

February 2, 2026

Internal Revenue Service  
Room 5503  
P.O. Box 7604 Ben Franklin Station  
Washington, DC 20044

Re: Comments on Proposed Regulations REG-113515-25 (Car Loan Interest Deduction) — Reporting Obligations for Auto Loan Securitizations

Dear Sir or Madam:

The Structured Finance Association<sup>1</sup> (“SFA”) appreciates the opportunity to comment on the proposed regulations under sections 163 and 6050AA of the Internal Revenue Code, as amended, (the “Proposed Regulations”) implementing section 70203(a) and (c)(1) of the One, Big, Beautiful Bill Act (the “OBBBA”),<sup>2</sup> which are related to the allowance of a U.S. federal income tax deduction under Section 163(a) and (h)(4) for qualified passenger vehicle loan interest (“QPVLI”) and certain related information reporting requirements under Section 6050AA for persons receiving interest on a specified passenger vehicle loan (a “SPVL”). Our comments focus on a need for operational clarity in the context of the securitization of pools of auto loans (some of which may qualify as SPVLs), on minimizing duplicative reporting and on the commercial impracticability of the current proposed reporting. In their current form it is unclear specifically who has the reporting burden or how any such person would have the information particular to each borrower necessary to satisfy the proposed reporting obligations.

The defined terms used in the Proposed Regulations align in most respects with market practice, but some questions remain with respect to their implementation in typical securitization structures for retail installment sale contracts (“auto ABS securitization(s)”) where information, reporting obligations and payment collection obligations are split among multiple parties in a transaction. For purposes of the following fact patterns and questions, the parties to common auto ABS securitizations may include:

- Auto Loan Borrower – the purchaser of a vehicle, which may or may not be an applicable passenger vehicle (an “APV”), who becomes the obligor on a SPVL or non-SPVL in connection with such purchase;
- Dealership – the seller of vehicles, including APVs, to Auto Loan Borrowers that negotiates acquisition financing (retail installment sales contracts or loans) with Auto Loan Borrowers. Some

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<sup>1</sup> SFA is a member-based, trade industry advocacy group focused on improving and strengthening the broader structured finance and securitization market. SFA provides an inclusive network for securitization professionals to collaborate and, as industry leaders, to drive necessary changes, to be advocates for the securitization community, to share best practices and innovative ideas and to educate industry members through conferences and other programs. While our members often have conflicting views and interests, our governance structure requires consensus from all stakeholders. Further information can be found at [www.structuredfinance.org](http://www.structuredfinance.org).

<sup>2</sup> Public Law 119-21, 139 Stat. 72, 176-179 (July 4, 2025)

of the loans financing the purchase of APVs that are sold by a Dealership may not qualify as an SPVL (such loans, “non-SPVLs”);

- Finance Company/Lender (*e.g.*, the lender of record at origination) – the financial institution or other party that originates the SPVL (and which also may be the lender of record of non- SPVLs);
- Aggregator – a party that purchases SPVLs and non-SPVLs with an intention for use in one or more auto ABS securitizations;
- Servicer – a party that services both SPVLs and non-SPVLs and collects principal and interest payments from Auto Loan Borrowers;
- Securitization SPE – a state law common law or state law statutory trust which is a special purpose vehicle (“SPV”) that holds the aggregated SPVLs and non-SPVLs to facilitate the ABS securitization;
- Trustee – a party appointed as the state law trustee for the ABS securitization. Typically, there is an Issuer Trustee (a party to the Trust Agreement) and an Indenture Trustee (a party to the Indenture);
- Paying Agent - a party to the Securitization SPE’s organizational documents that makes payments to the Securitization SPE’s debt and equity holders; and
- Certificateholder(s) – a party that owns equity interests in the Securitization SPE representing beneficial ownership, for U.S. federal tax purposes, of the SPVLs and non-SPVLs and accordingly the payments on such SPVLs and non-SPVLs and any other assets of the Securitization SPE, which are subject to the debt liability of the notes issued by the Securitization SPE and collateralized by the SPVLs and non-SPVLs.

