No. 2026-207
September 4, 2026

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

The U.S. Treasury Department and IRS today issued final regulations (T.D. 10054) under sections 163 and 6050AA implementing the deduction for qualified passenger vehicle loan interest (QPVLI) enacted by Pub. L. No. 119-21 (the “One Big Beautiful Bill Act” (OBBBA)), as well as related information reporting requirements. The deduction is limited to $10,000 and is subject to an income phaseout.

The regulations generally apply to indebtedness incurred after December 31, 2024, and to tax years beginning after December 31, 2024, and before January 1, 2029.

Background

Section 70203 of the OBBBA added section 163(h)(4), which provides an exception to the disallowance of personal interest for QPVLI. The OBBBA also amended section 63(b) to allow the deduction for taxpayers that do not itemize deductions and added section 6050AA to require information reporting with respect to certain passenger vehicle loan interest received in a trade or business from individuals.

Final regulations

The 111-page final regulations largely adopt the proposed regulations and include clarifications regarding:

- **First-lien requirement**: Treatment of delayed lien perfection, involuntary liens, repossessions, and total-loss insurance claims
- **Qualifying vehicle types**: Definitions of qualifying vehicle types, including sport utility vehicles, pickup trucks, and motorcycles
- **Deductible interest**: Amounts treated as interest for purposes of the QPVLI deduction, including points, capitalized interest, and certain fees treated as interest for federal income tax purposes
- **Specified passenger vehicle loans (SPVLs)**: Amounts that may be included in an SPVL, including warranties, GAP coverage, credit insurance products, repair plans, vehicle protection products, taxes, fees, and certain vehicle accessories
- **Negative equity and allocation rules**: Treatment of negative equity and the required allocation method when a loan includes both qualifying and nonqualifying amounts
- **Refinancing transactions**: Limitations on qualified refinancing indebtedness and treatment of changes in obligors

- **Applicable passenger vehicle requirements**: Application of the original-use and final-assembly requirements for applicable passenger vehicles
- **Personal-use requirement**: Confirmation that the personal-use determination is made when the indebtedness is incurred
- **Eligible taxpayers and dollar limitation**: Clarification of the taxpayers who may claim the deduction and confirmation that the deduction is limited to $10,000 per return, regardless of the taxpayer's filing status
- **Information reporting**: Reporting obligations under section 6050AA, including reporting on new Form 1098-VLI, *Vehicle Loan Interest Statement*, and related payee statement requirements
- **Transition relief and penalties**: Continued transition relief for calendar-year 2025 reporting under Notice 2025-57 and application of penalties under sections 6721 and 6722

The final regulations are effective 60 days after publication in the Federal Register, which is scheduled for September 8, 2026.

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