

Gibbons Energy Tax Credits News

The One Big Beautiful Bill Act What's Left of Renewable Energy Tax Credits

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On July 3, 2025, the U.S. House of Representatives approved the final version of "The One, Big Beautiful Bill," which was then signed by President Trump on July 4, 2025 (the "Act"). The Act makes permanent many of the expiring provisions of the 2017 Tax Cuts and Jobs Act, but also terminates and restricts many of the renewable energy tax credits and related provisions of the Inflation Reduction Act of 2022 (IRA). Section references are to the Internal Revenue Code (IRC).

The Act is rapidly terminating the vehicle and residential energy tax credits from the IRA, and, with respect to wind and solar projects under both IRC Sections 48E (ITC) and 45Y (PTC), unless construction begins within one year of the July 4, 2025 enactment date, no credits will be available under those Sections for facilities placed in service after 2027. The Act did not tend to amend many of the provisions of the IRA relating to transferability, direct pay for government and tax-exempt development projects, or eligibility for bonus credits, including with respect to the prevailing wage and apprenticeship requirements. The Act adopts an entirely new restrictive regime with respect to Foreign Entities of Concern (FEOC), either when certain foreign investors hold interests in a project or when new facilities use too much equipment or components from FEOC.

Termination of Clean Vehicle Credits

The Clean Vehicle Credit (Section 30D), Qualified Commercial Clean Vehicles Credit (Section 45W), and Previously-Owned Clean Vehicle Credit (Section 25E) are all terminated with respect to any vehicle acquired after September 30, 2025, as compared to after December 31, 2032, under the IRA.

Termination of Residential Energy Credits

The Residential Clean Energy Credit (Section 25D) is terminated with respect to



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expenditures made after December 31, 2025, and the Energy Efficient Home Improvement Credit (Section 25C) is terminated for improvements placed in service after that same date. The New Energy Efficient Home Credit (Section 45L) is terminated for any home acquired after June 30, 2026.

Clean Electricity Investment Tax Credit

No Clean Electricity investment tax credits (ITCs) will be available under Section 48E for solar and wind facilities placed in service after 2027 if construction begins more than one year after the July 4, 2025 enactment date. Under these rules, solar and wind developers will need to begin construction on as many such projects as possible prior to July 5, 2026. In comparison, under the IRA, the Section 48E credits were to begin to phase out over a four-year period at the later of 2032 or the year in which domestic greenhouse gas emissions from the production of electricity totaled to 25 percent of the amount emitted in 2022.

Making this transition more challenging, on July 7, 2025, President Trump issued an Executive Order directing Treasury Secretary Scott Bessent to issue “new and revised guidance” within 45 days “consistent with applicable law to ensure that policies concerning the ‘beginning of construction’ are not circumvented” and by “restricting the use of broad safe harbors unless a substantial portion of a subject facility has been built.” The President’s Order is consistent with news reports that the administration had given assurances to certain House Republicans, who, in conjunction with their vote to approve the Act, were concerned that it did not do enough to repeal the IRA.

For Section 48E facilities other than solar and wind, such as hydropower, nuclear, geothermal, or energy storage technology, the Act is much more favorable, starting a phase-down and termination of credits for years after 2032 without regard to greenhouse gas emissions from U.S. electricity production.

Under a complex new statutory structure codified largely in Sections 45Y and 7701, no Section 48E credits will be available for solar and wind facilities, energy storage technology, and interconnection property for which construction, reconstruction, or erection begins after 2025 with material assistance from China, Iran, North Korea, or other prohibited foreign entities (PFEs) (including specified foreign or foreign influenced entities). These Foreign Entity of Concern (FEOC) rules also make certain PFEs ineligible for Section 48E ITC credits.

Projects in “energy communities” (regions that are transitioning from oil, gas, or coal development or usage) and those projects that satisfy certain domestic content requirements will otherwise continue to qualify for certain bonus credits, as long as they qualify for the underlying base credits. Projects that could claim so-called legacy credits under IRC Sections 48 or 45 are not generally affected, but these projects generally had to be under construction by the end of 2024 anyway. Finally, although IRC Section 48 had previously provided for a “permanent” 10 percent ITC on renewable energy projects once the IRA’s other provisions expired, the Act repealed this.

Clean Electricity Production Tax Credit

Similar to the Section 48E ITC rules, no Clean Electricity production tax credits (PTCs) will be available under Section 45Y for solar and wind facilities placed in service after 2027 if construction begins more than one year after the July 4, 2025 enactment date. For Section 45Y facilities other than solar and wind, such as hydropower, nuclear, or geothermal, the Act starts a relatively favorable phase-down and termination of credits for calendar years after 2032 without regard to greenhouse gas emissions from U.S. electricity production.

Under, again, what is a fairly complex new statutory structure, no Section 45Y credits will be available for facilities for which construction begins after 2025 with material assistance from China or any other PFE. The Act also makes PFEs ineligible to obtain Section 45Y production tax credits.

The Act denies both Section 48E ITCs and 45Y PTCs for solar and wind leasing arrangements.

Section 6418 Transferability of Credits

The Act amends Section 6418(g) only to prohibit a broad range of energy credits, including Section 48E Clean Electricity Investment Tax Credits and Section 45Y Clean Electricity Production Tax Credits, from being transferred to any specified foreign entity, as defined in Section 7701.

Clean Hydrogen Production Tax Credits

The Act accelerates the termination of Clean Hydrogen Production Tax Credits under Section 45V for facilities for which construction begins before 2028, instead of what had been before 2033 under the IRA.

Qualified Fuel Cell Property

One of the few bright spots for renewable energy industries is that the Act expands the availability of Section 48E ITCs for qualified fuel cell property. This new provision allows a 30 percent credit for fuel cell projects that begin construction after 2025, without a need to satisfy prevailing wage and apprenticeship rules. But this new provision will not assist fuel cell projects that began construction in 2025.

Threatened Termination of Five-Year Modified Accelerated Cost Recovery System (MACRS) Recovery Period for Certain ITC and PTC Purposes

The initial Senate Finance Committee bill threatened to prevent taxpayers from depreciating over five years certain (i) Section 45Y qualified production tax credit facilities; (ii) Section 48E qualified investment tax credit property; and (iii) Section 48E energy storage technology. The final Act modified this provision to provide that only certain Section 48 solar or wind energy ITC property, the construction of which begins after December 31, 2024, is subject to this limitation.

Proposed Excise Tax Eliminated in Final Act

An early version of the Senate bill had included an entirely new surprise excise tax on wind and solar facilities, the construction of which included material assistance (*i.e.*, components) from China or any other PFE. That provision was intended to indirectly assist solar and wind equipment manufacturers located in the United States. But renewable energy developers had warned that the increase in costs triggered by any such excise tax would have prevented many renewable energy projects from getting built.

Conclusion

Although the Act did not adopt several of the more rapid termination provisions of the House bill with respect to renewable energy credits, and dropped the surprise excise tax on certain wind and solar facilities with material PFE assistance, it does severely cut back on the future availability of solar and wind power energy tax credits originally anticipated under the IRA. After 2025, all remaining credits are subject to the new PFE rules, which adds another layer of compliance for the renewable energy industry.

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