# What's changed with Elective Pay?

Here's a quick look at the key changes to select Elective Pay-eligible federal clean energy tax credits following the passage of H.R. 1 on July 4, 2025.

| Type of project (Tax credit) | Deadline<br>**Indicates shorter timeline following H.R. 1 passage* | How to *act now* |
|---|---|---|
| **Solar & Wind (Sec. 48E**)** | 12/31/27* | **Place in service!** If project began construction after 7/4/2026, it must be in service by 12/31/27. |
| **Geothermal heat pumps (Sec. 48)** | 12/31/34 | **Plan ahead!** Start construction by the end of 2034 to claim this credit. |
| **Energy storage (Sec. 48E**)** | 12/31/35 | **Plan ahead!** Start construction by the end of 2035 to claim this credit. |

## **Prohibited Foreign Entity rules

These projects must comply with **new regulations created by H.R. 1.** Projects involving components made by companies with ties to China, Russia, Iran, and North Korea may be **ineligible to claim federal tax credits if:**

- The entity claiming the credit is a Prohibited Foreign Entity
- The taxpayer makes payments to entities that are considered Prohibited Foreign Entities
- A certain percentage of manufactured products used in the project are made by Prohibited Foreign Entities

***Projects claiming Sec. 48E that started construction before 1/1/26 – and geothermal heat pumps – do not have to comply with these new rules.***

MICHIGAN INFRASTRUCTURE OFFICE