



New Auto Loan Interest Deduction Explained



With the enactment of the One Big Beautiful Bill Act (OBBBA) in 2025, taxpayers may now benefit from a new annual deduction of up to \$10,000 for interest paid on qualifying new auto loans, effective for tax years 2025 through 2028.

Vehicle requirements

- "Qualified vehicles" include cars, SUVs, vans, pickup trucks, minivans, and motorcycles with a gross vehicle weight of 14,000 pounds or less, provided final assembly occurred in the United States.
- The vehicle must be new; used vehicles are not eligible.

To verify domestic assembly, taxpayers may consult the Vehicle Identification Number (VIN) Decoder at nhtsa.gov/vin-decoder to identify the vehicle's manufacturing plant.

To claim the deduction, taxpayers must report the VIN of the qualifying vehicle on their federal tax return.

Loan requirements

Interest paid qualifies for the deduction only if the loan meets all the following requirements:

- The loan originates after December 31, 2024.
- It is secured by a lien on the purchased vehicle.
- It finances a vehicle intended for personal use, not business or commercial activity.
- It is used to purchase a new vehicle, and the buyer is the original owner; leased vehicles are not eligible.

Lenders must issue annual statements summarizing the total interest paid by the taxpayer.

For a refinanced qualifying loan, the interest is deductible only up to the original loan's amount and term.

Eligibility and income phaseouts

The deduction is available to taxpayers who itemize or claim the standard deduction and begins to phase out for individuals with modified adjusted gross income above \$100,000, or \$200,000 for married couples filing jointly.

The temporary auto loan interest deduction offers taxpayers a potential pathway to offset the cost of buying a new car. If you are planning to purchase a new vehicle, consider consulting a tax professional to confirm the vehicle's eligibility for the deduction.

Questions? Contact First Financial's Investment & Retirement Center by calling 732.312.1534. You can also email mary.laferriere@lpl.com or maureen.mcgreevy@lpl.com

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