



Insight

Repealing IRA Energy Credits: Senate Proposal

SHUTING POMERLEAU | JUNE 17, 2025

Executive Summary

- The Senate Finance Committee's draft of the reconciliation legislation retains most of the House of Representatives-passed provisions to overhaul the 2022 Inflation Reduction Act's (IRA) energy credits but softens some of the restrictions.
- Like the House's proposal, the Senate's would significantly pare back the IRA energy credits, including a repeal of all clean vehicle credits and residential clean energy and energy efficiency credits, and an elimination of clean electricity credits for wind and solar by 2028.
- The Senate proposal would, however, dial back some of the House proposal's restrictions on baseload energy sources, such as nuclear, geothermal, and hydropower, to allow them easier and extended access to the relevant credits.

Introduction

The Senate Finance Committee's [draft](#) of the reconciliation legislation retains most of the House of Representatives-passed provisions to overhaul the 2022 Inflation Reduction Act's (IRA) energy credits but softens some of the restrictions.

Like the House's proposal, the Senate's would significantly pare back the IRA energy credits, including a repeal of all clean vehicle credits and residential clean energy and energy efficiency credits, and an elimination of clean electricity credits for wind and solar by 2028. Unlike the House, however, the Senate proposal would extend the clean electricity production or investment credits for nuclear, geothermal, and hydropower.

This analysis provides a quick overview of what is included in the Senate proposal and

compares it to the House proposal and current law.

Please see also the American Action Forum's [primer](#) on the IRA energy provisions in current law.

Summary of the Senate Proposal

The Senate Finance Committee would significantly pare back the IRA energy credits, including by repealing all the new, used, and commercial clean vehicle credits, residential clean energy credits, and energy efficiency credits a few months after the enactment of the law. Additionally, it would add restrictions related to Foreign Entities of Concern (FEOC) to many of the energy provisions, which would prohibit taxpayers who are considered FEOC or engage in economic activities with FEOCs from claiming the credits.

The Senate proposal would also remove the emissions target expiration provisions in current law for credits such as the clean electricity production or investment credit. Instead, it proposes to replace them with a fast phaseout for wind and solar energy by 2028 and a slow phaseout for other energy sources such as nuclear, geothermal, and hydropower by 2036. (Table 1)

Like the House, it retains IRA provisions including the clean hydrogen production credit and the carbon oxide sequestration credit.

Major Differences Between the House and the Senate Proposal

These are the major provisions in the Senate proposal compared to the House version:

- **The Senate removes the beginning of construction (BOC) restrictions for the clean electricity credits:** It would eliminate all BOC requirements for utilizing the clean electricity production and investment tax credits. Instead, it would phase out the credits by 2028 for wind and solar, and by 2036 for other technologies.
- **The Senate provides a more favorable treatment for certain energy sources:** It would significantly loosen the House proposal's restrictions on certain energy sources such as hydropower, nuclear, and geothermal (which could serve as baseload energy that runs continuously), and delay the expiration dates of the relevant credits for these energy sources.
- **The Senate specifies the expiration dates for some credits:** The Senate aligns with the House in repealing all the clean vehicle-related credits. But instead of repealing them after 2025 as specified in the House proposal, the Senate proposal would terminate the credits within 90 to 180 days after the enactment of the law.

- **The Senate repeals wind and solar credits but provides them with a phaseout:** The Senate Finance Committee retains the House’s proposal to repeal wind and solar credits much sooner than those for other technologies. It would, however, provide wind and solar with a transitional period of phasing out clean electricity production and investment credits for them by 2028.
- **The Senate delays the phaseout schedule for critical minerals:** The Senate delays the complete phaseout of the advanced manufacturing production credit for critical minerals from after 2031 in the House proposal to after 2033.

Looking Forward

The final Senate proposal may include changes to the Senate Finance Committee’s proposal in the repeal of IRA’s energy credits pending lawmakers’ discussions and negotiations. Regardless of whether the potential changes would further restrict or soften the committee’s proposal, lawmakers are making progress toward repealing the IRA energy credits and using the raised revenue to fund the reconciliation legislation.

Table 1. Repeal of Inflation Reduction Act’s Energy Credits: Current Law, House Proposal, and Senate Finance Committee Proposal

(Expiration Dates, Exceptions, and Special Rules)

IRA Energy Credits	Current Law	House Version	Senate Finance Committee Version
Clean vehicle credit	December 31, 2032	Placed in service after December 31, 2026 Limits the number of covered vehicles sold per manufacturer to 200,000 from 2010-2025	Terminates the credit for vehicles acquired more than 180 days after enactment
Used clean vehicle credit	December 31, 2032	Acquired after December 31, 2025	Terminates the credit for vehicles acquired more than 90 days after enactment

