2026 Car Loan Interest Deduction Rules

The cap, the phase-out and what your vehicle and loan must meet

ITEM	THE RULE	WHAT TO CHECK
Maximum deduction	Up to $10,000 of interest, 2025 through 2028	The total interest on the lender statement
Phase-out starts	MAGI over $100,000 ($200,000 joint)	Find your MAGI before you estimate the deduction
Phase-out rate	$200 less for each $1,000 (or portion) over the line	Round the excess up to the next $1,000
Loan	Originated after December 31, 2024 and secured by a lien	The loan date and the lien on the loan papers
Vehicle	New to you, personal use, final assembly in the United States	The vehicle information label or the VIN plant of manufacture
Leases	Lease payments do not qualify	Only loan interest counts
VIN	Report the VIN on Schedule 1-A	The VIN on the title or the loan papers
Lender statement	Form 1098-VLI applies for calendar year 2026 and later	Keep it with your loan papers

Not yet confirmed

Lender deadline for 2026 statements: Not confirmed here; check the Form 1098-VLI instructions

My notes

Source: Internal Revenue Service, fact sheet FS-2025-03, Internal Revenue Bulletin 2026-39, fact sheet FS-2026-04 and Instructions for Form 1098-VLI (12/2026).