HUSCH BLACKWELL

THOUGHT LEADERSHIP

LEGAL UPDATES

PUBLISHED: JUNE 18, 2025

Senate Finance Committee Revises Energy Tax Credit Framework in Proposed Legislation

On June 16, 2025, the Senate Finance Committee released its version of the “One, Big Beautiful Bill” (OBBB) that would create a steep phase-out of renewable energy tax credits—notably, renewable energy companies would have to start construction on wind and solar projects before December 31, 2025, to receive 100% of the available tax credits. The reconciliation process is far from over, and there are further revisions expected to the text, but the Senate Finance Committee is the final committee in the Senate expected to release legislative text related to energy tax credits. Its version of the bill includes the following provisions.

Wind and solar tax credits phase-out: The bill would rapidly phase out production tax credits (Section 45Y) and investment tax credits (Section 48E) for wind and solar projects. Qualified facilities that start construction in 2025 would be able to claim 100% of the tax credits available, but those that start construction in 2026 would only be able to claim 60% of the available credits. Facilities that start construction in 2027 would be able to claim 20% of the tax credits, and those that start construction after 2027 would not be able to claim tax credits. While this version of the bill is a slight improvement over the House’s bill, which required facilities to start construction within 60 days of the bill’s enactment, the proposed bill still represents a significantly accelerated phase-out compared to current law.

Battery storage: Clean energy investment tax credit (Section 48E) stays in place for battery storage projects and steps down in the same manner and on the same timeline as geothermal, nuclear, and hydro.

Geothermal, nuclear, hydro: 100% of the clean energy production tax credit (45Y) and clean energy investment tax credit (48E) are available for

Services

Energy Storage

Tax

Wind Energy

Industry

Energy & Natural Resources

Professionals

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

ANNA R. KIMBRELL
KANSAS CITY:
816.983.8358
ANNA.KIMBRELL@HUSCHBLACKWELL.COM

JASON A. RESCHLY
KANSAS CITY:
816.983.8170
JASON.RESCHLY@HUSCHBLACKWELL.COM

these facilities if they start construction in or prior to 2033, then step down to 75% in 2034, 50% in 2035, and 0% in 2036.

Transferability: Unlike the House bill, the Senate draft text does not change existing tax credit transferability provisions.

FEOCs: The Senate bill incorporates the House's requirement that to be eligible for credits, a taxpayer must not receive material assistance from Foreign Entities of Concern (FEOCs). However, the House did not define "material assistance," and the Senate bill provides an objective definition of material assistance, dependent on ratio of cost of manufactured products or eligible components produced or manufactured by a prohibited foreign entity to the total cost of manufactured products or eligible components. In addition, taxpayers may obtain and rely on certifications from their manufacturers as to the content of products from FEOCs, unless they know or have reason to know that the certification is incorrect. Additionally, supply contracts executed prior to June 16, 2025 are exempt from the FEOC rules. Our Energy & Natural Resources team will provide a detailed summary and analysis of the bill's FEOC provisions in the coming days.

Hydrogen: The Senate draft would terminate the hydrogen production tax credit (45V) by the end of 2025.

Electric Vehicles (EVs): EV tax credits would terminate for new vehicles purchased more than 180 days after enactment and 90 days after enactment for used EVs.

Residential solar and wind: Like the House bill, the Senate's draft text disallows tax credits for wind and solar facilities leased to residential customers.

What's next

The different Senate committees are completing their respective work on their version of a budget reconciliation bill, but the Senate Finance Committee's text has the most important impact on energy provisions. These bills are being reviewed by the Senate parliamentarian to ensure that they meet the rules against policymaking on the budget reconciliation, and she will strike provisions that are ruled not in order, although we expect the energy provisions to hold up to Senate parliamentarian review.

The Senate floor is expected to consider their combined budget reconciliation bill as soon as next week. Once the Senate passes the bill, the House and Senate will need to resolve the differences between their different budget reconciliations. They could do this by a formal conference committee to resolve the differences between the two bills. However, due to the self-imposed deadline that the president has set to sign this legislation into law, it may be more likely that they do informal negotiations to resolve the differences without formally appointing a conference committee. Under this scenario, the House and Senate would then ultimately need to pass the same budget reconciliation bill before the president can sign it into law.

The OBBB effective dates for the energy credit provisions are in part triggered by whether the taxpayer has begun construction of the qualified facility by a particular date, such as December 31, 2025, to receive 100% of the tax credits available. For a detailed analysis and summary of existing guidance on start of construction, including existing safe harbors, click here.

What this means to you

Now is a good time for renewable energy companies to (1) audit project pipelines to identify projects with potential to establish start of construction in 2025; (2) carefully consider the potential diminishing lead time to begin fabrication of safe harbored clean energy equipment; (3) for early-stage projects that may extend beyond the safe harbor period, work with tax counsel to establish a rigorous program to track continuous construction or efforts to satisfy continuity requirements; and (4) assess their supply chains and existing contracts in light of potential FEOC rules.

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.