Commercial clean vehicle credit	December 31, 2032	Acquired after December 31, 2025, except for certain vehicles placed in service before January 1, 2033	Terminates the credit for vehicles acquired more than 180 days after enactment Vehicles with a gross weight rating of less than 14,000 pounds are subject to certain limitations
Alternative fuel vehicle refueling property credit	December 31, 2032	Placed in service after December 31, 2025	Placed in service after the date which is 12 months after enactment
Energy efficient home improvement credit	December 31, 2032	Placed in service after December 31, 2025	Placed in service after the date which is 180 days after enactment
Residential clean energy credit	December 31, 2034	Placed in service after December 31, 2025	Placed in service after the date which is 180 days after enactment
New energy efficient home credit	December 31, 2032	Acquired after December 31, 2025, except for the construction of qualified homes began before May 12, 2025	Placed in service after the date which is 12 months after enactment
Clean hydrogen production credit	Qualified facilities constructed before December 31, 2032 (credits available for the first 10 years of service)	With a Beginning of Construction (BOC) after December 31, 2025	The same as the House proposal

<p>Clean electricity production credit</p>	<p>Will begin to phase out after the later of 2032, or when the United States meets the electricity sector’s emissions reduction goal</p>	<p>With a BOC after 60 days from the date of enactment</p> <p>With a BOC within 60 days from the date of enactment but placed in service after December 31, 2028</p> <p>Advanced nuclear facilities are eligible if they have a BOC before the end of 2028</p> <p>Eliminates eligibility for leased property</p> <p>Keeps the transferability feature until the credit expires</p> <p>Adds restrictions related to foreign entities of concerns (FEOC)</p>	<p>For wind or solar, the credit starts phasing out in 2026 at 60 percent, 20 percent in 2027, and is completely repealed by 2028</p> <p>Denies the credit for wind and solar leasing to residential customers</p> <p>For all other qualified technologies, including hydropower, nuclear, and geothermal, the credit starts phasing out in 2034 at 75 percent, 50 percent in 2035, and is repealed in 2036</p> <p>Retains the House proposal’s FEOC restrictions</p>
<p>Clean electricity investment credit</p>	<p>Will begin to phase out after the later of 2032, or when the United States meets the electricity sector’s emissions reduction goal</p>	<p>With a BOC after 60 days from the date of enactment</p> <p>With a BOC within 60 days from the date of enactment but placed in service after December 31, 2028</p> <p>Keeps the transferability feature until the credit expires</p> <p>Adds FEOC restrictions</p> <p>Eliminates eligibility for leased property</p>	<p>For wind or solar, the credit starts phasing out in 2026 at 60 percent, and down to 20 percent in 2027, and is completely repealed by 2028</p> <p>Denies the credit for wind and solar leasing to residential customers</p> <p>For all other qualified technologies, including hydropower, nuclear, and geothermal, the credit starts phasing out in 2034 at 75 percent, 50 percent in 2035, and is repealed in 2036</p> <p>Retains the House proposal’s FEOC restrictions</p>

<p>Modification (including removing transferability) of clean fuel production credit</p> <p>(Note: This is the only credit the bill would expand)</p>	<p>Fuels sold after December 31, 2027</p>	<p>Sold after December 31, 2031</p> <p>Keeps the transferability feature until December 31, 2027</p> <p>Requires feedstock used to produce the qualified fuel to come from the United States, Mexico, or Canada</p> <p>Adds FEOC restrictions</p>	<p>Expires for fuels sold after December 31, 2031</p> <p>A 20-percent reduction in the credit value for fuel produced from feedstocks produced or grown outside the United States</p> <p>Retains the House proposal's FEOC restrictions</p>
<p>Carbon oxide sequestration credit</p>	<p>Construction of the equipment must start by the end of 2032 (a 12-year credit is available after a facility is in service)</p>	<p>No proposed changes to the expiration date</p> <p>Repeals the transferability feature for two years after enactment before complete elimination</p> <p>Adds FEOC restrictions</p>	<p>No proposed changes to the House proposal's expiration date</p> <p>Retains the House proposal's FEOC restrictions</p>
<p>Zero-emission nuclear power production credit</p>	<p>December 31, 2032</p>	<p>Repeal after December 31, 2031</p> <p>Transferability unchanged</p> <p>Adds FEOC restrictions</p>	<p>No proposed changes to the House proposal's expiration date</p> <p>Retains the House proposal's FEOC restrictions</p>

<p>Advanced manufacturing production credit</p>	<p>The credit for critical minerals is permanent; starts to phase out in 2030 with a reduction of 25 percent annually over four years</p>	<p>The credit for all qualified products, including critical minerals, expires after December 31, 2031</p> <p>Adds a phaseout schedule starting at 75 percent in 2030, 50 percent in 2031, and is repealed after 2031</p> <p>Wind energy components sold after December 31, 2027, are not qualified</p> <p>Keeps the transferability feature until December 31, 2027</p> <p>Adds FEOC restrictions</p>	<p>Delays the House proposal’s phase out schedule for critical minerals, it starts to phase out at 75 percent in 2031, 50 percent in 2032, 25 percent in 2033, and eliminates the credit in 2034</p> <p>Retains the same expiration date for wind components as the House proposal</p> <p>For all other eligible components, retains the same phase out schedule as stated in current law</p> <p>Retains the House proposal’s FEOC restrictions</p>
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Source: Joint Committee on Taxation, *Evaluating the IRA’s Clean Energy Tax Provisions*, *Holland & Knight, Senate proposal*, *Tax Foundation*, and author’s analysis.