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AB-490 Personal Income Tax Law: deduction from gross income: car loan interest payments. (2025-2026)

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CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

ASSEMBLY BILL

NO. 490

Introduced by Assembly Member Tangipa

February 10, 2025

An act to amend Section 17072 of, and to add and repeal Section 17205 of, the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

AB 490, as introduced, Tangipa. Personal Income Tax Law: deduction from gross income: car loan interest payments.

The Personal Income Tax Law, in modified conformity with federal income tax laws, allows various deductions from gross income in calculating adjusted gross income.

This bill, for taxable years beginning on or after January 1, 2026, and before January 1, 2031, would allow a deduction from adjusted gross income for an amount equal to the interest paid on a qualified motor vehicle loan, as defined. The bill would limit this deduction to one qualified motor vehicle loan per taxpayer.

Existing law requires any bill authorizing a new tax expenditure to contain, among other things, specific goals that the tax expenditure will achieve, detailed performance indicators, and data collection requirements.

This bill also would include additional information required for any bill authorizing a new tax expenditure.

This bill would take effect immediately as a tax levy.

Vote: majority Appropriation: no Fiscal Committee: no Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 17072 of the Revenue and Taxation Code is amended to read:

17072. (a) Section 62 of the Internal Revenue Code, relating to adjusted gross income defined, shall apply, except as otherwise provided.

(b) Section 62(a)(2)(D) of the Internal Revenue Code, relating to certain expenses of elementary and secondary school teachers, shall not apply.

(c) Section 62(a)(21) of the Internal Revenue Code, relating to attorneys fees relating to awards to whistleblowers, shall not apply.

(d) For each taxable year beginning on or after January 1, 2026, and before January 1, 2031, Section 62(a) of the Internal Revenue Code, relating to the general rule, is modified to provide that the deduction under Section 17205 shall be allowed in determining adjusted gross income.

SEC. 2. Section 17205 is added to the Revenue and Taxation Code, to read:

17205. (a) For each taxable year beginning on or after January 1, 2026, and before January 1, 2031, there shall be allowed as a deduction in determining adjusted gross income an amount equal to the interest paid by a taxpayer on a qualified motor vehicle loan.

(b) For purposes of this section, "qualified motor vehicle loan" means a loan obtained by the taxpayer for a personal use vehicle.

(c) The deduction allowed by this section shall be limited to interest payments on one qualified motor vehicle loan per taxpayer.

(d) (1) For purposes of complying with Section 41, the Legislature finds and declares as follows:

(A) The goal of the deduction allowed by this section is to assist Californians in affording the cost of a vehicle, which can be a significant cost for many families with average monthly interest rates between 6.84 percent and 12.01 percent and an average loan term of 68 months.

(B) The performance indicators for the Legislature to use in determining whether the deduction is achieving its stated goal shall be the number of taxpayers receiving the deduction allowed by this section, and the average dollar amount of deductions allowed.

(2) (A) The Franchise Tax Board shall submit a report to the Legislature, in compliance with Section 9795 of the Government Code, by December 1, 2027, and annually thereafter, detailing the number of taxpayers allowed a deduction pursuant to this section, and the average dollar value of deductions allowed pursuant to this section, for the most recent taxable year, to the extent data is available.

(B) The disclosure requirements of this paragraph shall be treated as an exception to Section 19542.

(e) This section shall remain operative only until December 1, 2031, and as of that date is repealed.

SEC. 3. This act provides for a tax levy within the meaning of Article IV of the California Constitution and shall go into immediate effect.