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DOUG JONES  
AUSTIN:  
512.479.1178  
DOUG.JONES@  
HUSCHBLACKWELL.COM

SEAN KELLY  
ST. LOUIS:  
314.345.6295  
SEAN.KELLY@  
HUSCHBLACKWELL.COM

# Further Restrictions on IRA Renewable Energy Tax Credits Included in Draft Bill Passed by House

On May 22, 2025, the U.S. House of Representatives passed a new version of H.R. 1, “The One, Big, Beautiful Bill” that would effectively repeal the Inflation Reduction Act’s (IRA’s) clean energy tax credits almost immediately. While the legislation will now be considered by the U.S. Senate—and could change substantially there—industry participants should be aware of the House’s position as the bill moves through the reconciliation process.

The version of the bill includes provisions that would do the following:

**Clean energy tax credits.** Terminate completely the Section 45Y Clean Energy Production Credit and the Section 48E Clean Electricity Investment Credit for any qualified facilities that don’t begin construction within 60 days following the enactment of the bill and that are placed in service after the end of 2028. The original bill would have phased out each credit in a graduated manner and allowed construction to begin within two years of enactment. Notably, Nuclear is exempted from the 60-day start of construction requirement.

**Nuclear.** Extend the 45U tax credit for qualified nuclear facilities at full value through 2031 (as opposed to a three-year phase down proposed in the earlier version of the bill).

**Transferability.** Restore transferability for the duration of many IRA credits including sections 45Y, 48E, and 45U (qualified nuclear facilities), rather than repeal transferability after 2027, as was proposed in the original bill. Section

45X Advanced Manufacturing Production Credits, 45Z Clean Fuel Production Credits, and 45Q Credits for Carbon Dioxide Sequestration would be subject to transferability limitations after 2027.

**FEOCs.** Restrict credits relating to Foreign Entities of Concern (FEOCs) beginning January 1, 2026; prior drafts were slated to go into effect on January 1, 2027. These FEOC provisions would prevent energy tax credits from being claimed by any entity that is deemed to be controlled or influenced by an enumerated adversarial foreign country, including China, Iran, North Korea, and Russia. Most important for the renewable energy industry, however, the credits would be disallowed by the owner of a renewable energy project if the business receives “material assistance” from an FEOC, which includes component parts, design, or intellectual property for the facility. Given China’s dominance in raw materials, processing, and manufacturing of clean energy facility components, it would be difficult for renewable energy companies to comply with the provisions as drafted.

**Residential solar.** Eliminate the tax credit for leased residential solar installations for tax years after the bill’s passage.

The amended bill passed the House on May 22 by a narrow, party-line vote and is likely to change significantly. A summary of the clean energy tax credit changes in the new bill follows.

Tax Credit	Changes to Phase-Out, Transferability, & FEOC Application from Initial Draft Legislation
Clean Energy Production Credit (Section 45Y)	Must begin construction within 60 days of enactment of legislation and place project in service by the end of 2028. Transferability and credit terminate after 2028. No phase-out. FEOC restrictions effective January 1, 2026.
Clean Electricity Investment Credit (Section 48E)	Must begin construction within 60 days of enactment of legislation and place project in service by the end of 2028. Transferability and credit terminate after 2028. No phase-out. FEOC restrictions effective January 1, 2026.
Zero-Emission	Transferability and credit terminate after 2031. Have until the end of 2028

Nuclear Power Production Credit (Section 45U)	to begin construction on facility. No phase-out. FEOC restrictions effective January 1, 2026.
Advanced Manufacturing Production Credit (Section 45X)	FEOC restrictions effective January 1, 2026.
Credit for Carbon Oxide Sequestration (Section 45Q)	FEOC restrictions effective January 1, 2026.
Clean Fuel Production Credit (Section 45Z)	No changes.

## What this means to you

Now is a good time for renewable energy companies to (1) audit project pipelines to identify projects with the highest potential to be placed in service prior to 2028, (2) carefully consider the potential diminishing lead time to secure safe harbored clean energy equipment, and (3) shore up relationships with EPC contractors, suppliers, lenders, investors, and other stakeholders critical for project execution.

## Contact us

We will continue to monitor this bill, and any future amendments or revisions thereto, as it advances through the legislative process. If you have questions regarding this latest rewrite and its implications for tax credits please contact Doug Jones, Sean Kelly, or your Husch Blackwell attorney.