

Carvana Q4 2025 Tax-Related Financial Statement Impacts

Overview

In Q4 2025, Carvana recorded a net \$685 million non-cash benefit due to the release of its valuation allowance on deferred tax assets (DTAs) and the corresponding recognition of shared-benefit obligations under its tax receivable agreement (TRA).

A one-time, non-cash release of a DTA valuation allowance is consistent with other large companies such as Airbnb (see Q3 2023 10-Q), Tesla (see FY 2023 10-K), and Uber (see FY 2024 10-K), which all booked similar releases upon reaching sustained profitability.

Background on Up-C structure

An Up-C corporate structure is frequently used by companies that are organized as an LLC prior to IPO. This structure generates tax deductions when LLC unit holders exchange LLC units for publicly traded common shares. The resulting tax savings are typically shared between public company shareholders (15%) and LLC unit holders through a TRA (85%).

For Carvana, the exchange of LLC units since our IPO has generated significant tax assets that we expect to result in significant tax savings in the future.

Timing of the valuation release

Due to our sustained profitability and in accordance with relevant accounting guidance, we released the valuation allowance against these future tax assets in Q4 2025. Since the future tax benefits from the Up-C structure are shared between the company and LLC unit holders, we also recorded a TRA liability reflecting the portion of this benefit that will be shared with LLC unit holders over time.

Income statement impacts

Carvana recognized a positive **\$685 million Net Income impact** from these tax entries in Q4 2025, made up of the following.

- An **Income Tax Benefit of \$2.780 billion** was attributable to the release of Carvana's valuation allowance on DTAs as described above.
- A corresponding **\$2.095 billion expense in Other expense (income), net** was attributable to the recognition of the full TRA liability, as described above.

This \$685 million is a benefit that accrues to all Carvana Co. shareholders. Additional tax benefits may be generated to the extent that more LLC units are exchanged in the future.