The New RV Loan Interest Deduction Under the One Big Beautiful Bill (2025)

Executive Summary

The One Big Beautiful Bill Act of 2025 (OBBBA) created a new, above-the-line deduction (no itemizing required) for interest paid on loans used to purchase qualifying recreational vehicles (RVs) and certain tow vehicles. This represents a major change from prior rules, under which RV interest was generally deductible only if the RV qualified as a "second home" and the taxpayer itemized. The new deduction is designed to broaden eligibility and provide tax relief to middle-income taxpayers, especially retirees.

What Changed — At a Glance

- **New deduction:** Up to **$10,000 per year** of interest on qualifying RV/tow-vehicle loans.
- **Above the line:** Claimed directly on Form 1040; no itemizing required.
- **Eligibility broadened:** Now includes all types of RVs and certain tow vehicles.
- **Income phase-outs apply:** Full benefit for lower and middle-income taxpayers; phased out at higher AGI levels

Before OBBBA: The "Second-Home" Rule

Under pre-OBBBA law (still available), RV loan interest could be claimed as home-mortgage interest **only if**:

- The RV had **sleeping, cooking, and toilet facilities** (i.e., it qualified as a "dwelling"), and
- The loan was **secured by the RV**, and
- The taxpayer **itemized deductions** on Schedule A, subject to the mortgage interest caps ($750,000 post-2017).

This path excluded many towables and did not help taxpayers who took the standard deduction.

After OBBBA: The New Deduction (2025–2028)

- **Amount:** Deduct up to **$10,000** of interest annually.
- **Timing:** Applies to tax years **2025 through 2028** (unless extended).
- **Form placement:** Deduction is taken **above the line** (reduces AGI directly).
- **Loan required:** Cash purchases do not qualify; there must be a loan generating deductible interest.

Qualifying Vehicles

- **All RV types**: Motorhomes (Class A, B, C), travel trailers, fifth wheels, pop-ups, camper vans.
- **Tow vehicles**: Pickups and SUVs used for towing that meet statutory definitions.
- **Assembly requirement**: Vehicle must be **final-assembled in the U.S.**
- **Use requirement**: Must be for **personal travel**; business-only or off-road vehicles do not qualify.

Documentation Needed

- Loan statement (Form 1098 or equivalent).
- Vehicle purchase contract with VIN and assembly confirmation.
- Proof of interest actually paid during the tax year.

AGI Phase-Outs

- **Single / Head of Household:** Full deduction if **AGI ≤ $100,000**.
- **Married Filing Jointly:** Full deduction if **AGI ≤ $200,000**.

Reduction Formula

- Deduction phases out by **$1 for every $2 of AGI above the threshold**.
- Fully phased out at:
    - **$120,000** AGI (single/HoH)
    - **$240,000** AGI (joint)

Example: A married couple with AGI of $220,000 pays $9,500 in RV loan interest. Phase-out reduces the allowable deduction by $10,000 (excess AGI of $20,000 ÷ 2). Result: only $0 deduction available.

Compliance Checklist

- Confirm vehicle eligibility (RV or tow vehicle; U.S. assembly).
- Confirm loan financing (interest actually paid).
- Track interest amounts annually (use lender reports).
- Check AGI against thresholds.
- Coordinate with other income-management strategies to preserve eligibility.

FAQs

Does paying cash qualify? No—only interest on financed purchases is deductible.

Do used RVs qualify? Yes, if otherwise eligible and financed.

What about the truck that tows my trailer? Yes, tow vehicles qualify if used for towing, meet definitions, and are U.S. assembled.

Can I still use the second-home rule? Yes, if your RV has dwelling features, the loan is secured, and you itemize. This may be better for some high-AGI taxpayers.

Is the deduction permanent? No. Currently scheduled for **2025–2028** only.

References

- Congress.gov — H.R.1, One Big Beautiful Bill Act (Public Law 119-21).
- IRS — Publication 936: Home Mortgage Interest Deduction (pre-OBBBA second-home rules).
- Investopedia, AARP, Kiplinger — Consumer guides on OBBBA tax changes and retiree impacts.

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