

### **“No Tax on Car Loan Interest”**

- **New deduction:** Effective for 2025 through 2028, individuals may deduct interest paid on a loan used to purchase a qualified vehicle, provided the vehicle is purchased for personal use and meets other eligibility criteria. (Lease payments do not qualify.)
  - Maximum annual deduction is \$10,000.
  - Deduction phases out for taxpayers with modified adjusted gross income over \$100,000 (\$200,000 for joint filers).
- **Qualified interest:** To qualify for the deduction, the interest must be paid on a loan that is:
  - originated after December 31, 2024,
  - used to purchase a vehicle, the original use of which starts with the taxpayer (used vehicles do not qualify),
  - for a personal use vehicle (not for business or commercial use) and
  - secured by a lien on the vehicle.

If a qualifying vehicle loan is later refinanced, interest paid on the refinanced amount is generally eligible for the deduction.

- **Qualified vehicle:** A qualified vehicle is a car, minivan, van, SUV, pick-up truck or motorcycle, with a gross vehicle weight rating of less than 14,000 pounds, and that has undergone final assembly in the United States.
- **Final assembly in the United States:** The location of final assembly will be listed on the vehicle information label attached to each vehicle on a dealer's premises. Alternatively, taxpayers may rely on the vehicle's plant of manufacture as reported in the vehicle identification number (VIN) to determine whether a vehicle has undergone final assembly in the United States.
  - The [VIN Decoder](#) website for the National Highway Traffic Safety Administration (NHTSA) provides plant of manufacture information. Taxpayers can follow the instructions on that website to determine if the vehicle's plant of manufacture was located in the United States.
- **Taxpayer eligibility:** Deduction is available for both itemizing and non-itemizing taxpayers.

- The taxpayer must include the Vehicle Identification Number (VIN) of the qualified vehicle on the tax return for any year in which the deduction is claimed.
- **Reporting:** Lenders or other recipients of qualified interest must file information returns with the IRS and furnish statements to taxpayers showing the total amount of interest received during the taxable year.
- **Guidance:** The IRS will provide transition relief for tax year 2025 for interest recipients subject to the new reporting requirements.

**\*\*\*TAXPAYERS MUST PROVIDE SALE AND FINANCING DOCUMENTS IN ORDER TO COMPUTE THE DEDUCTION IF APPLICABLE\*\*\***