

## Deducting Car Loan Interest Under the One Big Beautiful Bill Act (OBBBA)

### Overview

For tax years 2025 through 2028, the One Big Beautiful Bill Act (OBBBA) allows eligible taxpayers to deduct up to \$10,000 per year of interest paid on qualifying auto loans. This deduction is above the-line, meaning you do not need to itemize to benefit.

### Basic Eligibility

- Loan originated after December 31, 2024
- New vehicle assembled in the United States
- Predominantly personal use
- Secured auto loan with lien

### Income Phaseouts

- Single filers: \$100,000 – \$150,000 MAGI
- Married filing jointly: \$200,000 – \$250,000 MAGI

### Mixed Personal and Business Use

Mileage reimbursement alone does not disqualify the deduction. The vehicle remains personal if it is not depreciated, no actual expenses are deducted, and loan interest is not deducted elsewhere.

### Depreciation Clarification

The IRS mileage rate includes depreciation, but embedded depreciation is not the same as claimed depreciation. Depreciation only matters if you actually claim it on your tax return or treat the vehicle as a business asset.

### No Double-Dipping Rule

Only the personal-use portion of interest qualifies. Business-use portions must be excluded.

### Temporary Provision

This deduction is scheduled to expire after 2028 unless extended by Congress.

## Disclosures

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