Modest Adjustments to House Ways & Means Committee Budget Draft for Reconciliation Will Strengthen U.S. Energy Dominance, Lower Energy Costs, Protect Small Businesses and Jobs, and Empower Homeowners

America benefits from a broad-based, strategic energy industrial policy. One aspect of this policy, initiated by the Energy Policy Act of 2005 during the Bush Administration, harnesses the country's abundant renewable energy resources to bolster national security, stimulate economic growth, and reduce dependence on foreign energy sources, while also lowering household electric bills and providing well-paying jobs for millions of Americans. Proposed revisions in the House Ways and Means Committee budget draft ("the W&M Bill") will, however, undermine these benefits. This note suggests four (4) modest changes with minor budgetary impacts that keep the bill's larger focus intact but eliminate some of the collateral damage it imposes for working families.

1. Preserving Section 25D Residential Energy Credit

The Section 25D tax credit enables homeowners to invest in solar energy among other resources, reducing their energy costs and promoting energy independence. Without this credit they can only lease solar systems from third party providers who have access to the Section 48E credits that persists past 2030 in the current bill draft. This imposes an unfair choice on homeowners who simply want to own their solar energy systems. Meanwhile, eliminating this credit disproportionately impacts small, independent solar installation businesses that rely on residential projects for their livelihood, and sticks struggling households with ever rising energy bills. These businesses are integral to local economies, providing jobs and services that cannot be outsourced.

Further, eliminating the 25D credit saves only $12.5 billion over the 2025-2028 period according to the Joint Committee on Taxation. This modest savings comes at the expense of well over 100,000 construction jobs. Retaining Section 25D supports the growth of a skilled workforce in trades like roofing and electrical work, which are foundational to America's industrial base. Additionally, homeowners who install rooftop solar contribute to grid reliability by reducing peak demand and building decentralized energy resilience—a critical advantage in the face of extreme weather and grid vulnerabilities. In short, abruptly and unfairly ending Section 25D credits for homeowners while maintaining the 48E credits that support businesses owning these same systems on homeowner roofs eliminates customer choice, destroys construction jobs, and has very modest budget savings.

Recommendation: *Make Section 25D credits available on the same schedule as Section 48E credits so that homeowners have a choice between owning and renting their solar and battery systems.*

2. Matching Transferability and 48E Investment Tax Credit Phase Out Schedules

The ability to "transfer" (*i.e.*, sell) credits under Section 45E makes more investment capital available to fund energy projects. The transferability mechanism is particularly beneficial for small and medium-sized enterprises with lesser tax liability. Removing the flexibility to sell credits would skew benefits toward large firms that already have numerous mechanisms to manage their US tax obligations and hinder the

entrepreneurial activity that drives innovation and regional economic development. Keeping this market-based tool in place as long as 48E credits are available supports a competitive, diverse clean energy ecosystem and ensures that businesses of all sizes are able to benefit from energy tax policy.

Recommendation: *Match the timeline for transferability of 48E credits to the availability of the credit rather than ending it early.*

3. Write Foreign Entity of Concern (FEOC) Provisions to Ensure National Security without Disrupting Domestic Supply Chains

Premature implementation of FEOC provisions will disrupt existing supply chains and delay deployment of critical energy infrastructure. Introducing FEOC now, after investments in the domestic manufacturing base have been made but before they've had time to scale, will stall the reshoring initiative at the core of U.S. energy industrial policy. Moreover, the current FEOC language lacks clarity, creating compliance uncertainty for American manufacturers and developers alike. Postponing implementation until after the applicable tax credits expire, and rewriting the language for precision and enforceability, will ensure both national security and industrial momentum are preserved.

Recommendation: *Simplify FEOC rules and implement on a timeline that avoids supply chain disruption.*

4. Use the Existing "Begin-Construction" Standard for Tax Credit Eligibility

The "begin construction" standard for energy tax credit eligibility has been in place for decades. This familiar approach offers the predictability that enables developers to proceed with long-lead-time infrastructure projects. Shifting to a "placed in service" requirement eliminates this predictability and introduces unnecessary risk to projects that face uncontrollable delays, such as permitting hurdles or equipment shortages. Without the begin-construction standard, developers will stop pursuing larger projects given their unknowable timelines, thus threatening job creation and investment. This change also disrupts the financial modeling and contract structures that investors rely on to fund clean energy development. Reaffirming the "begin construction" rule aligns with existing federal energy policy and serves as a reliable industrial blueprint, not a moving target.

Recommendation: *Return to "Begin Construction" rather than introducing the new "Placed-in-Service" standard.*

The U.S. currently has a comprehensive energy industrial strategy that leverages all of America's energy resources including renewables to enhance national security and promote economic prosperity. These proposed tweaks to the W&M Bill are essential to achieving these goals.

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