

Car Loan Interest Tax Deduction

Dear Client,

The "One Big Beautiful Bill Act," signed into law on July 4, 2025, includes a temporary tax deduction for car loan interest, effective for tax years 2025 through 2028. Here's a breakdown of the "no tax on car loan interest" provision based on available information:

Key Details of the Car Loan Interest Tax Deduction

- *Deduction Amount*
Taxpayers can deduct up to \$10,000 annually in interest paid on loans for qualified vehicles. This is an additional deduction, meaning it can be claimed even if you take the standard deduction.
- *Eligible Vehicles*
 - Must be new (not used) cars, minivans, vans, SUVs, pickup trucks, or motorcycles with a gross vehicle weight rating under 14,000 pounds purchased in 2025-2028.
 - Vehicles must be for personal use, not for business, commercial purposes, or fleet sales.
 - The vehicle's final assembly must occur in the United States, verifiable through the Vehicle Identification Number (VIN). The NHTSA website's VIN Decoder tool provides the vehicle's plant of manufacture information.
 - Exclusions: RVs, campers, ATVs, trailers, salvage title vehicles, or vehicles used for parts do not qualify.
- *Loan Requirements*
 - The deduction applies to standard, secured auto loans or refinanced loans under certain conditions.
 - Loans must be taken out after December 31, 2024, and must be the first lien on the vehicle (leases or second mortgages don't qualify).
- *Income Caps and Phase-Out*
 - The full deduction is available for single filers with a modified adjusted gross income (MAGI) of \$100,000 or less, or \$200,000 or less for joint filers.
 - The deduction is reduced by \$200 for every \$1,000 of MAGI above these thresholds, phasing out completely at \$150,000 for single filers or \$250,000 for joint filers.
- *Reporting Requirements*
 - Lenders must report the total interest paid to the IRS and provide statements to taxpayers.
 - Taxpayers must report the vehicle's VIN on their tax returns to claim the deduction.

This is a short-term tax incentive to purchase new vehicles made in the USA. If you are thinking of purchasing a new vehicle in the next few years, you may want to consider this tax benefit in your analysis.

As always, please feel free to contact us if you have any questions

Yours truly,

Green, Polack & Company
Accountancy Corporation
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