

New Auto Loan Interest Deduction (2025-2028)

One of the changes for tax year 2025 is a deduction for interest paid on qualifying auto loans. Prior to this change, interest paid on an auto loan was treated as nondeductible personal interest. But now there is an annual deduction of up to \$10,000 for auto loan interest, beginning in 2025 and lasting through 2028. Because most car buyers will pay less than \$10,000 a year in auto loan interest, they likely will be able to deduct the full amount of their interest payments in the early years of the loan term.



To qualify for this tax break, the vehicle must meet the following requirements:

- It is a **new** vehicle purchased with a loan on or after January 1, 2025.
- It has been assembled in the U.S.
- It is a car, minivan, SUV, pickup truck or motorcycle.
- It weighs less than 14,000 pounds.
- It is used personally. It can't be a business vehicle.
- The loan must have originated after December 31, 2024 & be for personal use only.

This deduction is available whether you itemize or not (though it is not an itemized deduction). The catch: The amount of the deduction is phased out for moderate-to-high income taxpayers. The deduction begins to phase out when Modified Adjusted Gross Income exceeds \$100,000 for single filers or \$200,000 for married filing jointly.

How to Determine if a Vehicle Qualifies

To determine if a specific new vehicle qualifies for the deduction (available for tax years 2025 through 2028), you must verify the final assembly location. You can do this in two ways:

1. Check the vehicle's information label: The final assembly location is listed on a sticker on the driver's side door jamb or the vehicle's window sticker at the dealership.
2. Use the VIN decoder: You can use the Vehicle Identification Number (VIN) and the National Highway Traffic Safety Administration's (NHTSA) [VIN Decoder](https://vpic.nhtsa.dot.gov/decoder/) online tool to confirm the final assembly plant location. (<https://vpic.nhtsa.dot.gov/decoder/>)

If your vehicle qualifies:

- **Obtain a statement from your loan processor that shows the interest you paid in 2025 on your auto loan.**
- **Provide us with your vehicle's VIN (Vehicle Identification Number).**