

# IRA Tax Credit Repeal in the FY2025 Reconciliation Law: Part 1

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Since the enactment of the [FY2025 reconciliation law](#), commonly known as the One Big Beautiful Bill Act (OBBBA), policymakers have expressed interest in the status of energy tax provisions enacted or modified in P.L. 117-169, the Inflation Reduction Act of 2022 (IRA). The IRA enacted or expanded [20 tax credits and 2 additional tax provisions](#) subsidizing clean energy production and increased energy efficiency.

This *Insight* describes the OBBBA's changes to IRA tax credits for clean electricity generation and clean energy parts manufacturing. CRS Insight IN12625, *IRA Tax Credit Repeal in the FY2025 Reconciliation Law: Part 2*, will address the OBBBA's changes to IRA tax credits for electric vehicles, building energy use, and clean fuel production. For additional details on these OBBBA reforms, see Table 5 in CRS Report R48611, *Tax Provisions in P.L. 119-21, the FY2025 Reconciliation Law*.

## Clean or Renewable Electricity Generation

Prior to the enactment of the IRA, the two largest tax credits for renewable electricity generation were the Production Tax Credit (PTC) and the Investment Tax Credit (ITC). The pre-IRA PTC provided [1.3-2.5 cents](#) per kilowatt-hour of electricity generated by renewable power plants beginning construction before 2022. The ITC subsidized 30% of the capital investment costs of building renewable power plants beginning construction before 2024. The IRA extended both of these “beginning of construction” deadlines to January 1, 2025, made additional technologies eligible for the credits, and added “bonus amounts” that made the credits more generous.

The IRA created two broadly similar successor credits, the Clean Electricity Production Tax Credit (CEPTC) and the Clean Electricity Investment Tax Credit (CEITC) for power plants beginning to produce electricity in 2025 or later years. All forms of [zero-emissions electricity](#), including [nuclear power](#) and [most renewables](#), were eligible for the credits. The IRA also created the [Zero-Emission Nuclear Power Production Credit](#), which subsidized electricity production from nuclear facilities that existed prior to the passage of the IRA.

Finally, the IRA expanded the preexisting [Credit for Carbon Oxide Sequestration](#), which may be claimed by power plant owners, industrial producers, and other businesses that capture their carbon oxide

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emissions and either sequester or reuse them. Eligible carbon oxides include carbon dioxide and carbon monoxide.

The OBBBA made no significant changes to the PTC or the ITC. Renewable energy facilities, including wind and solar facilities, remain eligible for these credits if they began construction before 2025. Because there is often a multiyear lag between when facilities begin construction and when they start producing electricity—with facility owners being able to receive their credits on the latter date—many firms will continue to claim the PTC and the ITC in the coming years.

The OBBBA more substantially restricted the CEPTC and the CEITC. The OBBBA required qualifying wind and solar facilities to either begin construction before July 5, 2026, or begin producing electricity before January 1, 2028. Other zero-emissions electricity facilities are required to begin construction before 2033 to receive full tax credits, and all credit recipients are subject to [various “foreign entity” \(FE\) restrictions](#).

The OBBBA also applied FE restrictions to the Zero-Emission Nuclear Power Production Credit and the Credit for Carbon Oxide Sequestration. In addition, the OBBBA increased credit amounts roughly 40% for reused carbon oxides claimed under the latter credit.

**Table 1** compares [May 2023 cost estimates](#) from the Joint Committee on Taxation (JCT) for repealing the IRA with the JCT’s [July 2025 cost estimates](#) for the OBBBA. While this comparison is imperfect due to changes in the JCT’s methodology, data, and/or assumptions—in particular, the savings from the OBBBA’s CEITC restrictions cannot be greater than the savings from repealing the CEITC—the table makes the general point that the OBBBA repealed a substantial portion of IRA tax credit spending on two particular electricity-related credits, the CEPTC and the CEITC.

**Table 1. Projected Fiscal Savings for Modifications to IRA Provisions, 2023 and 2025**  
Billions of Dollars, FY2026-FY2033

	<i>IRA Repeal (May 2023)</i>	<i>OBBBA Modifications (July 2025, As Enacted)</i>
Production Tax Credit <sup>a</sup>	\$78.0	\$0.0
Investment Tax Credit <sup>a</sup>	\$27.9	\$0.0
Clean Electricity Production Tax Credit	\$25.2	\$15.5
Clean Electricity Investment Tax Credit	\$90.5	\$136.7
Zero-Emission Nuclear Power Production Credit	\$24.9	\$0.0
Credit for Carbon Oxide Sequestration <sup>a</sup>	\$27.6	-\$10.9 <sup>b</sup>
Modified Cost Recovery Periods (Timing of Deductions) <sup>a</sup>	\$0.6	\$0.3

**Source:** Joint Committee on Taxation, JCX-35-25 and JCX-7-23, and *Tax Notes*, Doc 2023-15856.

**Notes:** All tax provisions in this table were enacted or expanded in the Inflation Reduction Act of 2022.

- a. The estimate in the “IRA Repeal” column only includes repeal of the IRA portion of this credit or deduction.
- b. A negative value implies an increase in the fiscal deficit (i.e., higher spending or lower revenues).

c.

## Clean Energy Parts Manufacturing and Industrial Processes

The IRA modified or enacted two tax credits for industrial processes and the manufacturing of clean energy parts. (As noted above, the Credit for Carbon Oxide Sequestration may also be claimed by industrial producers, though it is more often claimed by [electricity providers](#).)

The IRA provided \$10 billion of new funding for the [Qualifying Advanced Energy Project Credit \(QAEPC\)](#). The QAEPC allows [qualifying firms](#) to recoup 30% of the capital investment costs associated with capturing industrial greenhouse gas emissions, producing critical minerals, or manufacturing clean energy parts. All \$10 billion of IRA funding had been awarded to qualifying firms as of January 2025. The OBBBA stated that if firms have their tax credits revoked due to noncompliance with QAEPC requirements, the federal government cannot re-disburse the revoked credits to new recipients (as was allowed under prior law). The JCT [projects](#) that the OBBBA will not affect QAEPC expenditures.

The IRA enacted the Advanced Manufacturing Production Credit, which subsidizes the production of solar energy components, wind energy components, battery components, inverters, and critical minerals. The OBBBA: (1) phases out the credits for wind energy components and critical minerals more quickly than under prior law; (2) makes metallurgical coal producers eligible for a tax credit equivalent to 2.5% of their production costs; (3) restricts the ability of eligible components integrated into other eligible components to qualify for the credit multiple times; and (4) applies FE restrictions to tax credit recipients. The JCT [projects](#) that the OBBBA will reduce the credit's federal expenditures by \$48.8 billion between FY2026 and FY2033. The JCT [estimated in May 2023](#) that outright repeal of the credit would reduce federal expenditures by \$100.8 billion, suggesting that the credit's costs will fall by about half as a result of the OBBBA.

## Author Information

Nicholas E. Buffie  
Analyst in Public Finance

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