

## **CAR LOAN INTEREST DEDUCTION**

As of 2025, a new temporary federal tax deduction allows taxpayers to deduct up to \$10,000 annually in interest paid on a qualifying new car loan.

- must be a car, minivan, van, SUV, pickup truck, or motorcycle with a gross vehicle weight under 14,000 pounds
- must be for personal use
- must be new; used vehicles are not eligible
- loan (not a lease) must have originated after December 31, 2024
- loan must be secured by a lien on the vehicle
- final assembly in the United States. You can check the Vehicle Identification Number (VIN); if it starts with 1, 4, or 5, it indicates U.S. assembly.

**Income limits:** Reduced \$200 for each \$1,000 of MAGI over \$100,000 (single/HOH) or \$200,000 (MFJ). Fully eliminated at Single \$150,000 and MFJ at \$250,000

You will need your loan information, including the amount of interest paid and the vehicle's VIN. Lenders are required to provide a Form 1098 if you pay more than \$600 in interest in a year (Not required until TY 2026).

Business Use: For those who use their vehicle for business, a portion of the loan interest may already be deductible under different rules. You cannot double-dip on the tax benefit.