



## WHAT 2025 TAX CHANGES MEAN FOR YOUR WALLET

If you are thinking about buying a new car, there is a new financial benefit on the horizon that may be worth keeping on your radar.

Starting in the 2025 tax filing year, a new federal law will allow some borrowers to deduct the interest paid on qualifying auto loans – a first for many modern consumers. This change could mean extra savings at tax time, however, like most tax updates, there are a few important details to understand before making decisions.

### What's Changing?

Under recent legislation, qualifying consumers will be able to deduct up to \$10,000 per year in auto loan interest for personal-use vehicles purchased after December 31, 2024. The deduction applies regardless of whether you itemize your taxes, and it runs through 2028.

To qualify, vehicles must be new (used cars are not eligible), weigh less than 14,000 pounds, and be assembled in the U.S. Used vehicles and commercial vehicles are not eligible. Borrowers will also need to

report their vehicle identification number (VIN) when filing their taxes, and lenders will be required to submit new IRS forms if you pay more than \$600 in interest. Details are still being finalized, and IRS guidance confirms these changes are in motion.

### Income Limits Apply

There are income thresholds to keep in mind. The full deduction will be available to those with modified adjusted gross incomes (MAGI) under \$100,000 for single filers and \$200,000 for joint filers.

### How Much Could You Save?

While the \$10,000 cap sounds generous, the average borrower won't hit that number. Most people pay well below that in interest each year – meaning real savings could range from a few hundred to over a thousand dollars, depending on the size of your loan and interest rate. Even so, for families juggling rising expenses, every bit of tax relief helps.

### Other Policy Shifts to Watch

It is worth noting that this is just one of several changes that could affect your financial planning in the months ahead. Staying informed will help you make smart decisions and avoid surprises.

- **Student Loan Repayment Plans:** Interest paid on federal student loans resumed August 1, 2025, ending the COVID-19 pause. A new repayment plan called the Repayment Assistance Plan (RAP) will start in July 2026, potentially increasing monthly payments for many borrowers.
- **Tax Credits for Green Home Upgrades:** Homeowners can claim tax credits for energy-efficient home improvements, like solar panels or heat pumps, through the end of 2025. These credits cover a portion of the costs however are set to expire soon.
- **Peer-to-Peer Payment App Tax Reporting:** Starting with the 2025 tax year, platforms like PayPal and Venmo will send tax forms (Form 1099-K) to users who receive \$2,500 or more in payments for goods and services – down from \$5,000 in 2024. This means more users need to report income from these apps.

## We're Here to Help

Whether you are buying a car, managing debt, or simply trying to navigate new financial rules, you do not have to do it alone. Connect with your financial institution to see what additional resources they can provide. Additionally, GreenPath's certified financial counselors can also help you understand the fine print, explore your options, and make confident, informed decisions about your future.



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