 13 of Title 21, Food and Drugs. Schedules I and II are set out in section 812 of Title 21. For complete classification of this Act to the Code, see Short Title note set out under section 801 of Title 21 and Tables.

**Statutory Notes and Related Subsidiaries**

EFFECTIVE DATE

Pub. L. 97-248, title III, §351(c), Sept. 3, 1982, 96 Stat. 640, provided that: "The amendments made by this section [enacting this section] shall apply to amounts paid or incurred after the date of the enactment of this Act [Sept. 3, 1982] in taxable years ending after such date."

**§ 280F. Limitation on depreciation for luxury automobiles; limitation where certain property used for personal purposes**

**(a) Limitation on amount of depreciation for luxury automobiles**

**(1) Depreciation**

**(A) Limitation**

The amount of the depreciation deduction for any taxable year for any passenger automobile shall not exceed—

- (i) \$10,000 for the 1st taxable year in the recovery period,
- (ii) \$16,000 for the 2nd taxable year in the recovery period,
- (iii) \$9,600 for the 3rd taxable year in the recovery period, and
- (iv) \$5,760 for each succeeding taxable year in the recovery period.

**(B) Disallowed deductions allowed for years after recovery period**

**(i) In general**

Except as provided in clause (ii), the unrecovered basis of any passenger automobile shall be treated as an expense for the 1st taxable year after the recovery period. Any excess of the unrecovered basis

over the limitation of clause (ii) shall be treated as an expense in the succeeding taxable year.

**(ii) \$5,760 limitation**

The amount treated as an expense under clause (i) for any taxable year shall not exceed \$5,760.

**(iii) Property must be depreciable**

No amount shall be allowable as a deduction by reason of this subparagraph with respect to any property for any taxable year unless a depreciation deduction would be allowable with respect to such property for such taxable year.

**(iv) Amount treated as depreciation deduction**

For purposes of this subtitle, any amount allowable as a deduction by reason of this subparagraph shall be treated as a depreciation deduction allowable under section 168.

**(2) Coordination with reductions in amount allowable by reason of personal use, etc.**

This subsection shall be applied before—

(A) the application of subsection (b), and

(B) the application of any other reduction in the amount of any depreciation deduction allowable under section 168 by reason of any use not qualifying the property for such credit or depreciation deduction.

**(b) Limitation where business use of listed property not greater than 50 percent**

**(1) Depreciation**

If any listed property is not predominantly used in a qualified business use for any taxable year, the deduction allowed under section 168 with respect to such property for such taxable year and any subsequent taxable year shall be determined under section 168(g) (relating to alternative depreciation system).

**(2) Recapture**

**(A) Where business use percentage does not exceed 50 percent**

If—

(i) property is predominantly used in a qualified business use in a taxable year in which it is placed in service, and

(ii) such property is not predominantly used in a qualified business use for any subsequent taxable year,

then any excess depreciation shall be included in gross income for the taxable year referred to in clause (ii), and the depreciation deduction for the taxable year referred to in clause (ii) and any subsequent taxable years shall be determined under section 168(g) (relating to alternative depreciation system).

**(B) Excess depreciation**

For purposes of subparagraph (A), the term "excess depreciation" means the excess (if any) of—

- (i) the amount of the depreciation deductions allowable with respect to the property for taxable years before the 1st tax-