Status of the Investment Tax Credit in 2025

In July 2025, Congress acted to accelerate the phase-out of the Investment Tax Credit (ITC), bonus credits and Direct Pay provision. Community-serving solar, wind, and energy storage projects are typically eligible for a 30% baseline credit, available to tax-exempt entites through Direct Pay. To learn more, visit Clean Energy Group's guide: What Nonprofits Need to Know About the Investment Tax Credit.

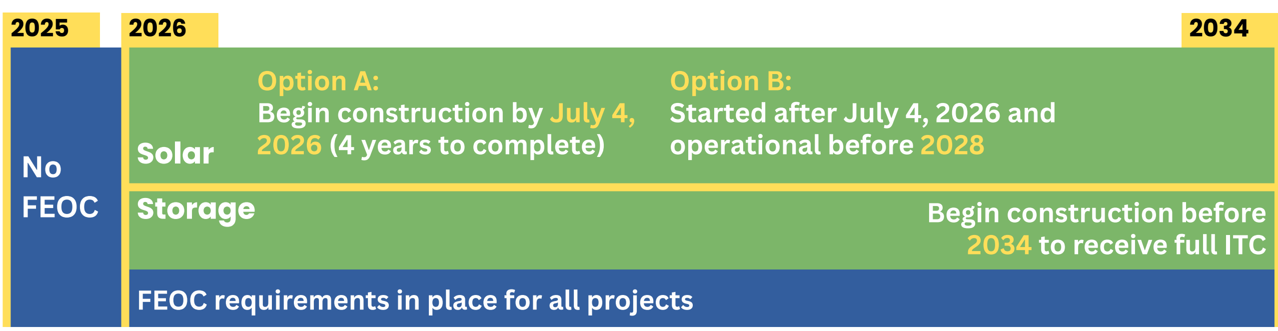
Solar projects that begin construction before July 4, 2026, are eligible to receive the ITC. Current guidance from the Internal Revenue Service (IRS) states that entities have four years from the start of construction to complete projects and claim tax credits. Projects that begin construction after July 4, 2026, are still eligible for the ITC if those projects complete construction by December 31, 2027.

Storage projects can continue to access the full ITC through the end of 2033. The ITC begins to phase-out in 2034 and 2035. Although the ITC will remain available for another decade, starting in 2026, storage will be subject to additional Foreign Entity of Concern restrictions.

Foreign Entity of Concern (FEOC) restrictions

Beginning in 2026, all ITC-eligible projects (including solar, storage, and wind) will be subject to new FEOC restrictions. As it currently stands, the rule limits the use of materials or components produced by Prohibited Foreign Entity (PFEs) countries. Projects that begin construction by the end of the year (December 31, 2025), will not need to abide by FEOC requirements.

Timeline of the ITC Phase-Out



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Disclaimer: This guide provides an overview of the investment tax credit. It does not constitute professional tax advice nor should it be used as the only source of information when making decisions.