

The One, Big, Beautiful Bill Act of 2025 has a significant effect on federal taxes, credits and deductions. It was signed into law on July 4, 2025, as [Public Law 119-21](#).

### **No tax on car loan interest (Sec. 70203)**

**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 originally used by the taxpayer (used vehicles do not qualify)
- For a personal use vehicle (not for business or commercial use)
- 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.

To determine if a vehicle had final assembly in the U.S., check one of these:

- The information label attached to the vehicle on a dealer's premises
- The vehicle identification number (VIN)
- The National Highway Traffic Safety Administration (NHTSA) [VIN Decoder](#)

**Taxpayer eligibility:** Deduction is available for both itemizing and non-itemizing taxpayers. The taxpayer must include the vehicle identification number (VIN) of the vehicle on the tax return for any year when 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. More information to come.