

New auto loan interest reporting

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The better the question. The better the answer. The better the world works.

For 2025, new legislation will allow taxpayers to deduct up to \$10,000 of auto loan interest per year on a qualified passenger vehicle. Auto loan finance companies will now need to send an information reporting return to borrowers by January 31 of each calendar year (first reporting due January 31, 2026) and to the IRS.

Introducing a new information reporting requirement to the industry, requiring the collection of borrower information, identification of qualified passenger vehicles and aggregation of payments to perform the required reporting.

What auto loan finance companies should be considering now

Requirement understanding and compliance

How does the new reporting requirement apply to us, and what specific actions do we need to take to achieve compliance, including legal and regulatory considerations?

Data management and system readiness

Do we have the necessary processes and systems in place to collect and store borrower data, identify qualified passenger vehicle loans and support accurate reporting?

Process efficiency and technology alignment

How can we redesign our workflows and leverage existing technology solutions to seamlessly integrate the new reporting requirements without disrupting operations?

Customer communication and training

How are we communicating with borrowers to achieve compliance while providing a positive experience, and how will we educate our workforce about the new requirements?

Financial implications

What are the financial implications of implementing these new requirements, and what are the potential penalties for noncompliance?

Long-term strategy and vendor partnerships

How does this new reporting requirement fit into our long-term technology and business strategy; should we work with third-party vendors for doc generation and compliance support?

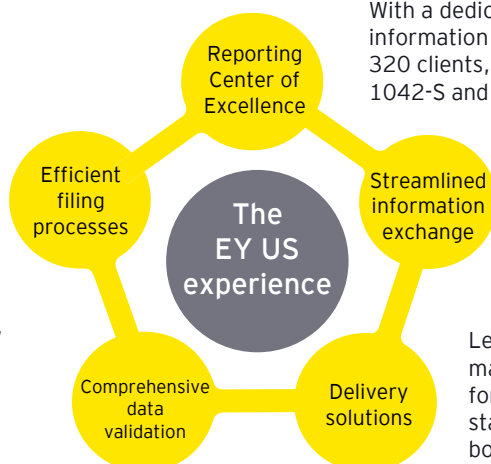
What is the new information reporting requirement?

- Required by businesses that receive interest payments aggregating \$600 or more from individuals on a specified passenger vehicle loan
- Specified passenger vehicle: in general, a personal use vehicle that's final assembly is within the United States
- Beginning January 31, 2026, lenders will need to report payments made by any borrowers who paid interest of \$600 or more during the previous calendar year
- Lenders must collect name, address and other information regarding the loan and vehicle to report the aggregate of interest paid
- Reporting responsibility for taxpayers to deduct the interest payments on their income tax return; reporting required regardless of whether the deduction is limited by the taxpayer's modified adjusted gross income

How can we help?

We can assist with federal and direct state filings, including extensions and IRS submissions, allowing you to focus on your core business.

Validating and analyzing data files to support compliance with regulatory requirements, performing Tax ID Number (TIN) validation and support IRS Filing Information Returns Electronically (FIRE) file validation.



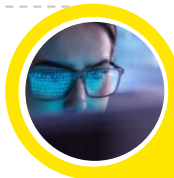
With a dedicated team focused on information reporting, we serve over 320 clients, producing 1098, 1099, 1042-S and W-2 forms.

Efficiently extract borrower data, convert into reporting templates, and proactively work to identify and correct anomalies through advanced analytics.

Leveraging dedicated print/mail team or EY technology for seamless electronic statement to qualifying borrowers.

Why does this matter to an auto loan finance company?

User experience concerns, resulting in a potential loss of users and revenue



Technology and operations investment for accurate reporting, achieving compliance and avoiding penalties

New reporting may strain internal resources and divert attention from core business operations unless a trusted service partner is leveraged



Enhanced onboarding and communications throughout the entire relationship

Risk of potential penalties: under Internal Revenue Code (IRC) Sections 6721 and 6722, a penalty of \$330 per information return for each failure to file and furnish, with a maximum combined potential penalty of more than \$7 million

- The EY US Information Reporting and Withholding (IRW) team collaborates with multinational and financial organizations to meet their payee, vendor and customer-related regulatory information reporting obligations through a collaborative approach of customer tax operations services and innovative technology applications, while also working closely with businesses to analyze reporting requirements.
- The IRW team provides tax technical advice, process improvement, deployment of EY technology applications and/or broader outsourcing of services* to support organizations with compliance across global tax regimes.

* Some or all of the services mentioned herein may not be available to audit or independence restricted clients and their affiliates. Please contact your local Ernst & Young LLP (EY US) professional to confirm availability.

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