



TaxNewsFlash

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Proposed regulations: Deduction for qualified passenger vehicle loan interest enacted under OBBBA

The U.S. Treasury Department and IRS today issued [proposed regulations](#) (REG-113515-25) regarding the deduction available to certain taxpayers under section 163 of up to \$10,000 for qualified passenger vehicle loan interest (QPVLI), as enacted under Pub. L. No. 119-21 (the “One Big Beautiful Bill Act” (OBBBA)).

Background

Section 70203(a) of the OBBBA amended section 163(h) (relating to the disallowance of any deduction for personal interest) by inserting a new paragraph (4) to provide an exception for QPVLI. In addition, section 70203(b) of the OBBBA amended section 63(b) by inserting a new paragraph (7) to allow this deduction for taxpayers that do not itemize their deductions. Further, section 70203(c) of the OBBBA added new section 6050AA to require returns relating to applicable passenger vehicle loan interest received in a trade or business from individuals.

The amendments made by section 70203 of the OBBBA apply to indebtedness incurred after December 31, 2024, and the allowance of a deduction for QPVLI under section 163(a) and (h)(4) applies solely to tax years beginning after December 31, 2024, and before January 1, 2029.

Proposed regulations

As explained in the related IRS release—[IR-2025-129](#) (December 31, 2025)—the proposed regulations address important eligibility criteria for the QPVLI deduction, including:

- Rules relating to new vehicles eligible for the deduction, including for determining if the final assembly of a vehicle occurred in the United States
- Rules for determining which vehicle loans qualify and the amount of interest paid on a loan that may be deductible
- Rules for determining if a new vehicle is purchased for personal use
- Identifying taxpayers who can take the deduction and clarifying the \$10,000 annual deduction limit

The proposed regulations also include new information reporting requirements for certain persons who, in a trade or business, receive from any individual interest aggregating \$600 or more for any calendar year on a

specified passenger vehicle loan, including applicable penalties for failures to file information returns or furnish payee statements as required. The proposed regulations clarify:

- Which lenders and other interest recipients are required to report and the time and manner for this reporting
- What information must be included on the form provided to the IRS and to taxpayers

The proposed regulations under section 163 are proposed to apply to taxable years in which taxpayers may deduct QPVLII pursuant to section 163(h)(4). The proposed regulations under section 6050AA are proposed to apply to calendar years in which taxpayers may deduct QPVLII pursuant to section 163(h)(4). Taxpayers may rely on the proposed regulations under section 163 with respect to indebtedness incurred for the purchase of an APV after December 31, 2024, and on or before the date the regulations are published as final regulations in the Federal Register, provided that the taxpayer follows the proposed regulations in their entirety and in a consistent manner. Similarly, interest recipients may rely on the proposed regulations under section 6050AA with respect to indebtedness incurred for the purchase of an APV after December 31, 2024, and on or before the date the regulations are published as final regulations in the Federal Register, provided that the taxpayer follows the proposed regulations in their entirety and in a consistent manner.

Comments on the proposed regulations, as well as requests to speak and outlines for topics to be discussed at the public hearing (scheduled for February 24, 2026, at 10:00 AM ET), are due 30 days after publication of the proposed regulations in the Federal Register, which is scheduled to be January 2, 2026. If no outlines are received by that date, the public hearing will be canceled.

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