

Part III – Administrative, Procedural, and Miscellaneous

Guidance to Apply Interim Safe Harbors for Purposes of Determining a Taxpayer’s Material Assistance from a Prohibited Foreign Entity; Other Prohibited Foreign Entity Guidance

Notice 2026-15

SECTION 1. PURPOSE

This notice describes interim guidance regarding restrictions to certain energy credits under the Internal Revenue Code (Code),¹ with respect to status as, and sourcing from, a prohibited foreign entity (PFE). These restrictions were enacted by Public Law 119-21, 139 Stat. 72 (July 4, 2025), commonly known as the One, Big, Beautiful Bill Act (OBBBA). Section 3 of this notice describes rules addressing material assistance from a PFE that the Department of the Treasury (Treasury Department) and the Internal Revenue Service (IRS) intend to include in proposed regulations (forthcoming proposed regulations). Section 4 of this notice describes interim safe harbor guidance under §§ 45X, 45Y, and 48E for determining a qualified facility’s, energy storage technology’s (EST), or eligible component’s material assistance cost ratio (MACR) for purposes of determining whether there was material assistance from a PFE. Section 5 of this notice addresses certain PFE restrictions that the Treasury Department and the IRS intend to include in the forthcoming proposed regulations. Sections 6, 7, and 8 of this notice, respectively, provides a glossary of certain defined terms; a request for comments; and

¹ Unless otherwise specified, all “section” or “§” references are to sections of the Code or the Income Tax Regulations (26 CFR part 1).

guidance on substantiation and the ability of taxpayers to rely on the guidance provided in sections 3 through 5 of this notice. The Treasury Department and the IRS intend to issue more comprehensive proposed regulations and other guidance with respect to the definitions of a PFE and material assistance from a PFE.

SECTION 2. BACKGROUND

.01 Overview of §§ 45Y, 48E, and 45X and OBBBA Amendments Related to PFEs.

Sections 45Y, 48E, and 45X were added to the Code by §§ 13701(a), 13702(a), and 13502(a), respectively, of Public Law 117-169, 136 Stat. 1818, 1971-1997 (August 16, 2022), commonly known as the Inflation Reduction Act of 2022 (IRA). Sections 70512(b)(1), 70513(b)(1), and 70514(c)(1) of the OBBBA added new §§ 45Y(b)(1)(E);² 48E(b)(6)³ and (c)(3); and 45X(c)(1)(C), respectively, to the Code to provide that the terms qualified facility, EST, and eligible component do not include items that include material assistance from a PFE.⁴ The OBBBA also amended § 7701 to add the definitions of the terms “prohibited foreign entity” and “material assistance from a prohibited foreign entity.”⁵ In addition, the OBBBA created § 6695B and amended §§ 45Q, 45U, 45X, 45Y, 45Z, 48E, 50, 139L, 6417, 6418, 6501, and 6662 to add provisions relating to PFEs.⁶

(1) Section 45Y: Clean Electricity Production Credit

² There are two § 45Y(b)(1)(E) in the Code. All references in this notice to § 45Y(b)(1)(E) are to the subparagraph titled, “Material Assistance from Prohibited Foreign Entities.”

³ OBBBA § 70513(b)(1)(A) also redesignated former § 48E(b)(6) as § 48E(b)(7).

⁴ Consistent with the usage in § 7701(a)(52), this notice uses the terms qualified facility, qualified interconnection property, energy storage technology, and eligible component throughout to mean items that are within the definitions of those terms without regard to whether the “material assistance from a PFE” rules are satisfied.

⁵ See OBBBA § 70512(c).

⁶ See OBBBA §§ 70512(k)-(l); 70522(a), (d); 70510(a)-(b); 70514(c)(2) and (f); 70512(b)(2), (l); 70521(k); 70513(b)(2), (g); 70513(b)(3)(A)(ii), (g); 70435(a)-(c); 70512(j)(2), (l); 70512(h), (l); 70512(i), (l); and 70512(j)(1), (l).

Section 45Y(a)(1) provides a production credit for kilowatt hours of electricity produced by the taxpayer at a qualified facility and either (1) sold by the taxpayer to an unrelated party during the taxable year or, (2) in the case of a qualified facility equipped with a metering device which is owned or operated by an unrelated person, sold, consumed, or stored by the taxpayer during the taxable year.

Section 45Y(b)(1)(A) generally defines the term “qualified facility” for purposes of § 45Y as a facility which is used for the generation of electricity, which is placed in service after December 31, 2024, and for which the greenhouse gas emissions rate is not greater than zero.

Section 45Y(b)(1)(C) provides that a qualified facility includes a new unit or additions of capacity placed in service after December 31, 2024, in connection with an existing facility used for the generation of electricity with a greenhouse gas emissions rate not greater than zero, which was placed in service before January 1, 2025, but only to the extent of the increased amount of electricity produced at the facility by reason of such new unit or additions of capacity (Incremental Production Rule).

Section 45Y(b)(1)(E), as added by the OBBBA, provides that a qualified facility does not include any facility for which construction begins after December 31, 2025, if the construction of such facility includes any material assistance from a PFE (as defined in § 7701(a)(52)).