### **Basic ABS Loan Securitization Structure**

A basic auto ABS securitization is created in the following steps. An SPVL or a non-SPVL is originated at the Dealership in connection with the sale of a vehicle to an Auto Loan Borrower. The Dealership interfaces directly with the Auto Loan Borrower (the “Sale and Financing Transaction”). In connection with such Sale and Financing Transaction, the Dealership collects the Auto Loan Borrower’s financial information. The Dealership has the information about the vehicle being financed.

The Dealership coordinates the Sale and Financing Transaction of the SPVL or non-SPVL with the Finance Company. Either the Dealership or the Finance Company may be the party that initially funds the loan to the Auto Loan Borrower and either the Dealership or the Finance Company may be the lender of record. The Finance Company may continue to own the SPVLs and non-SPVLs that it funded directly or indirectly (upon assignment to the Finance Company by the Dealership) or it may sell the loans to one or more investors. Upon a sale by the Finance Company, the original Servicer may stay in place or the servicing function may be released to a new Servicer. Payments of principal and interest on the loan

(whether an SPVL or non-SPVL) are made by the Auto Loan Borrower typically to a Servicer, who may or may not be an affiliate of the Finance Company, and who is in the business of servicing vehicle loans. Servicers will have varying degrees of information about any particular Auto Loan Borrower and the related vehicle being financed. As a typical but not universal example, at the time of securitization, loans (both SPVLs and non-SPVLs) are aggregated and are transferred to a Securitization SPE. The Securitization SPE then issues notes (one or more of which are treated as debt for U.S. federal income tax purposes) to investors and certificates (the designated equity in the Securitization SPE) to Certificateholders. The cashflows used to make the payments owed on the notes and/or the certificates come from principal and interest payments (and sometimes fees) made by Auto Loan Borrowers to either the Servicer, in some instances, or to a lock-box (that may or may not be controlled by the Servicer) in other instances. These collections are remitted to the Trustee, Paying Agent or other party designated in the Securitization SPE's organizational documents and then paid in respect of the related notes and certificates.

As currently drafted, the Proposed Regulations leave open several questions and issues, which are illustrated in the examples below along with further questions for clarification following the examples. Specifically, parties that may be required to report may lack critical information required for reporting such as, but not limited to, where the vehicle was made, applicable dealer incentives related to the loan, use by the vehicle owner, and information about the vehicle (such as weight class).

The examples below are intended to illustrate these issues.

### **Example 1 (Originator-sponsored securitization)**

Dealership negotiates an SPVL with Buyer 1, an Auto Loan Borrower, for a vehicle that qualifies as an APV. As part of the terms of the vehicle purchase, Buyer 1 trades in a used vehicle that secures an existing auto loan. The used vehicle has a trade-in value that is less than the principal balance on the existing auto loan (such loan, a loan with "negative equity" as described in Proposed Regulation section 1.163-16(d)(ii)(ii)). The Dealership accepts the negative equity trade-in and adds the negative equity to the principal balance of the new auto loan. Finance Company is the lender of record but does not have access to information regarding the Dealership incentive (i.e., Finance Company does not know that less than 100% of the SPVL was used by Buyer 1 to purchase the APV). Finance Company establishes a Securitization SPE and transfers Buyer 1's SPVL and many other SPVLs and non-SPVLs to the Securitization SPE and issues notes and equity certificates to investors. The Securitization SPE is not engaged in a trade or business for U.S. federal income tax purposes. The Servicer services the SPVLs and non-SPVLs and collects payments of principal and interest from Buyer 1 and the other Auto Loan Borrowers. Like the Lender, the Servicer is also unaware of the Dealership's incentive to Buyer 1 and that less than 100% of the SPVL was used by Buyer 1 to purchase the APV. The Servicer remits payments of principal and interest to the Trustee, Paying Agent or other party designated under the Securitization SPE's organizational documents for the benefit of the investors in the notes and certificates.

