

CAR LOAN INTEREST DEDUCTION FAQs

Please use the following FAQs to better understand the Car Loan Interest Deduction introduced in 2025 as part of The One Big Beautiful Bill Act (Section 70203).

WHAT IS THE NEW CAR LOAN INTEREST DEDUCTION?

The One Big Beautiful Bill Act (Section 70203) allows taxpayers to deduct up to \$10,000 per year in interest paid on qualifying car loans for tax years 2025 through 2028. This deduction is available even if the taxpayer uses the standard deduction.

WHICH LOANS AND VEHICLES QUALIFY?

- The loan must be originated after December 31, 2024.
- The loan must be secured by a first lien on the vehicle.
- The vehicle must be new, for personal use (not fleet, commercial, or lease), and assembled in the United States. Use of the National Highway Traffic Safety Administration (NHTSA) VIN Decoder: <https://vpic.nhtsa.dot.gov/decoder/> can be used to identify location of assembly.
- Eligible vehicles include cars, minivans, vans, SUVs, pickup trucks, and motorcycles with a gross vehicle weight rating under 14,000 pounds.

HOW DO MEMBERS CLAIM THE DEDUCTION?

Taxpayers will use Schedule 1-A (Form 1040) to report qualified car loan interest deductions. The Vehicle Identification Number (VIN) must be included on the tax return. VINs starting with 1, 4, or 5 typically indicate U.S. assembly.

HOW WILL MEMBERS BE NOTIFIED?

Members will not receive individual letters. Instead, information about interest paid will be available on monthly statements. Members can easily view Year-to-Date (YTD) Interest Paid for loans on monthly statements and should utilize either the December 2025 statement or the statement of the month that a loan was paid in full. Please see example below:

2021 Kia Forte - 13	Beginning Balance	\$9,787.70
Interest Rate 5.490%	3 Total Payments for	9,860.10
Daily Periodic Rate .015041%	0 Total Advances for	0.00
YTD Interest Paid \$675.95	Interest	72.40
	Ending Balance*	\$0.00

WHO SHOULD MEMBERS CONTACT WITH QUESTIONS?

For specific tax advice or questions about eligibility, members should consult a qualified tax professional. KEMBA Financial associates can provide general information but cannot offer tax advice.