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LEGAL UPDATES

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# Energy Tax Credit Framework Undergoes Further Changes in Senate-Approved Version of OBBB Act

## Services

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Solar Energy

Tax

Wind Energy

## Industry

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On July 1, 2025, the U.S. Senate passed its version of The One Big Beautiful Bill (OBBB) Act, the massive budget bill that contains significant provisions affecting tax credits for renewable energy project development. After the defection of key Republican Senators, Senate passage of the legislation required Vice President J.D. Vance to cast the tie-breaking vote after a marathon, all-night session.

The House of Representatives passed its version of the OBBB Act on May 22. The Senate Finance Committee released its own version on June 16, which contained notable differences from the House version. The Senate-approved version contains additional changes from the original Senate draft. The Senate version now moves back to the House for its consideration.

To help renewable energy industry participants keep up with these changes, our team developed the table below, which tracks how each relevant tax credit has progressed through the legislative process, including any provisions affecting the transferability of the credits.

| Tax Credit | Changes to IRA Credits Embodied in House Bill (H.R. 1) | Changes to IRA Credits from House Legislation Embodied in Draft Senate Legislation | Changes to IRA Credits from Original Senate Draft Senate Bill Embodied in Passed Senate Legislation | Transferability |
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| Clean Energy Production Credit **(Section 45Y)** | House mandated beginning of construction within 60 days of enactment and placed in service before 2029. House bill also terminated credits and transferability after 2028. No phase-out. FEOC restrictions were effective as of January 1, 2026. | Senate extends in some form through 2035. Solar and wind projects must begin construction by the end of 2025 (otherwise they are reduced by 40% in 2026, 80% in 2027, and 100% thereafter). FEOC Test now imposed on buyers of credits. FEOC restrictions are effective for tax years beginning after the date of enactment of the bill. Three-year phase-down from 2033 through 2035. | Wind and solar facilities would need to be placed in service by the end of 2027 in order to qualify for the full value of the credit. However, wind and solar facilities that begin construction within 12 months after the date of enactment of the bill are exempted from this hard deadline for placed in service. If construction is begun before the expiration of this 12-month period, the deadline of placed in service by the end of 2027 would not apply. The beginning of construction notices (Notices 2013-29 and 2018-59) are codified for purposes of Section 7701(a)(51) – FEOCs. PTCs for non-wind and solar facilities would phase-out after 2032. All other non-wind and solar generating facilities retain their prior eligibility. Since projects that begin construction within 12 months following enactment of the bill are not subject to its provisions, wind and solar projects that have already begun construction are not subject to the 2027 placed in service deadline. | Fully restored for the life/duration of the credit and is not reduced or otherwise impaired during the phase-out period. |
| Clean | House | Senate extends in some | Wind and solar facilities would need | Fully restored for |

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| Electricity Investment Credit **(Section 48E)** | mandated beginning of construction within 60 days of enactment and placed in service before 2029. House bill also terminated credits and transferability after 2028. No phase-out. FEOC restrictions were effective as of January 1, 2026. | form through 2035. Solar and wind projects must begin construction by the end of 2025 (otherwise they are reduced by 40% in 2026, 80% in 2027, and 100% thereafter). FEOC Test now imposed on buyers of credits. FEOC restrictions are effective for tax years beginning after the date of enactment of the bill. Three-year phase-down from 2033 through 2035. | to be placed in service by the end of 2027 in order to qualify for the full value of the credit. However, wind and solar facilities that begin construction within 12 months after the date of enactment of the bill are exempted from this hard deadline for placed in service. If construction is begun before the expiration of this 12-month period, the deadline of placed in service by the end of 2027 would not apply. The beginning of construction notices (Notices 2013-29 and 2018-59) are codified for purposes of Section 7701(a)(51) – FEOCs. The 2027 placed in service deadline is inapplicable to energy storage technology. All other non-wind and solar generating facilities retain their prior eligibility. Since projects that begin construction within 12 months following enactment of the bill are not subject to its provisions, wind and solar projects that have already begun construction are not subject to the 2027 placed in service deadline. | the life/duration of the credit and is not reduced or otherwise impaired during the phase-out period. |
| Zero-Emission Nuclear Power Production Credit **(Section 45U)** | House bill terminated the credit and transferability after 2031 and mandated beginning of construction before 2029. | Senate legislation restores the credit and extends through 2035 in some form. FEOC Test now imposed on buyers of credit. There are different FEOC effective dates based on the type of prohibited | Termination date of December 31, 2032, is unchanged. | Fully restored for the life/duration of the credit and is not reduced or otherwise impaired during the phase-out period. |

