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Clean Energy Tax Credit Updates Following the One Big Beautiful Bill Act

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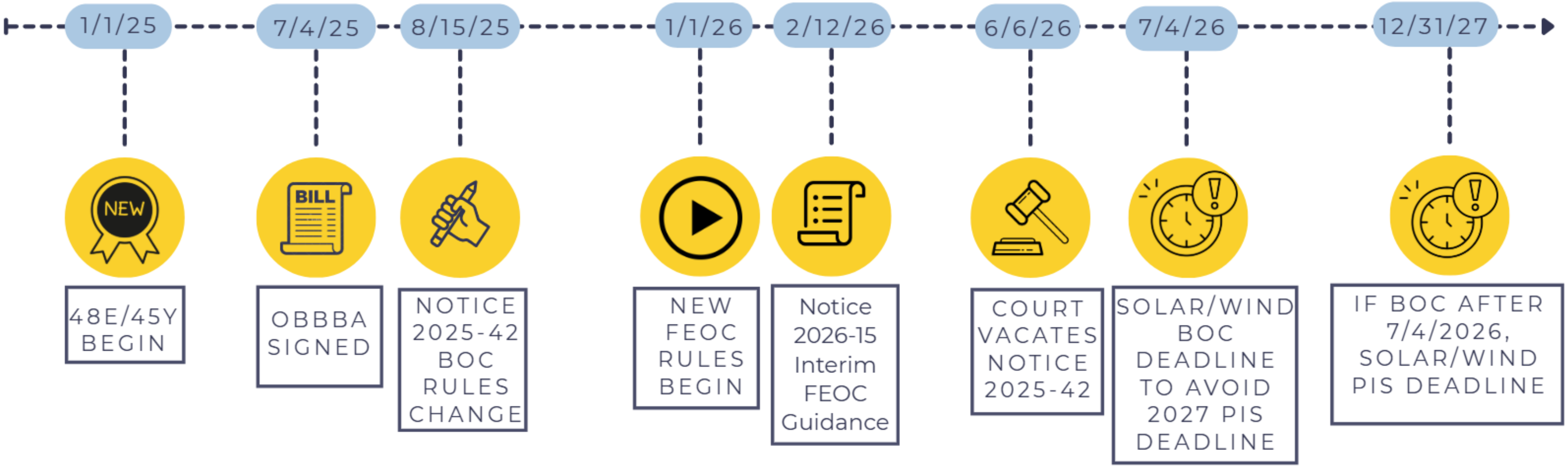
Agenda

- One Big Beautiful Bill Act
- Beginning of Construction
- Foreign Entity of Concern
  - Interconnection Equipment
- Federal Funding

Clean Energy Tax Credit Timeline



One Big Beautiful Bill Act (OBBBA)

Sections 48E/45Y

- Solar facilities that begin construction after 7/4/26 are subject to a PIS deadline of 12/31/2027
  - The PIS requirement <u>does not apply to energy storage</u>

- Underlying bonus credits unchanged
  - Fixes IRA drafting error for the domestic content bonus

- Prevailing Wage and Apprenticeship (PWA) rules unaltered

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Other Tax Credits

<u>25D Residential Clean Energy Credit:</u>

- Expired 12/31/25

<u>45X Advanced Manufacturing Production Credit:</u>

- Minor changes
- Solar/storage component timelines unaltered

Beginning of Construction (BOC)

Notice 2025-42

- Guidance was released 8/15/25 and effective 9/2/25
- Eliminated the 5% safe harbor for larger solar systems (>1.5 MW)
- 4-year Continuity Safe Harbor retained

- On 6/6/26, court struck down Notice 2025-42
  - Now solar projects of any size can use the physical work test or the 5% safe harbor to demonstrate BOC

Foreign Entity of Concern (FEOC)

FEOC: A Three-level Test

To qualify for 48E/45Y/45X, taxpayers must now pass three FEOC screens:

Entity Test: Is taxpayer owned, controlled, or influenced by a FEOC?

Payment Test: Do contracts, financing, or licensing arrangements give a FEOC "effective control?"

Project (Material Assistance) Test: Is too much of the project's equipment/components from FEOC?

