Changes to Key Inflation Reduction Act Green Energy Tax Provisions in the One Big Beautiful Bill Act

This memo provides a high-level overview of the major changes from the One Big Beautiful Bill Act to various green energy tax provisions enacted in the Inflation Reduction Act.

Background:

Enacted in August 2022, the Inflation Reduction Act (IRA) created an "elective pay" (or "direct pay") tax mechanism that allows tax-exempt organizations to receive the full value of certain clean-energy tax credits. This allowed public and private nonprofit colleges and universities to access refundable credits for investments in renewable technologies such as solar, wind, geothermal, energy storage, infrastructure upgrades, and electric vehicles. Institutions can recoup up to 50-60 percent of the installation costs for certain clean energy investments using these "elective pay" tax credits.

The One Big Beautiful Bill Act (OBBBA), enacted in July 2025, accelerated deadlines and terminated incentives for new wind, solar, and electric vehicle projects after 2025 and 2026, creating uncertainty for some climate initiatives at institutions.

Relevant Changes:

Direct Pay and Uncertainty for Other Technologies

While the OBBBA did not make any direct adjustments to the "elective pay" mechanism, it did make major changes to provisions that work in concert with it. From accelerated deadlines and strict rules on collaborating with some foreign entities, the bill hindered the ability of institutions to use many IRA tax credits.

Repeal of Certain Commercial and Transportation Credits

Several credits that higher education institutions could use for campus infrastructure and fleet upgrades were either repealed or phased out early:

- Commercial Electric Vehicle (EV) Credit (45W): This credit, which colleges could use via direct pay to purchase or lease electric buses and other commercial clean vehicles, is repealed for vehicles acquired after Sept. 30, 2025.
- Alternative Fuel Refueling Property Credit (30C): This credit, used for installing EV charging stations and other alternative fuel infrastructure, is repealed for property placed in service after June 30, 2026.
- Energy Efficient Commercial Buildings Deduction (179D): Although technically a deduction, its associated benefits for tax-exempt entities were affected. It is repealed after June 30, 2026.

Accelerated Deadlines and Restrictions for Wind and Solar Projects
The OBBBA significantly restricted the availability of the IRA's flagship credits for new wind and solar projects. The law accelerated deadlines for projects started after 2025:

- Investment Tax Credit (ITC) / Production Tax Credit (PTC) Changes: Wind and solar projects must now meet an accelerated timeline to remain eligible for the Clean Electricity Investment Tax Credit (48E) and Production Tax Credit (45Y).
- Projects must either be **placed in service** before Dec. 31, 2027, or **begin construction** within 12 months of the OBBBA's passage (by July 4, 2026) to be eligible for the IRC Section 45X advanced manufacturing tax credit. This accelerated timeline creates uncertainty and can make planned projects economically unfeasible for institutions, removing incentives to pursue larger, wind-focused sustainability projects.

New "Foreign Entity of Concern" Restrictions
The OBBBA introduced or strengthened restrictions on projects with ties to "Foreign Entities of Concern" (FEOCs). These restrictions impact wind and solar power most directly. The OBBBA targets certain identified adversarial nations (China, Russia, Iran, and North Korea) by imposing restrictions on the use of IRA clean energy tax credits for projects started after 2025. These restrictions fall into two categories: (1) those relating to ownership or control by a specified foreign entity, and (2) those relating to "material assistance" from a specified foreign entity.

These new restrictions add complexity and risk for colleges and universities. Institutions must now ensure that their project components and supply chains meet these heightened domestic content and foreign sourcing restrictions to claim the IRA clean energy tax credits, which can be challenging for institutions without large, dedicated legal or sourcing teams.

In addition, with the OBBBA's shortened timelines for project completion, universities with international partnerships will have to rush to comply or disengage with entities in adversarial nations. Some of the uncertainties in these restrictions await clarification in forthcoming Department of the Treasury regulations.

This summary was prepared by ACE's Division of Government Relations and National Engagement in December 2025.

DISCLAIMER This summary does not constitute legal advice. It incorporates and reflects high-level observations based on non-exhaustive research and does not analyze any specific factual scenarios taking into account potentially relevant details. Institutions should examine issues addressed here based on the context and facts of each situation, institutional policies, and on their own counsel's interpretation of relevant law.