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Reporting

Final regulations establish Form 1098-VLI reporting requirements for vehicle loan interest

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In brief

What happened?

Treasury and the IRS issued final regulations (91 FR 57214) addressing the information reporting requirements under Section 6050AA and the qualified passenger vehicle loan interest (QPVLI) deduction, both enacted by the One Big Beautiful Bill Act (the Act). The final regulations provide rules for reporting vehicle loan interest on new Form 1098-VLI, *Vehicle Loan Interest Statement*.

Transition relief applied for calendar year 2025 under Notice 2025-57. Treasury declined to extend that relief; thus, the Form 1098-VLI reporting requirements apply beginning with interest received in calendar year 2026.

Why is it relevant?

Section 6050AA requires any person engaged in a trade or business who receives $600 or more interest on a specified passenger vehicle loan (SPVL) in a calendar year to file Form 1098-VLI with the IRS and furnish a statement to the borrower. An SPVL is a loan incurred after December 31, 2024, to purchase an applicable passenger vehicle (APV) for personal use and secured by a first lien on the vehicle. The threshold applies loan by loan, and the requirement extends beyond traditional auto lenders to banks, credit unions, consumer lenders, and dealers that extend financing directly.

Notably, reporting applies only to interest received in connection with an SPVL. As a result, interest recipients will need to determine whether the applicable vehicle and loan satisfy the relevant requirements. In many cases, this may require collecting information that is not currently maintained in existing systems, including VINs, loan origination dates, and information supporting personal use.

Actions to consider

Interest recipients should identify potentially in-scope loan portfolios, determine which party is responsible for reporting, and assess whether their systems and processes capture the information needed to determine SPVL status and complete Form 1098-VLI. Companies should then identify and address any data or process gaps, including those arising from servicing arrangements, loan transfers, and refinancings before 2026 Forms 1098-VLI are due in early 2027.

In detail

Background

Section 163(h) generally disallows individuals a deduction for personal interest. The Act created a temporary exception for QPVLI, that will be deductible for tax years 2025 through 2028 and added Section 6050AA to require information reporting with respect to the SPVLs that generate QPVLI.

Notice 2025-57 provided transition relief for 2025, allowing information reporting parties to satisfy the new requirements through alternative methods, rather than filing Form 1098-VLI. As that relief has not been extended, interest recipients must comply with the Form 1098-VLI information reporting requirements for interest received or collected during calendar year 2026.

Who is required to report?

Section 6050AA generally applies to any person engaged in a trade or business that receives interest on an SPVL in the course of that trade or business. The person's trade or business does not have to be lending money. Accordingly, the information reporting obligation could apply not only to banks and other traditional lenders, but also to consumer lenders and dealers that provide financing directly to purchasers.

Special rules apply when one person collects interest on behalf of another. Generally, the person that first receives or collects the interest is treated as the interest recipient. However, the information reporting obligation may shift where that person does not possess the information necessary to comply with Section 6050AA. These rules could be particularly relevant to loan servicing and securitization arrangements.

Which loans are subject to reporting?

Information reporting applies only to interest received in connection with an SPVL. Generally, a loan qualifies as an SPVL if it:

- was incurred by the borrower after December 31, 2024;
- was incurred to purchase an APV for personal use; and
- is secured by a first lien on that vehicle.

An APV generally must be a car, minivan, van, SUV, pickup truck, or motorcycle with a gross vehicle weight rating of less than 14,000 pounds. In addition, the vehicle must be manufactured primarily for use on public roads, its original use must commence with the borrower, and its final assembly must occur in the United States.

For purposes of the personal-use requirement, the borrower generally must expect the vehicle to be used for personal purposes more than 50% of the time. This determination is made when the indebtedness is incurred and does not need to be revisited annually.

Certain financing arrangements do not qualify as SPVLs, including lease financing, loans for commercial vehicles that are not used for personal purposes, loans for vehicles with salvage titles or vehicles intended for scrap or parts, and certain related-party indebtedness.

What information must be reported?

