

LEGAL UPDATES

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FEOC Restrictions on Energy Tax Credits: An Update

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On July 1, 2025, the U.S. Senate passed a version of the One Big Beautiful Bill Act that differed significantly from the version previously passed on May 22 by the U.S. House of Representatives as H.R. 1. Front of mind for many renewable energy industry participants and tax credit investors is the Senate's approach to Foreign Entities of Concern (FEOCs). FEOC restrictions on many Inflation Reduction Act (IRA) credits were included in both the House version of the bill and the Senate Finance Committee draft released on June 16.

As embodied in the House legislation, the FEOC limitations were both lacking in detail and widely viewed by industry experts as cumbersome and unworkable. The Senate Finance Committee's June 16 draft represented a notable improvement, containing lengthy substantive elaboration on the structure and operation of these restrictions. By contrast, the bill language passed by the Senate on July 1 contains only minor tweaks, primarily relating to the effective dates of FEOC applicable to the various IRA credits and the different species of prohibited foreign entity at play. Most "Material Assistance" FEOC restrictions now take effect in the taxable year following enactment of the legislation, which represents an accelerated timeframe for some of the credits. Note that the Material Assistance Cost Ratios (set forth in the initial Senate draft in order to provide certainty in the practical application of the FEOC restrictions) appear to have been untouched this time around, either in structure or amount.

Below, we have included a table that summarizes the FEOC restrictions as they have evolved through the legislative process.

Tax Credit	Changes to FEOC Application from House Legislation in Senate Draft of June 16	Changes to FEOC Application Embodied in Passed Senate Legislation of July 1	Effective Date (for SFEs & FIEs)	Material Assistance Cost Ratios (Qualified Facilities, Energy Storage Technology, & Eligible Components)
Clean Energy Production Credit (Section 45Y)	Previously had to begin construction within 60 days of enactment of legislation and place project in service by the end of 2028. Now must commence construction by 12/31/2025 if “Material Assistance” is received from a Prohibited Foreign Entity (PFE). FEOC restrictions previously effective January 1, 2026. New effective dates for Specified Foreign Entities (SFEs) & Foreign-Influenced Entities (FIEs).	For taxable years beginning after the date of enactment, a taxpayer cannot be a PFE. Any qualified facilities that begin construction after December 31, 2025, cannot receive material assistance from a PFE (as under House version).	SFE & FIE – Tax year after enactment of bill	Qualified Facilities: 2026 (40%); 2027 (45%); 2028 (50%); 2029 (55%); after 2029 (60%). Energy Storage Technology: 2026 (55%); 2027 (60%); 2028 (65%); 2029 (70%); after 2029 (75%).
Clean Electricity Investment Credit (Section 48E)	Previously had to begin construction within 60 days of enactment of legislation and place project in service by the end of 2028. Now must commence construction by 12/31/2025 if “Material Assistance”	For taxable years beginning after the date of enactment, a taxpayer cannot be a PFE. Any qualified facilities that begin construction after December 31, 2025, cannot receive material assistance	SFE & FIE – Tax year after enactment of bill	Qualified Facilities: 2026 (40%); 2027 (45%); 2028 (50%); 2029 (55%); after 2029

	from a PFE. New effective dates.	from a PFE (as under House version).		(60%). Energy Storage Technology: 2026 (55%); 2027 (60%); 2028 (65%); 2029 (70%); after 2029 (75%).
Zero-Emission Nuclear Power Production Credit (Section 45U)	New effective dates.	For taxable years beginning after the date of enactment, a taxpayer cannot be an SFE and two years after the date of enactment cannot be an FIE.	SFE – Tax year after enactment FIE – two years after enactment	N/A
Advanced Manufacturing Production Credit (Section 45X)	No credit allowed for components manufactured beginning in 2026 if Material Assistance of a PFE. New effective dates.	For taxable years beginning after the date of enactment, a taxpayer cannot be a PFE or receive any material assistance from a PFE. For taxable years beginning after the date of enactment, no credit will be available for any eligible components that are deemed to be produced through “effective control” by an SFE.	SFE & FIE – Tax year after enactment of bill	Eligible Components: Solar: 2026 (50%); 2027 (60%); 2028 (70%); 2029 (80%); after 2029 (85%). Wind: 2026 (85%); 2027 (90%). Inverters: 2026 (50%); 2027 (55%);

				<p>2028 (60%); 2029 (65%); after 2029 (70%).</p> <p>Battery Components: 2026 (60%); 2027 (65%); 2028 (70%); 2029 (80%); after 2029 (85%).</p> <p>Critical Minerals: Sold after 12/31/2025 but before 1/1/2030 (0%); 2030 (25%); 2031 (30%); 2032 (40%); after 2032 (50%).</p>
Credit for Carbon Oxide Sequestration (Section 45Q)	New effective dates.	For taxable years beginning after the date of enactment, the taxpayer cannot be a PFE.	SFE & FIE – Tax year after enactment	N/A
Clean Fuel Production Credit (Section	Previously no FEOC limitations; now FEOCs apply.	For taxable years beginning after the date of enactment, a taxpayer cannot be an SFE, and for taxable years beginning two years after	SFE – Tax year after enactment FIE – two	N/A

45Z)		enactment, a taxpayer cannot be an FIE.	years after enactment	
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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 the bill and its implications for tax credits, please contact Doug Jones, Anna Kimbrell, Jason Reschly, Robert Romashko, or your Husch Blackwell attorney.