### **Example 2 (Loan aggregator sponsors securitization; equity owned by a non-U.S. person)**

Dealership negotiates a loan with Buyer 2, an Auto Loan Borrower, for a vehicle that qualifies as a SPVL. Finance Company is the lender of record and has limited information about Buyer 2 and the SPVL. Finance Company sells Buyer 2's SPVL to Aggregator. Aggregator establishes a Securitization SPE and transfers Buyer 2's SPVL and other SPVLs and non-SPVLs to the Securitization SPE which issues notes and certificates to investors. The Securitization SPE is not engaged in a U.S. trade or business for U.S. federal income tax purposes, and the investors in the certificates are non-U.S. persons that likewise are not engaged in a U.S. trade or business for U.S. federal income tax purposes. The Servicer services Buyer 2's SPVL. Payments of principal and interest from Buyer 2, and other Auto Loan Borrowers on the other SPVLs and Non\_SPVLs, are received by a lock-box that is not controlled by the Servicer. The party in control of the lock-box authorizes payments to be remitted to the Trustee, Paying Agent or other party designated under the Securitization SPE's organizational documents for the benefit of the investors in the notes and certificates.

### **Example 3 (Delegation to reporting agent)**

Same facts as in Example 1, except the Servicer, the Securitization SPE or other "interest recipient" delegates responsibility for filing tax information returns and reporting for Buyer 1's and the other Auto Loan Borrowers' QVPLI to an agent who is engaged in a U.S. trade or business and the "interest recipient" provides all the information it has in its possession to such agent regarding its SPVLs and any QVPLI payments received thereon.

### **Requests for Clarification:**

We respectfully request the IRS/Treasury clarify and confirm the following to ensure administrable compliance and to prevent duplicate and/or commercially impracticable reporting burdens:

1. Interest Recipient Question:
  - a. Please clarify, for each of the above examples, which party bears the reporting obligation to Buyer 1, Buyer 2 and the other Auto Loan Borrowers of SPVLs as the "interest recipient," including where: (i) a third-party Servicer first collects payments; (ii) collections are remitted to a Trustee, Paying Agent or other party designated under the Securitization SPE's organizational documents; and (iii) the lender of record is the Servicer (or an affiliate of the lender of record).
  - b. In Example 2, given the language in Proposed Regulation section 1.6050AA-1(b)(3), please confirm how these rules apply where the Securitization SPE is not itself engaged in a U.S. trade or business, but a Servicer collects QVPLI amounts on its behalf and the Certificateholders consist of foreign persons likewise not engaged in a U.S. trade or business.

2. Consequences and Liability for Incorrect or Incomplete Reporting
  - a. Please confirm the scope of penalties under sections 6721 and 6722 for failures to file, furnish, or include correct information, and whether reasonable cause relief would apply where the “interest recipient” with the reporting obligation lacks access to necessary data despite commercially reasonable efforts.
  - b. Please clarify whether liability is limited to the reporting entity (for information return/payee statement failures) and does not extend to non-reporting parties in an auto ABS securitization.
3. Reporting in the Absence of Complete Information
  - a. In Example 1, the Dealership incentives or add-ons may cause a portion of the auto loan principal balance to not be an SPVL, but none of the Finance Company, the current owner of the auto loan or the Servicer has that information and are thus unable to comply with the currently proposed reporting. Please confirm acceptable reliance standards and that reporting parties may report based on the information that they have without independent verification of items such as Dealer incentives rolled into financing.
  - b. With respect to final assembly, we understand the VIN indicates plant of manufacture. Auto Loan Borrowers and the Dealership have ready access to the window label, whereas the “interest recipient” likely does not. Please confirm that reporting entities need not determine APV status to report and may report required VIN and vehicle data without confirming APV eligibility.
  - c. Please confirm that reporting of interest on an SPVL is required regardless of whether the interest is ultimately deductible as QPVL I by the Auto Loan Borrower, and that the reporting party is not responsible for determining QPVL I eligibility or APV status.
4. Contractual Delegation of Reporting
  - a. Please confirm that parties may contractually delegate reporting obligations to another securitization party (for example, to a Servicer or third-party Paying Agent) similar in concept to mortgage interest reporting practices, and specify any required representations, certifications, or information-sharing to support reliance by the delegating party.
  - b. Please confirm that when a delegation occurs, only one party bears the obligation for a given SPVL for a calendar year to avoid duplicate reporting or liability on the part of the party who has delegated the responsibility.
5. Servicer Distress or Bankruptcy
  - a. Please address how reporting obligations should be satisfied if the designated Servicer or other delegated party enters bankruptcy or is otherwise unable to report for a calendar year.

