



# The Real Estate Roundtable

## Clean Energy Tax Incentives and the One Big Beautiful Bill (OB3) Act

### Energy

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## Summary

On July 4, 2025, President Trump signed the [One Big Beautiful Bill \(OB3\) Act](#) into law. It makes significant changes to energy-related tax benefits pre-dating and modified by the Biden-era Inflation Reduction Act (IRA).

This document summarizes how the OB3 Act treats solar, storage, energy efficiency, and similar projects in commercial and multifamily real estate. A detailed fact sheet on RER's website ([here](#)) provides a deeper analysis of the complex rules regarding tax incentives that may accelerate ROI for energy-related cap ex projects.

## Key Takeaways

Energy-related building investments that begin construction in 2025 and after should consider:

- **Tax credits that start to phase out over the next one to five years** (e.g., the Section 48E “tech neutral” credit for solar generation; the Section 179D deduction and 45L credit for energy efficiency projects; and the 30C credit for EV charging stations);
  - **Tax credits that remain available well into the 2030s** (e.g., Section 48E for energy storage); and
  - **Permanent options for “full expensing” that may accelerate tax write-offs** of energy-related building investments, regardless of Section 48E or other tax credit availability.
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## Background

### Solar Tax Credits for Building-Related Energy Projects

- **“Small Solar” projects generating under 1 MW of electricity:** Can qualify for a 30 percent Section 48E tax credit without needing to satisfy the IRS’s Davis-Bacon wage and Registered Apprenticeship (DB/RA) standards. Further, “Small Solar” can meet relatively straightforward IRS rules to determine the “beginning of construction” date using the so-called “Five Percent Safe Harbor” (see [Notice 2025-42](#)), which is key to 48E tax credit eligibility and expiration.
- **“Low Output” solar projects generating between 1 MW and 1.5 MW:** Must satisfy optional DB/RA rules to reach 30 percent tax credit levels. Easier “beginning of construction” rules are available under the Five Percent Safe Harbor.
- **Solar projects generating greater than 1.5 MW:** Must satisfy optional DB/RA rules for a 30 percent tax credit. More challenging “beginning of construction” rules apply under the “Physical Work” test (i.e., the Five Percent Safe Harbor is not available).
- **Phasedown of the current Section 48E “tech neutral” tax credit for solar and wind projects:** If a solar/wind project **begins construction in 2025**, it must be “placed in service” by the end of 2029. If construction **begins between Jan. 1-July 4, 2026**, the project must be “placed in service” by the end of 2030. If construction **begins on or after July 5, 2026**, the project must be “placed in service” by the end of 2027.
- Available credits may be **transferred to third parties unrelated to the taxpayer**.
- **Complex new “foreign entity of concern” (FEOC) provisions restrict projects from accessing Section 48E tax credits.** New FEOC rules require careful review and analysis. Projects that begin construction on or after Jan. 1, 2026, will **not** be eligible for Section 48E (and other) credits if they receive “material assistance” from a “prohibited foreign entity” (e.g., a Chinese company) that manufactures components like solar cells or batteries.



### Storage and EV Charging Stations

- **The 48E tax credit remains fully available for energy storage projects through 2033.**
- **The amount of 48E credits for a storage project depends on its capacity.** A storage project with a capacity of less than 1 MW is eligible for a 30 percent 48E credit, whereas a capacity of 1 MW or more is eligible for a 30 percent 48E credit if it complies with the DB/RA option. If it does not comply with DB/RA, it is eligible for a 6 percent tax credit.
- **The 30C tax credit for EV charging stations remains available** for property “placed in service” by June 30, 2026.

### Tax Incentives for Building Energy Efficiency Projects

- **The 45L tax credit for new energy-efficient homes:** Only available for homes “acquired” or rental units leased by June 30, 2026.
- **The 179D tax deduction for energy-efficient commercial and larger multifamily new construction and retrofits:** Projects must “begin construction” by June 30, 2026.

### “Full Expensing” for Building-Related Energy Projects

- **Real estate businesses have a choice:** They can “elect” to deduct 100 percent of their business interest expense, or they can use favorable “bonus depreciation” rules to fully expense the costs of building improvements and “write off” all cap ex investments in the year they are placed in service. This “election” can be made on a partnership-by-partnership, or property-by-property, basis.
- **Real estate businesses opting for “full expensing” can write off all eligible energy-related project costs, with or without claiming energy tax credits.** A project may choose to “stack” both 48E credits and opt for bonus depreciation. An owner’s tax basis in qualifying property is reduced by 50 percent of the credit amount, regardless of whether the taxpayer uses bonus depreciation or regular depreciation rules. If the property is later sold, the amount realized that exceeds the property’s cost basis (after being reduced by the credit amount) may be treated as taxable gain.
- **What can be fully expensed:** Solar, energy storage, and EV charging property may be fully expensed. Existing commercial building energy efficiency “retrofit” components can be fully expensed if they meet the tax code’s definition of “Qualified Improvement Property” (QIP)—non-structural, interior improvements to existing, non-residential portions of a commercial building. Residential “retrofit” efficiency components, by definition, are not QIP and are thus not eligible for full expensing.
- **Prevailing wage, apprenticeship, domestic content, and foreign entity restrictions**—which can limit access to clean energy tax credits—do not apply to “full expensing.”