Latest Draft of One Big Beautiful Bill Signals Broad-Based Impacts to Alternative and Clean Energy Initiatives

Client Alert

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What You Need to Know

- As currently drafted, the Trump administration's One Big Beautiful Bill would have a significant and far-reaching impact upon new energy production projects and investment in new solar, wind, or other forms of alternative energy production projects.
- Of particular relevance to the future development of solar and wind facilities are proposed changes to existing production and investment tax credits for projects undertaken between year-end 2025 through 2028.
- A broad range of clean energy initiatives, including those related to electric vehicles, would also be impacted under the legislation, which will undoubtedly undergo additional modifications under Senate consideration.
- The Bill's terms remain fluid, requiring our input on any project currently in its infant stages in order to strategically plan ahead.

By: Kenneth J. Sheehan

On June 16, 2025, the United States Senate Committee on Finance released a reconciliation bill draft of the One Big Beautiful Bill Act, H.R. 1 - 119th Congress (2025-2026), following its passage in the House of Representatives. The unofficial political deadline for getting the final bill to the President's desk for signature is July 4, which requires the Senate to pass the full bill, and send it back to the House for their concurrence. As such, additional discussion, changes, and modifications may well happen, and this is not yet a done deal.

Nonetheless, as currently drafted, the new text of the legislation has a significant and far-reaching impact upon energy production and investment for solar, wind, or other forms of alternative energy production.

The largest, and most significant impacts to many investors are the changes to the investment tax credit (ITC) under Section 48E and the production tax credit (PTC) under Section 45Y, specifically applicable to solar and wind facilities.

Under the Senate draft:

- Solar and wind facilities are eligible for the full existing ITC or PTC, as applicable, if construction begins before December 31, 2025.
- If construction begins after December 31, 2025, but before December 31, 2026, the facilities would be eligible for 60 percent of the current ITC or PTC.
- If construction begins after December 31, 2026, but before December 31, 2027, the facilities would be eligible for 20 percent of the current ITC or PTC.
- For any construction beginning after January 1, 2028, the facilities would be ineligible for any ITC or PTC.

Geothermal, nuclear, hydroelectric, and energy storage would continue under the currently existing ITC timeline, receiving 100% of the credit up through projects starting construction in or prior to 2033, 75% for projects starting construction in 2034, 50% for projects starting construction in 2035, and zeroing out for projects starting construction in 2036 and beyond.

Meanwhile, electric vehicle (EV) tax rebates, residential clean energy credits, and energy efficiency credits for residential and commercial buildings would end under the new bill's provisions.

Specific elements of the bill relevant to alternative and clean energy production and investment include:

- Section 70509 – terminates the special five-year recovery period effective for certain energy investment credit properties, including zero-emission electric generation, qualified biogas, microgrid controllers, and electrochromic glass and energy storage technologies, effective for properties placed into service after the date of enactment.
- Section 70511 – terminates clean hydrogen production credit, on an accelerated basis, for facilities that begin construction after December 31, 2025.
- Section 70512 – phases out the clean energy PTC for wind and solar, with facilities beginning construction in 2026 receiving 60%, facilities beginning construction in 2027 receiving 20%, and facilities beginning construction in 2028 and beyond receiving no credit. These credits are also fully prohibited after December 31, 2025, for any facility that includes material assistance from a prohibited foreign entity, or if the taxpayer itself is a prohibited foreign entity.
- Section 70513 – phases out the clean electricity ITC for wind and solar, with facilities beginning construction in 2026 receiving 60%, facilities beginning construction in 2027 receiving 20%, and facilities beginning construction in 2028 and beyond receiving no credit. These credits are also fully prohibited, after December 31, 2025, for any facility that includes material assistance from a prohibited foreign entity, or if the taxpayer

itself is a prohibited foreign entity

- Section 70514 – phases out the advanced manufacturing production credit for wind components, applicable to components produced and sold after December 31, 2027. Also included are restrictions on involvement by prohibited foreign entities and foreign influenced entities.
- Section 70515 – restricts funds recovered from the advanced energy project credit program from being reissued, as of the effective date of enactment.
- Section 70521 – extends the clean fuel production credit from January 1, 2028, to December 31, 2031, but imposes a 20% reduction for fuel generated from feedstock produced or grown outside of the United States. These credits are also fully prohibited in tax years commencing after the enactment, for any taxpayer that is a specified foreign entity, or two years after if the taxpayer is a foreign influenced entity.
- Section 70522 – adds carbon sequestration for atmospheric carbon as the equivalent of that which is produced and then sequestered. These credits are also fully prohibited in tax years commencing after the enactment, for any taxpayer that is a specified foreign entity, or two years after if the taxpayer is a foreign influenced entity.

The firm's **Energy & Renewable Resources** practice team will be closely monitoring the status of this bill as it continues to move through the legislative process and will keep you advised. Please contact the author of this Alert with questions concerning this pending legislation or to discuss your specific business circumstances and related strategic planning.

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