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Entity Test

Specified Foreign Entity (SFE):

- Entity specified as national security threat by federal agencies
- Government/agency/instrumentality of covered nation
- Business entity/individual subject to covered nation
- Entity "controlled" (>50% ownership) by anything above

Foreign-influenced Entity (FIE):

- During taxable year:
  - An SFE can directly appoint a covered officer
  - One SFE owns 25%+, or multiple SFEs own 40%+ interest
  - 15% of debt issued to SFE
- During the previous taxable year, makes a payment to an SFE which allows "effective control"

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Payment Test

Effective Control:

- Agreements entered into (or modified) on/after 7/4/25 giving SFE control over:
  - Amount/timing of production of outputs
  - Purchase/use of outputs
  - Access to data/site/personnel
  - Maintenance/repair/operations
- Any licensing for IP including those giving SFE control over:
  - Sourcing of components/subcomponents/applicable critical minerals
  - Operations of qualified facility/EST/production unit
  - How to use IP, access to IP, or unusual time parameters

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Project (Material Assistance) Test

Material Assistance Cost Ratio (MACR):

The minimum percentage of project/component non-PFE content required

$$\text{MACR} = \frac{{}^{a}\text{Total Direct Costs/Direct Material Costs} - {}^{b}\text{Total } \textit{PFE} \text{ Direct Costs/Direct Material Costs}}{{}^{a}\text{Total Direct Costs/Direct Material Costs}}$$

	2026	2027	2028	2029	2030	2031	2032	2033
45Y/48E	40	45	*50**	*55**	*60**	*60**	*60**	*60**
48E storage	55	60	65	70	75	75	75	75
45X – solar	50	60	70	80	85	85	85	85
45X – inverter	50	55	60	65	70	70	70	70
45X – battery	60	65	70	80	85	85	85	85
45X – critical minerals	0	0	0	0	25	30	40	50

Notice 2026-15

Published 2/12/26, provides taxpayers two pathways for demonstrating compliance with Material Assistance:

OPTION 1 **Identification + Cost Percentage Safe Harbors**	• **ID Safe Harbor:** Taxpayers can use Notice 2025-08's Domestic Content Bonus Credit safe harbor tables (Tables) to identify their project/component and associated inputs needed for their Material Assistance Cost Ratio (MACR) calculation. • **Cost % Safe Harbor:** Taxpayers can then use the Tables' assigned cost percentage for each input to calculate PFE/non-PFE direct costs and complete the MACR. • Any off-Table item or cost, structural steel/iron, and interconnection property are ignored. • Taxpayers can blend PFE and non-PFE inputs.

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Notice 2026-15

OPTION 2

Taxpayer-Determined Costs + Certification Safe Harbor

- **ID:** Taxpayers can identify their own project/component and associated inputs or use the *ID Safe Harbor.*
- **Costs:** Taxpayers can then *do their own cost analysis* to determine PFE/non-PFE direct costs for each, and utilize the *Certification Safe Harbor* by relying on accurate certifications from their direct suppliers attesting either:
  - The input is non-PFE throughout its supply chain, or
  - The input's direct costs that are not produced by a PFE.
- Batteries <1 MW and 45X can average the costs of certain inputs, as well as any input(s) below 10% of total cost.
- Interconnection property must have a separate MACR analysis.
- Structural steel/iron is ignored.
- Taxpayers can blend PFE and non-PFE inputs.

- Does **not** include much-needed guidance on entity-level "debt" and "effective control" issues
- Further guidance expected later this year

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Notice 2026-15 Issue: Interconnection ITC at Risk

- Interconnection costs for energy generating projects (not storage) ≤5 MW qualify for ITC
- Notice 2026-15 requires proof interconnection costs fall below FEOC thresholds
  - Must be tested separately
  - Not eligible for ID or Cost Percentage Safe Harbors
- Utilities — not taxpayers — usually control interconnection infrastructure and data

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Notice 2026-15
Interconnection Issue

<u>Utility-held data needed:</u>

- Product and component IDs
- Total direct costs (labor + material)
  - FEOC-related cost breakdown
- Required certifications

<u>Core issue:</u>

- Utilities often control interconnection assets/data
  - Not typically provided to taxpayers
  - May be difficult or impossible for taxpayers to obtain
- Interconnection work typically occurs later in project, complicating timely disclosures

<u>Impact:</u>

- **Taxpayers cannot verify FEOC compliance → Interconnection ITC becomes largely unclaimable**

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FEOC Policy Next Steps [tentative]

February 2026

IRS Interim Guidance
(followed by comment period)

Q2 2026

Industry Requested
Interim Guidance

~Q4 2026

Proposed Rules
(followed by comment period)

~Q1 or Q2 2027

Final Rules

SEIA Advocacy

IRS:

- Submit comments and hold meetings

State legislature and regulators:

- Consider laws/rules to ensure FEOC interconnection disclosures to taxpayers

Utilities:

- Drive awareness and engagement

Federal Funding

Q&A