

# Key Rule Changes for Wind & Solar Tax Credits

## 1. Accelerated Deadlines for Tax Credit Eligibility

- **Construction Deadline:** Wind and solar projects must **begin construction by July 4, 2026** to remain eligible for federal tax credits (ITC under §48E or PTC under §45Y). If construction begins after this date, the project **must be placed in service by December 31, 2027**.

## 2. Tighter Definition of “Beginning Construction”

- The traditional methods to demonstrate construction start were:
  - **Physical Work Test:** Beginning significant physical work.
  - **5% Safe Harbor:** Spending 5% of total project costs, even with little physical work.
- **New rules eliminate the 5% Safe Harbor** as of **September 2, 2025**, for most wind and solar projects. Only **“low output” solar facilities** ( $\leq 1.5$  MW) can still use it.
- Going forward, nearly all projects must meet the **Physical Work Test**, showing substantial physical progress (e.g. foundation work, custom component manufacturing) and must adhere to continuity requirements—typically demonstrating that the project is placed in service within four years of its construction start.

## 3. Foreign Entity of Concern (FEOC) Restrictions

- Starting in **2025**, tax credits are **disallowed** for projects associated with or receiving “material assistance” from **Foreign Entities of Concern** (e.g., China, Russia, Iran, North Korea).
- These FEOC restrictions apply starting with projects **beginning construction after December 31, 2025**.

- Violations may result in extended audit periods (up to 6 years) and penalties for incorrectly reporting assistance from FEOCs.

#### **4. Additional Structural and Depreciation Changes**

- **Leased Projects:** Solar or wind assets leased to third parties no longer qualify for tax credits after tax years beginning **July 4, 2025**.
- **Depreciation:** The 5-year MACRS depreciation for wind and solar is removed for projects beginning construction after **December 31, 2024**.
- **Domestic Content Rules:** Stricter domestic sourcing requirements now apply, particularly for ITC projects starting after **June 16, 2025**