

119TH CONGRESS
1ST SESSION

H. R. 3450

To amend the Internal Revenue Code of 1986 to provide for special rules allowing taxpayers to deduct qualified passenger vehicle loan interest paid or accrued during the taxable year on certain indebtedness, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 15, 2025

Mr. KELLY of Pennsylvania (for himself and Mr. HUIZENGA) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide for special rules allowing taxpayers to deduct qualified passenger vehicle loan interest paid or accrued during the taxable year on certain indebtedness, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. NO TAX ON CAR LOAN INTEREST.**

4 (a) IN GENERAL.—Section 163(h) of the Internal
5 Revenue Code of 1986 is amended by redesignating para-
6 graph (4) as paragraph (5) and by inserting after para-
7 graph (3) the following new paragraph:

1 “(4) SPECIAL RULES FOR TAXABLE YEARS
2 2024 THROUGH 2028 RELATING TO QUALIFIED PAS-
3 SENGER VEHICLE LOAN INTEREST.—

4 “(A) IN GENERAL.—In the case of taxable
5 years beginning after December 31, 2024, and
6 before January 1, 2029, for purposes of this
7 subsection the term ‘personal interest’ shall not
8 include qualified passenger vehicle loan interest.

9 “(B) QUALIFIED PASSENGER VEHICLE
10 LOAN INTEREST DEFINED.—

11 “(i) IN GENERAL.—For purposes of
12 this paragraph, the term ‘qualified pas-
13 senger vehicle loan interest’ means any in-
14 terest which is paid or accrued during the
15 taxable year on indebtedness incurred by
16 the taxpayer after December 31, 2024, for
17 the purchase of, and that is secured by a
18 first lien on, an applicable passenger vehi-
19 cle for personal use.

20 “(ii) EXCEPTIONS.—Such term shall
21 not include any amount paid or incurred
22 on any of the following:

23 “(I) A loan to finance fleet sales.

1 “(II) A personal cash loan se-
2 cured by a vehicle previously pur-
3 chased by the taxpayer.

4 “(III) A loan incurred for the
5 purchase of a commercial vehicle that
6 is not used for personal purposes.

7 “(IV) Any lease financing.

8 “(V) A loan to finance the pur-
9 chase of a vehicle with a salvage title.

10 “(VI) A loan to finance the pur-
11 chase of a vehicle intended to be used
12 for scrap or parts.

13 “(C) LIMITATIONS.—

14 “(i) DOLLAR LIMIT.—The amount of
15 interest taken into account by a taxpayer
16 under subparagraph (B) for any taxable
17 year shall not exceed \$10,000.

18 “(ii) LIMITATION BASED ON MODI-
19 FIED ADJUSTED GROSS INCOME.—

20 “(I) IN GENERAL.—The amount
21 which is otherwise allowable as a de-
22 duction under subsection (a) as quali-
23 fied passenger vehicle loan interest
24 (determined without regard to this
25 clause and after the application of

clause (i)) shall be reduced (but not below zero) by \$200 for each \$1,000 (or portion thereof) by which the modified adjusted gross income of the taxpayer for the taxable year exceeds \$100,000 (\$200,000 in the case of a joint return).

“(II) MODIFIED ADJUSTED GROSS INCOME.—For purposes of this clause, the term ‘modified adjusted gross income’ means the adjusted gross income of the taxpayer for the taxable year increased by any amount excluded from gross income under section 911, 931, or 933.

“(D) APPLICABLE PASSENGER VEHICLE.—The term ‘applicable passenger vehicle’ means any vehicle—

“(i)(I) which is manufactured primarily for use on public streets, roads, and highways,

“(II) which has at least 2 wheels, and

“(III) which is a car, minivan, van, sport utility vehicle, pickup truck, or motorcycle,

1 “(ii) which is an all-terrain vehicle
2 (designed for use on land), or

3 “(iii) any trailer, camper, or vehicle
4 (designed for use on land) which—

5 “(I) is designed to provide tem-
6 porary living quarters for recreational,
7 camping, or seasonal use, and

8 “(II) is a motor vehicle or is de-
9 signed to be towed by, or affixed to,
10 a motor vehicle.

11 Such term shall not include any vehicle the
12 final assembly of which did not occur within the
13 United States.

14 “(E) OTHER DEFINITIONS AND SPECIAL
15 RULES.—For purposes of this paragraph—

16 “(i) ALL-TERRAIN VEHICLE.—The
17 term ‘all-terrain vehicle’ means any motor-
18 ized vehicle which has 3 or 4 wheels, a seat
19 designed to be straddled by the operator,
20 and handlebars for steering control.

21 “(ii) FINAL ASSEMBLY.—For pur-
22 poses of subparagraph (D), the term ‘final
23 assembly’ means the process by which a
24 manufacturer produces a vehicle at, or
25 through the use of, a plant, factory, or

1 other place from which the vehicle is deliv-
2 ered to a dealer or importer with all com-
3 ponent parts necessary for the mechanical
4 operation of the vehicle included with the
5 vehicle, whether or not the component
6 parts are permanently installed in or on
7 the vehicle.

