O'Neil & Steiner, PLLC
No Tax on Car Loan Interest Deduction Organizer

The One Big Beautiful Bill Act (OBBBA) created an additional "above line" (you can claim it without itemizing) for tax years 2025-2028 that for the deduction of interest paid on qualifying loans originated on or after January 1, 2025. Taxpayers may deduct up to $10,000 of qualified interest paid per tax return.

Important details to understand include the following:

a. Only <u>new</u> vehicle purchases are eligible. Leases and used vehicles don't qualify.
b. The vehicle's <u>final assembly must have occurred in the U.S</u>. You can verify this by entering the Vehicle Identification Number (VIN) into the NHTSA VIN Decoder for official verification. Instructions and links are available at nhtsa.gov/vin-decoder.
c. The deduction is subject to income phaseouts for single taxpayers with Modified Adjusted Gross Income (MAGI) over $100,000 for single and married filing separately filers or $200,000 for married couples filing jointly.
d. If a qualifying vehicle loan is refinanced, the interest on the original loan amount remains eligible for deduction if all other requirements are met.
e. The deduction is limited to vehicles purchased primarily for personal use. To meet this requirement the taxpayer must expect to use the vehicle for personal use more than 50% of the time. Business vehicle interest is typically deducted as a business expense. No double-dipping is allowed. If a vehicle has both business and personal use, the personal use portion of interest may be deducted on Schedule 1-A and business use portion of interest deducted as a business expense as long as it was purchased primarily for personal use.
   i. *If the vehicle has mixed use (both personal and business use): Mileage logs must be maintained to secure the deductions and allocate interest between personal use and business use for the year.
f. This deduction is limited to interest paid by the taxpayer who is legally responsible for the loan. If a taxpayer purchases a vehicle for a sibling who makes the payments, neither are able to deduct the interest due to the fact that the person paying the interest is <u>not</u> legally responsible and the person legal responsible has <u>not</u> paid any interest.
g. Beginning with tax year 2026, lenders will report interest paid and VIN on new Forms 1098-VLI (Vehicle Loan Interest) when qualified interest paid is at least $600. These new forms are <u>not</u> required for tax year 2025. Taxpayers will need to determine qualification and their total interest paid on their own. We suggest reviewing statements and online lender portals to find interest paid. If all else fails, you will need to contact your lender.
h. Single taxpayers and married couples filing jointly are limited to the $10,000 maximum deduction. Married couples filing separately may theoretically each claim up to $10,000 if they both have qualifying loan interest. Community property state filing requirements, tax bracket differences, loss of other credit and deduction items, and increased cost of preparing separate returns may render this option disadvantageous.
i. Taxpayers must have a Social Security Number valid for employment.
j. Vehicle must have Gross Vehicle Weight Rating (GVWR) of less than 14,000 pounds.
k. Vehicle must be a car, van, SUV, pickup truck, or motorcycle
l. The lender must be a qualified lender engaged in a trade or business (bank, credit union, or auto finance company, <u>not</u> a family member, friend, nor other related entity).

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If you qualify for this deduction based on the information provided on page 1, please provide the following information and submit this page with your income tax packet. By submitting this organizer, you are stating the interest (in #6 below) qualifies for the deduction.

RARE If this vehicle is used as collateral multiple qualified loans at a time, you can only deduct the interest for the loan secured by first lien. Please don't include secondary interest.

1. Did you purchase the vehicle primarily for personal use? Circle One: *Yes* or *No*
   *If not, stop here. You don't qualify.

2. Is the lender a bank, credit union, or auto finance company?
   (Examples: Ford Credit, Toyota Financial, etc.) Circle One: *Yes* or *No*

   RARE If not, the lender must be engaged in a trade or business (family, friends, etc. don't qualify) and you must not own more than 50% of the entity (directly or indirectly through family attribution rules if related to owners of the entity).

   Please provide a description of the lender: ______________________________________

   ____

3. Vehicle year, make and model:

   Vehicle Year: ____________

   Make: __________________

   Model: __________________

4. Vehicle Identification Number (VIN): ____

5. *RARE* Did you use the interest paid (#6 below) to calculate the deductible amount of vehicle-related expenses on a separate business return? If not, go to #6 below.

   If yes, how much of the interest below was deducted on the separate business return?

   $_________________

6. Did you refinance the loan during the tax year?
   a. If not, total interest paid for this vehicle (skip b below): $_________________
   b. If yes, please provide the following:
      i. Interest paid on the original loan during the year: $_________________
      ii. Interest paid on the refinance loan: $_________________
      iii. Principal balance owed on the original loan as of the refinance date:

      $_________________

      iv. Principal amount of the new loan on origination date: $_________________