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| | No phase-out. FEOC restrictions were effective as of January 1, 2026. | foreign entity. Phased out from 2034 through 2035: 75% in 2034, 50% in 2034, and 0% thereafter. | | |
| Advanced Manufacturing Production Credit **(Section 45X)** | House bill terminated for wind components after December 31, 2027, and for all others after December 31, 2031. Transferability was repealed for all components sold after December 31, 2027. FEOC restrictions were effective as of January 1, 2026. | Senate largely preserves the existing IRA timelines, with component-specific modifications, and introduces phased imposition of FEOC restrictions as well as a component-based credit phase-out. FEOC Test now imposed on buyers of credit. FEOC restrictions are effective for tax years beginning after the date of enactment of the bill. Phases-out **battery and solar** component eligibility after 12/31/2031 (Same as House bill, but sunsets after 12/31/2032 in IRA,); **critical mineral** eligibility by 2034 (previously was no sunset); and terminates **wind** component eligibility after 2027 (Same as | Credit for critical minerals begins to phase out in 2031. Credit for wind components terminates for components produced and sold after December 31, 2027. Credit for metallurgical coal unavailable for metallurgical coal produced after December 31, 2029.<br><br>Phase out for critical minerals: 2031 (75%); 2032 (50%); 2033 (25%); following December 31, 2033 (0%). | Fully restored for the life/duration of the credit and is not reduced or otherwise impaired during the relevant component phase-out periods. |

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| | | House bill). | | |
| Credit for Carbon Oxide Sequestration **(Section 45Q)** | House bill largely left credit intact. FEOC restrictions were effective as of January 1, 2026. House repealed transferability for carbon capture equipment on which construction began two years or more after the legislation went into effect. | Senate largely preserves the existing IRA timeline (repealed for facilities on which construction begins after 12/31/2032). However, the bill shifts the inflation indexing year for credit adjustments forward to 2028, rather than 2027. As a result, the value of credit is somewhat eroded through 2027. FEOC Test now imposed on buyers of credit. There are different FEOC effective dates based on the type of prohibited foreign entity. Terminated after 2032 (Same as IRA and House bill). | Preserved in draft that passed the Senate on July 1, 2025. Provides for base rate parity for different uses of sequestered carbon. Base rate ranges from $17/ton to $36/ton for all uses starting in 2025. | Fully restored for the life/duration of credit. |
| Clean Fuel Production Credit **(Section 45Z)** | House bill extended credit for clean fuel that is produced before 2031 but limited it to clean fuel produced using | Senate extends through 2031, as in House bill. However, the Senate legislation removes the requirement that clean fuel be produced from U.S., Mexican, or Canadian feedstock. Instead, the bill permits | Effective date of amendments remains December 31, 2025. Acceptable feedstocks broadened to include U.S., Canada, or Mexico, as in House version. Extends the 179 immediate expensing provisions to the clean fuel production credit. Credit extended until December 31, 2029. | Fully restored for the life/duration of credit. |

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| | feedstock from the U.S., Mexico, and Canada after December 31, 2025. Transferability was repealed for fuel produced after December 31, 2027. No FEOC restrictions. | the use of foreign feedstocks but stipulates that any portion of the resulting Clean Fuel Credit traceable to such foreign feedstocks be reduced by 20%. Only U.S. feedstocks would avoid this reduction. FEOC Test now imposed on buyers of credit. Previously no FEOC limitations, now FEOCs apply. There are different FEOC effective dates based on the type of prohibited foreign entity. Terminated after 2031. | | |
| Clean Hydrogen Production Credit **(Section 45V)** | Eliminated for facilities on which construction is begun after December 31, 2025. Transferability was unaffected by the House bill. No FEOC restrictions. | Senate mirrors House elimination of credit for facilities on which construction is begun after December 31, 2025. Still no FEOC limitations on taxpayers; however FEOC Test now imposed on buyers of credit. Terminated after 2025 (Same as in House bill). | Deadline to begin construction moved back two years to January 1, 2028, from December 31, 2025. Credit unavailable for facilities that do not begin construction by this date. | Fully restored for the life/duration of credit. |

## 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, Anna Kimbrell, Jason Reschly, Robert Romashko, or your Husch Blackwell attorney.