

see section 13322(f) of Pub. L. 103-66, set out as a note under section 38 of this title.

EFFECTIVE DATE OF 1989 AMENDMENT

Amendment by section 7110(c)(1) of Pub. L. 101-239 applicable to taxable years beginning after Dec. 31, 1989, see section 7110(e) of Pub. L. 101-239, set out as a note under section 41 of this title.

Amendment by section 7814(e)(2)(A) of Pub. L. 101-239 effective, except as otherwise provided, as if included in the provision of the Technical and Miscellaneous Revenue Act of 1988, Pub. L. 100-647, to which such amendment relates, see section 7817 of Pub. L. 101-239, set out as a note under section 1 of this title.

EFFECTIVE DATE OF 1988 AMENDMENT

Amendment by Pub. L. 100-647 applicable to taxable years beginning after Dec. 31, 1988, see section 4008(d) of Pub. L. 100-647, set out as a note under section 41 of this title.

EFFECTIVE DATE OF 1986 AMENDMENT

Amendment by section 231(d)(3)(E) of Pub. L. 99-514 applicable to taxable years beginning after Dec. 31, 1985, see section 231(g) of Pub. L. 99-514, set out as a note under section 41 of this title.

Amendment by section 1847(b)(8) of Pub. L. 99-514 effective, except as otherwise provided, as if included in the provisions of the Tax Reform Act of 1984, Pub. L. 98-369, div. A, to which such amendment relates, see section 1881 of Pub. L. 99-514, set out as a note under section 48 of this title.

EFFECTIVE DATE OF 1984 AMENDMENT

Amendment by Pub. L. 98-369 applicable to taxable years beginning after Dec. 31, 1983, and to carrybacks from such years, see section 475(a) of Pub. L. 98-369, set out as a note under section 21 of this title.

EFFECTIVE DATE OF 1983 AMENDMENT

Amendment by Pub. L. 97-414 applicable to amounts paid or incurred after December 31, 1982, in taxable years ending after such date, see section 4(d) of Pub. L. 97-414, set out as an Effective Date note under section 28 of this title.

EFFECTIVE DATE OF 1978 AMENDMENT

Pub. L. 95-600, title III, §322(e), Nov. 6, 1978, 92 Stat. 2839, as amended by Pub. L. 96-178, §6(a), (b), Jan. 2, 1980, 93 Stat. 1297; Pub. L. 96-222, title I, §103(a)(7)(A), (B), Apr. 1, 1980, 94 Stat. 211; Pub. L. 99-514, §2, Oct. 22, 1986, 100 Stat. 2095, provided that:

“(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section [amending this section and sections 50A and 50B of this title] shall apply to work incentive program expenses paid or incurred after December 31, 1978, in taxable years ending after such date; except that so much of the amendment made by subsection (a) as affects section 50A(a)(2) of the Internal Revenue Code of 1986 [formerly I.R.C. 1954] shall apply to taxable years beginning after December 31, 1978. For purposes of applying section 50A(a)(2) of the Internal Revenue Code of 1986 with respect to a taxable year beginning before January 1, 1979, the rules of sections 50A(a)(4), 50A(a)(5), and 50B(e)(3) of such Code (as in effect on the day before the date of the enactment of this Act [Nov. 6, 1978]) shall apply.

“(2) SPECIAL RULES FOR CERTAIN ELIGIBLE EMPLOYEES.—

“(A) ELIGIBLE EMPLOYEES HIRED BEFORE SEPTEMBER 27, 1978.—In the case of any eligible employee (as defined in section 50B(h)) hired before September 27, 1978, no credit shall be allowed under section 40 with respect to second-year work incentive program expenses (as defined in section 50B(a)) attributable to service performed by such employee.

“(B) ELIGIBLE EMPLOYEES HIRED AFTER SEPTEMBER 26, 1978.—In the case of any eligible employee (as de-

defined in section 50B(h)) hired after September 26, 1978, for purposes of applying the amendments made by this section, such individual shall be treated for purposes of the credit allowed by section 40 as having first begun work for the taxpayer not earlier than January 1, 1979, and any wages paid or incurred after December 31, 1978, with respect to such individual shall be considered to be attributable to services rendered after that date.”

[Pub. L. 96-178, §6(d), Jan. 2, 1980, 93 Stat. 1298, provided that: “Any amendment made by this section to the Revenue Act of 1978 [amending section 322(e)(1) and (2) of Pub. L. 95-600, set out above] shall take effect as if it had been included in the provision of the Revenue Act of 1978 [Pub. L. 95-600] to which such amendment relates.”]

EFFECTIVE DATE

Section applicable to taxable years beginning after Dec. 31, 1976, and to credit carrybacks from such years, see section 202(e) of Pub. L. 95-30, set out as a note under section 51 of this title.

TIME AND FORM OF CERTAIN ELECTIONS UNDER SUBSECTION (c)(3)

Pub. L. 101-239, title VII, §7814(e)(2)(B), Dec. 19, 1989, 103 Stat. 2413, provided that: “In the case of a taxable year for which the last date for making the election under section 280C(c)(3) of the Internal Revenue Code of 1986 (as added by subparagraph (A)) is on or before the date which is 75 days after the date of the enactment of this Act [Dec. 19, 1989], such an election for such year may be made—

“(i) at any time before the date which is 75 days after such date of enactment, and

“(ii) in such form and manner as the Secretary of the Treasury or his delegate may prescribe.”

PLAN AMENDMENTS NOT REQUIRED UNTIL JANUARY 1, 1989

For provisions directing that if any amendments made by subtitle A or subtitle C of title XI [§§1101-1147 and 1171-1177] or title XVIII [§§1800-1899A] of Pub. L. 99-514 require an amendment to any plan, such plan amendment shall not be required to be made before the first plan year beginning on or after Jan. 1, 1989, see section 1140 of Pub. L. 99-514, as amended, set out as a note under section 401 of this title.

**[§ 280D. Repealed. Pub. L. 100-418, title I, § 1941(b)(4)(A), Aug. 23, 1988, 102 Stat. 1324]**

Section, added Pub. L. 96-499, title XI, §1131(d)(1), Dec. 5, 1980, 94 Stat. 2693, related to portion of chapter 45 windfall profit tax on domestic crude oil for which credit or refund was allowable under section 6429.

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.)

## 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, as amended, 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.

## 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) \$2,560 for the 1st taxable year in the recovery period,
- (ii) \$4,100 for the 2nd taxable year in the recovery period,
- (iii) \$2,450 for the 3rd taxable year in the recovery period, and
- (iv) \$1,475 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) \$1,475 limitation**

The amount treated as an expense under clause (i) for any taxable year shall not exceed \$1,475.

**(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 taxable year in which the property was not predominantly used in a qualified business use, over
- (ii) the amount which would have been so allowable if the property had not been predominantly used in a qualified business use for the taxable year in which it was placed in service.

**(3) Property predominantly used in qualified business use**

For purposes of this subsection, property shall be treated as predominantly used in a qualified business use for any taxable year if the business use percentage for such taxable year exceeds 50 percent.

**(c) Treatment of leases**

**(1) Lessor's deductions not affected**

This section shall not apply to any listed property leased or held for leasing by any person regularly engaged in the business of leasing such property.

**(2) Lessee's deductions reduced**

For purposes of determining the amount allowable as a deduction under this chapter for rentals or other payments under a lease for a