6. Certificateholder Obligations and Foreign Investors

- a. Please confirm that Certificateholders are not “interest recipients” merely by virtue of holding beneficial interests in a Securitization SPE, and do not have information reporting obligations or liability for incorrect reporting in typical Securitization SPE structures.
- b. In Example 2, where Certificateholders are foreign persons not engaged in a U.S. trade or business, please confirm that no Auto Loan Borrower statement is required from such foreign persons.
- c. Please clarify, given the language in Proposed Regulation section 1.6050AA-1(b)(3), outcomes where a Servicer, for example, erroneously presumes<sup>3</sup> that another party is the reporting party and confirm that correcting reporting by the proper “interest recipient” will satisfy the rules without duplicate statements.

7. Scope of Reporting Party Determinations

- a. Please provide explicit confirmation that the reporting party is not responsible for determining: (a) whether an Auto Loan Borrower is eligible to claim the SPVL deduction; (b) whether the financed vehicle qualifies as an APV, and (c) that the written statement legends in proposed §1.6050AA-1(g)(2) adequately address taxpayer responsibility for eligibility.

8. Payor of Record; Duplicate Reporting Prevention

- a. We support the “payor of record” approach aligned with §1.6050H-1 and the designation requirement where principal borrower is not indicated, to prevent duplicate reporting. Please confirm that only one written statement per SPVL per year is required and acceptable, even if co-Auto Loan Borrowers exist.
- b. Please confirm that, where SPVLs transfer during the calendar year, the “date acquired” field ensures consolidated annual reporting by the current “interest recipient,” and clarify whether multiple reporters for the same SPVL/calendar year are permitted or whether a single reporter must furnish a single annual statement.

## Conclusion

We appreciate Treasury and IRS efforts to tailor section 6050AA reporting to auto finance realities and to prevent duplicate or commercially impracticable reporting. Clarifications requested above—particularly on responsibility in securitization transactions, reliance on available records, limits on reporter determinations, and contractual delegation—will materially reduce compliance burdens while supporting

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<sup>3</sup> We note that the Proposed Regulations contain a presumption that if interest is received or collected on behalf of a person other than an individual, that person is presumed to receive interest in the course of its trade or business. This is not generally the case for non-U.S. persons.

accurate taxpayer reporting. We also suggest the addition of examples such as the ones we have described above be added to the proposed regulations.

We would welcome the opportunity to discuss these comments or provide additional industry data.

If you have any questions or would like to discuss further, please do not hesitate to call David B. Dwyer SFA's General Counsel, Policy & Regulatory Affairs, at (646) 589-4613, Sarah A. Nelson of Morgan, Lewis & Bockius LLP, at (212) 309-6970, or Clay A. Littlefield of Alston & Bird LLP, at (704) 444-1440.

Sincerely,

*David Dwyer*

David B. Dwyer  
General Counsel, Policy & Regulatory Affairs  
Structured Finance Association