

# One Big Beautiful Bill – Car Loan Interest Deduction: A New Opportunity for Tax Savings on Vehicle Purchases

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As part of the sweeping changes introduced by the One Big Beautiful Bill, individuals now have a unique opportunity to reduce their taxable income when purchasing a new personal-use vehicle. For tax years 2025 through 2028, qualifying taxpayers may be able to deduct up to **\$10,000 of interest** paid on a loan for a qualified vehicle with final assembly in the United States – offering a meaningful benefit to those financing a new car, truck or motorcycle.

Unlike many deductions, this is available to taxpayers whether or not they itemize, though it is subject to income limitations. The deduction begins to phase out at a modified adjusted gross income (MAGI) over \$100,000 for individuals and \$200,000 for married couples filing jointly and fully phases out at MAGI of \$150,000 and \$250,000 respectively.

## What Is a Qualified Vehicle?

To qualify for the deduction, the vehicle must meet **all** of the following criteria:

- A car, minivan, SUV, pickup truck, van, or motorcycle
- Gross Vehicle Weight Rating (GVWR) of less than 14,000 pounds
- Final assembly completed in the United States
- New (used vehicles do not qualify)
- Original use must begin with the taxpayer

Final assembly location can typically be verified using the **vehicle information label** displayed on the dealer's premises. Alternatively, taxpayers may refer to the **Vehicle Identification Number (VIN)** to determine the plant of manufacture.

## What Type of Interest Qualifies?

The deduction applies only to interest that meets all of the following requirements:

- Loan originated **after December 31, 2024**
- Loans used to purchase a **new vehicle**
- Vehicle is for **personal use** (not business or commercial)
- Loan is **secured by the vehicle** (i.e., a lien is in place)

## Key Considerations

This provision presents a valuable incentive for taxpayers considering the purchase of a new vehicle over the next few years. However, eligibility depends on several technical requirements, including vehicle specifications, timing, and the structure of the loan itself.

If you're planning a vehicle purchase or want to ensure your loan qualifies for the deduction, our team is here to help you navigate the rules and optimize your tax position.

## Contact Us for Guidance

The new tax legislation in the OBBB is expansive and complex, impacting individuals, businesses, and estates alike. Please see our previous [email blast](#) regarding this new legislation. Contact your Johnson O'Connor service team member today to discuss how the new law impacts you or your business. O'Connor service team member today to discuss how the new law impacts you or your business.

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