

# IRA Tax Credit Repeal in the FY2025 Reconciliation Law: Part 2

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This *Insight* is the second in a two-part series (see CRS Insight IN12624, *IRA Tax Credit Repeal in the FY2025 Reconciliation Law: Part 1*) on how the [FY2025 reconciliation law](#), commonly known as the One Big Beautiful Bill Act (OBBBA), reforms energy-related tax provisions originally enacted or expanded in P.L. 117-169, the Inflation Reduction Act of 2022 (IRA). This *Insight* addresses changes to IRA tax credits for electric vehicles, building energy use, and clean fuel production.

## Electric Vehicles

The OBBBA repealed three electric vehicle (EV) tax credits originally enacted or expanded in the IRA, as described in [Table 1](#).

**Table 1. Federal Electric Vehicle Tax Credits Repealed in the OBBBA**

	Recipients	Qualifying Vehicles <sup>a</sup>	Credit Value	Number of Recipients (2023)	Fiscal Savings from Repeal <sup>b</sup>
Clean Vehicle Credit	Individuals	New EVs	Maximum Value: \$7,500 Average Value (2023): \$6,709	487,990	\$77.8 Billion
Used Clean Vehicle Credit	Individuals	Used EVs	Maximum Value: \$4,000 Average Value (2023): \$3,392	28,180	\$7.4 Billion
Credit for Qualified Commercial Clean Vehicles	Businesses and Tax-Exempt Entities	New EVs	Maximum Value, Light-Duty Vehicles: \$7,500 Maximum Value, Heavy-Duty Vehicles: \$40,000	Data not currently available	\$104.5 Billion

**Source:** CRS In Focus IFI2600, *Clean Vehicle Tax Credits*; Internal Revenue Service, *SOI Tax Stats - Clean Energy Tax Credit Statistics*, January 16, 2025, <https://www.irs.gov/statistics/soi-tax-stats-clean-energy-tax-credit-statistics>; and Joint Committee on Taxation, JCX-35-25.

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**Notes:**

- a. Qualifying EVs included all-electric vehicles, plug-in hybrids, and fuel cell vehicles.
- b. Savings for FY2026-FY2034.

The OBBBA terminated these credits for vehicles acquired after September 30, 2025. In August, the IRS [announced](#) that it would interpret the term “acquired” to mean “paid for,” such that if an individual purchases an EV before October 1<sup>st</sup>, then takes possession of the vehicle at a later date, that individual will be eligible for a tax credit.

The OBBBA also repealed the Alternative Fuel Vehicle Refueling Property Credit (AFVRPC). Prior to the enactment of the IRA, the AFVRPC subsidized 30% of the costs of installing refueling equipment for alternative fuel vehicles, with a maximum credit of \$30,000 for businesses and \$1,000 for individuals; the credit originally expired at the end of 2021. The IRA reinstated the AFVRPC through 2032, made EV charging equipment eligible for the credit, and increased the maximum business credit to \$100,000. The OBBBA terminated the AFVRPC for property placed in service after June 2026. The Joint Committee on Taxation (JCT) [projects](#) that repealing the credit will increase federal revenues by \$2.0 billion during fiscal years 2026-2034.

## Residential and Commercial Building Energy Use

The OBBBA repealed three tax credits and one tax deduction for building energy use that were previously modified by the IRA. The three credits previously expired at the end of 2021 and were reinstated by the IRA in 2022.

The [Residential Clean Energy Credit \(RCEC\)](#) subsidizes 30% of the costs that individuals bear for purchasing, assembling, and installing solar electric panels, geothermal heat pumps, and other renewable energy equipment at their residences. The IRA originally extended the credit through 2034, but the OBBBA repealed the RCEC for [all equipment completing installation](#) after December 31, 2025.

The [Energy Efficient Home Improvement Credit \(EEHIC\)](#) subsidizes 30% of the costs of purchasing and installing energy-efficient equipment at their homes. Annual credit amounts are limited to \$3,200 per taxpayer and generally to \$600 per item, with some exceptions. The EEHIC was increased to its current amounts and extended through 2032 by the IRA. The EEHIC’s repeal in the OBBBA is worded somewhat ambiguously, but [appears to indicate](#) that property placed in service after 2025 will be ineligible for the credit.

Contractors may claim the [Credit for Construction of Energy-Efficient New Homes \(CCEENH\)](#) for building and selling new energy-efficient homes. The IRA increased the credit’s maximum value from \$2,000 to \$5,000 per home and changed the credit’s expiration year to 2032. The OBBBA terminated the CCEENH for homes acquired after June 30, 2026.

Finally, the OBBBA terminates the [Energy Efficient Commercial Buildings Deduction \(EECBD\)](#) for property beginning construction after June 30, 2026. The EECBD allows businesses to deduct the costs of purchasing and installing energy-efficient equipment more quickly than they otherwise would under normal tax rules. The IRA made the deduction more generous, although it had [low take-up](#).

The JCT [projects](#) that, through the end of FY2034, federal deficits will be reduced by \$77.4 billion due to repeal of the RCEC, \$21.2 billion due to repeal of the EEHIC, \$5.4 billion due to repeal of the CCEENH, and \$134 million due to repeal of the EECBD.

## Clean Fuel Production

Prior to the enactment of the IRA, there were separate federal tax credits for biodiesel, biodiesel mixtures, agri-biodiesel, renewable diesel, second-generation biofuel, mid-level ethanol blends, alternative fuels, and alternative fuels mixtures. The IRA added a tax credit for sustainable aviation fuel (SAF), then scheduled the SAF credit and all other fuel credits to expire at the end of 2024. The IRA consolidated these provisions into a single tax credit, the Clean Fuel Production Credit (CFPC), starting in 2025. CFPC amounts scale up or down according to a fuel's global warming potential, but had maximum values of \$1 per gallon for highway vehicle fuel and \$1.75 per gallon for aviation fuel.

The OBBBA reinstated the small agri-biodiesel producer credit between July 2025 and December 2026. The OBBBA doubled the credit's value from 10 to 20 cents per gallon; made the credit [transferable](#); and allowed credit recipients to claim the CFPC for the same fuel.

The OBBBA also made a number of reforms to the CFPC. Three of the most consequential reforms were:

- Reducing the maximum credit from \$1.75 to \$1.00 per gallon for aviation fuel;
- Extending the CFPC through the end of 2029, when previously it was scheduled to expire at the end of 2027; and
- Prohibiting indirect land use changes from being considered in fuels' lifecycle greenhouse gas emissions, thereby potentially raising emissions in the agricultural sector.

The JCT [projects](#) that the changes to the two tax credits described above will increase the federal deficit by \$25.7 billion between FY2025 and FY2034.

Finally, the IRA enacted the [Clean Hydrogen Production Credit \(CHPC\)](#). The CHPC has staggered values based on the hydrogen's lifecycle greenhouse gas emissions, and reaches a maximum of \$3.11 per kilogram in 2024 dollars. The OBBBA requires qualifying hydrogen facilities to begin construction before 2028, whereas prior law required facilities to begin construction before 2033. The JCT [projects](#) that this change will reduce federal tax expenditures by \$5.9 billion through FY2034.

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