8 “(iii) TREATMENT OF REFI-
9 NANCING.—Indebtedness described in sub-
10 paragraph (B) shall include indebtedness
11 that results from refinancing any indebted-
12 ness described in such subparagraph, and
13 that is secured by a first lien on the appli-
14 cable passenger vehicle with respect to
15 which the refinanced indebtedness was in-
16 curred, but only to the extent the amount
17 of such resulting indebtedness does not ex-
18 ceed the amount of such refinanced indebt-
19 edness.

20 “(iv) RELATED PARTIES.—Indebted-
21 ness described in subparagraph (B) shall
22 not include any indebtedness owed to a
23 person who is related (within the meaning
24 of section 267(b) or 707(b)(1)) to the tax-
25 payer.”.

1 (b) DEDUCTION ALLOWED WHETHER OR NOT TAX-
 2 PAYER ITEMIZES.—Section 62(a) of such Code is amended
 3 by inserting after paragraph (21) the following new para-
 4 graph:

5 “(22) QUALIFIED PASSENGER VEHICLE LOAN
 6 INTEREST.—So much of the deduction allowed by
 7 section 163(a) as is attributable to the exception
 8 under section 163(h)(4)(A).”.

9 (c) REPORTING.—Subpart B of part III of sub-
 10 chapter A of chapter 61 of such Code is amended by add-
 11 ing at the end the following new section:

12 **“SEC. 6050AA. RETURNS RELATING TO APPLICABLE PAS-**
 13 **SENGER VEHICLE LOAN INTEREST RECEIVED**
 14 **IN TRADE OR BUSINESS FROM INDIVIDUALS.**

15 “(a) IN GENERAL.—Any person—

16 “(1) who is engaged in a trade or business, and

17 “(2) who, in the course of such trade or busi-
 18 ness, receives from any individual interest aggre-
 19 gating \$600 or more for any calendar year on a
 20 specified passenger vehicle loan,

21 shall make the return described in subsection (b) with re-
 22 spect to each individual from whom such interest was re-
 23 ceived at such time as the Secretary may provide.

24 “(b) FORM AND MANNER OF RETURNS.—A return
 25 is described in this subsection if such return—

1 “(1) is in such form as the Secretary may pre-
2 scribe, and

3 “(2) contains—

4 “(A) the name and address of the indi-
5 vidual from whom the interest described in sub-
6 section (a)(2) was received,

7 “(B) the amount of such interest received
8 for the calendar year,

9 “(C) the amount of outstanding principal
10 on the specified passenger vehicle loan as of the
11 beginning of such calendar year,

12 “(D) the date of the origination of such
13 loan,

14 “(E) the year, make, and model of the ap-
15 plicable passenger vehicle which secures such
16 loan (or such other description of such vehicle
17 as the Secretary may prescribe), and

18 “(F) such other information as the Sec-
19 retary may prescribe.

20 “(c) STATEMENTS TO BE FURNISHED TO INDIVID-
21 UALS WITH RESPECT TO WHOM INFORMATION IS RE-
22 QUIRED.—Every person required to make a return under
23 subsection (a) shall furnish to each individual whose name
24 is required to be set forth in such return a written state-
25 ment showing—

1 “(1) the name, address, and phone number of
2 the information contact of the person required to
3 make such return, and

4 “(2) the information described in subpara-
5 graphs (B), (C), (D), and (E) of subsection (b)(2)
6 with respect to such individual (and such informa-
7 tion as is described in subsection (b)(2)(F) with re-
8 spect to such individual as the Secretary may pro-
9 vide for purposes of this subsection).

10 The written statement required under the preceding sen-
11 tence shall be furnished on or before January 31 of the
12 year following the calendar year for which the return
13 under subsection (a) was required to be made.

14 “(d) DEFINITIONS.—For purposes of this section—

15 “(1) IN GENERAL.—Terms used in this section
16 which are also used in paragraph (4) of section
17 163(h) shall have the same meaning as when used
18 in such paragraph.

19 “(2) SPECIFIED PASSENGER VEHICLE LOAN.—

20 The term ‘specified passenger vehicle loan’ means
21 the indebtedness described in section 163(h)(4)(B)
22 with respect to any applicable passenger vehicle.

23 “(e) REGULATIONS.—The Secretary shall issue such
24 regulations or other guidance as may be necessary or ap-
25 propriate to carry out the purposes of this section, includ-

1 ing regulations or other guidance to prevent the duplicate
2 reporting of information under this section.”.

3 (d) CONFORMING AMENDMENTS.—

4 (1) Section 56(e)(1)(B) of such Code is amend-
5 ed by striking “section 163(h)(4)” and inserting
6 “section 163(h)(5)”.

7 (2) The table of sections for subpart B of part
8 III of subchapter A of chapter 61 of such Code is
9 amended by adding at the end the following new
10 item:

“Sec. 6050AA. Returns relating to applicable passenger vehicle loan interest re-
ceived in trade or business from individuals.”.

11 (e) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to indebtedness incurred after De-
13 cember 31, 2024.

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