Form 1098-VLI generally requires information regarding:

- the names of the borrowers and interest recipients, including their TINs;
- the amount of interest received during the calendar year;
- outstanding principal at the beginning of the year;
- the loan origination date and, where applicable, the date the loan was acquired;
- the year, make, model, and VIN of the vehicle;
- whether original use begins with the payor of record; and
- whether final assembly of the vehicle occurred in the United States.

A separate information return must be filed for each SPVL for which an interest recipient receives at least $600 of interest during the calendar year. The related statement must be furnished to the payor of record by January 31 of the following year. Forms filed with the IRS are due by February 28 if filed on paper or March 31 if filed electronically. The information reporting penalties under Sections 6721 and 6722 may apply to failures to file correct information returns or furnish correct payee statements.

Key implementation considerations

Determining SPVL status

Unlike information reporting regimes that apply broadly to a particular type of payment, Section 6050AA requires the interest recipient to determine whether the underlying loan satisfies the SPVL requirements. This may require data that lenders and other interest recipients have not historically collected for information reporting purposes, such as original use, final assembly, personal use, and vehicle eligibility information.

In particular, the final regulations provide two methods to verify the location of the final vehicle assembly. First, as the VIN contains manufacturing information, the interest recipient may “decode” the VIN using online information from the National Highway Traffic Safety Administration to determine the country of final assembly. Alternatively, the interest recipient may obtain manufacturing location data from the vehicle label, commonly provided as part of the “window sticker.” In each case, obtaining this

information related to SPVL status will require interest recipients to establish new processes to collect and interpret the data required to determine which interest payments are reportable.

Additionally, the final regulations provide limited reliance rules for the personal use determination. For example, an interest recipient may rely on information in a retail installment sales contract that sufficiently establishes personal use, absent conflicting information. Treasury did not, however, provide comparable broad safe harbors for other SPVL eligibility determinations.

***Observation**:* Interest recipients should evaluate whether the required Form 1098-VLI data exists somewhere within the organization and whether it is accessible to the systems and functions responsible for information reporting. Particularly for the initial filing of these forms for calendar year 2026, additional time for form preparation and filing may be needed to accommodate the acquisition and processing of this new data.

Loans that include qualifying and nonqualifying amounts

A vehicle loan may include amounts that do not qualify as an SPVL, even if the vehicle otherwise meets the applicable requirements. For example, negative equity rolled over from a trade-in and certain other amounts unrelated to the vehicle purchase generally are excluded. If only part of the indebtedness qualifies, the regulations require principal and interest to be allocated on a pro rata basis. Treasury declined to adopt broad simplified reporting or reliance rules for these situations.

Observation: Interest recipients will need information about the components of the amount financed to determine how much interest is subject to information reporting. Refinancings can present additional challenges because the refinancing lender may not have access to the information collected when the vehicle was originally purchased.

Servicing arrangements and loan transfers

Companies also should determine which party is responsible for information reporting when loans are serviced, transferred, or securitized. Generally, the person that first receives or collects the interest has the information reporting obligation if it has the information needed to comply. If that person does not have the necessary information, the obligation may instead fall on the person for whom the interest is collected.

Observation: The party responsible for filing Form 1098-VLI is not always the loan originator or current owner of the loan. Companies may need to review existing servicing arrangements and processes to assess whether they align with the regulatory standards.

Payor of record

Form 1098-VLI reporting is made with respect to the “payor of record,” generally the person identified in the interest recipient's books and records as the principal borrower. Only one payee statement is required for an SPVL even if there are multiple borrowers. If the records do not identify a principal borrower, the interest recipient must designate one.

***Observation**:* Companies with co-borrower loan portfolios should consider whether their existing systems consistently identify a principal borrower for information reporting purposes.

The takeaway

The Form 1098-VLI reporting requirements apply beginning with interest received in calendar year 2026, and the new regime requires more than simply identifying the amount of vehicle loan interest received. Interest recipients must first determine whether the underlying vehicle and loan satisfy the SPVL requirements and then report detailed loan, borrower, and vehicle information.

Companies that originate, acquire, hold, or service potentially in-scope vehicle loans should assess which entities have information reporting obligations, whether the necessary information is currently available, and whether system or process changes are needed before the first Form 1098-VLI reporting cycle.

Let’s talk

For a deeper discussion of how this issue might affect your business, please contact:

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