Sections 1.45Y-4(d)(1) provides that a facility may qualify as originally placed in service even if it contains some used components of property within the unit of qualified facility, provided the fair market value of the used components of the unit of qualified facility is not more than 20 percent of the total value of the unit of qualified facility (80/20

Rule). The total value of the unit of qualified facility includes the cost of the new components of property plus the fair market value of the used components of property within the unit of qualified facility.

(2) Section 48E: Clean Electricity Investment Credit

Section 48E provides an investment credit for any taxable year in which a qualified investment is made with respect to any qualified facility and any EST under § 48E, determined as a percentage of the qualified investment in any qualified facility and any EST.

Sections 48E(b)(1)(A) and (B) provide that a taxpayer's qualified investment with respect to a qualified facility is the sum of the basis of any qualified property placed in service by the taxpayer during the taxable year, which is part of the qualified facility, plus the amount of expenditures that are paid or incurred by the taxpayer for qualified interconnection property, properly chargeable to the capital account of the taxpayer, in connection with a qualified facility that has a maximum net output of not greater than 5 megawatts (as measured in alternating current) and is placed in service during the taxable year.

Section 48E(b)(3)(A) defines the term "qualified facility" for purposes of § 48E as a facility which is used for the generation of electricity, which is placed in service after December 31, 2024, and for which the anticipated greenhouse gas emissions rate is not greater than zero.

Sections 48E(b)(3)(B)(i) provides that rules similar to the rules of § 45Y(b)(1)(C) (regarding the Incremental Production Rule) apply for purposes of § 48E(b)(3). Section 1.48E-4(c)(1) provides that a retrofitted qualified facility or EST may qualify as originally placed in service even if it contains some used components of property within the unit of

qualified facility or unit of EST, provided the fair market value of the used components of the unit of qualified facility or unit of EST is not more than 20 percent of the total value of the unit of qualified facility (that is, the 80/20 Rule).

Section 48E(c)(2) defines the term “energy storage technology” by reference to § 48(c)(6), excepting the application of § 48(c)(6)(D) (regarding a beginning of construction limitation). Section 48(c)(6) defines energy storage technology as, in general, property (other than property primarily used in the transportation of goods or individuals and not for the production of electricity) that receives, stores, and delivers energy for conversion to electricity (or, in the case of hydrogen, which stores energy), and has a nameplate capacity of not less than 5 kilowatt hours, and thermal energy storage property.⁷

Section 48E(b)(2) provides that the term “qualified property” means property which is tangible personal property, or other tangible property (not including a building or its structural components), but only if such property is used as an integral part of the qualified facility; with respect to which depreciation (or amortization in lieu of depreciation) is allowable; and the construction, reconstruction, or erection of which is completed by the taxpayer, or which is acquired by the taxpayer, provided the original use of such property commences with the taxpayer.

Section 48E(b)(4) defines the term “qualified interconnection property” by reference to § 48(a)(8)(B) to mean any tangible property which is part of an addition, modification, or upgrade to a transmission or distribution system which is required at or beyond the point at which the qualified facility interconnects to such transmission or distribution

⁷ Section 48(c)(6)(B) and (C) also define energy storage technology in the case of modifications of certain property and thermal energy storage property.

system in order to accommodate such interconnection; is either constructed, reconstructed, or erected by the taxpayer or the cost with respect to the construction, reconstruction, or erection of which is paid or incurred by such taxpayer; and the original use of which, pursuant to an interconnection agreement, commences with a utility. Section 1.48E-4(a)(2) provides that qualified interconnection property is not part of a qualified facility.

Section 48E(b)(6), as added by the OBBBA, provides that qualified facility and qualified interconnection property do not include any facility or property the construction, reconstruction, or erection of which begins after December 31, 2025, if the construction, reconstruction, or erection of such facility or property includes any material assistance from a PFE (as defined in § 7701(a)(52)).

Section 48E(c)(3), as added by the OBBBA, provides that energy storage technology does not include any property the construction of which begins after December 31, 2025, if the construction of such property includes any material assistance from a PFE (as defined in § 7701(a)(52)).

(3) Section 45X: Advanced Manufacturing Production Credit

Section 45X provides a production credit for eligible components produced and sold by a taxpayer to an unrelated party, as determined under § 45X(b)(1) for the different eligible components. Section 45X(c)(1)(A) defines the term “eligible component” to mean any solar energy component, any wind energy component, any inverter described in § 45X(c)(2)(B) through (G), any qualifying battery component, and any applicable critical mineral. Section 1.45X-3 and 1.45X-4 define eligible components for purposes of § 45X.

Section 45X(c)(1)(C), as added by the OBBBA, provides that for taxable years

beginning after July 4, 2025, the date of the OBBBA's enactment, the term "eligible component" does not include any property which includes any material assistance from a PFE (as defined in § 7701(a)(52), as applied by substituting "used in a product sold before January 1, 2027" for "used in a product sold before January 1, 2030" in § 7701(a)(52)(D)(iv)(II)(bb) (relating to existing, binding written contracts)).

.02 Overview of § 7701: Definitions.

Section 7701 was enacted as part of the Internal Revenue Code of 1954, Public Law 83-591, Ch. 736, 68A Stat. 3, 911 (Aug. 16, 1954), and provides definitions for terms used in the Code. Section 70512(c) of the OBBBA added new §§ 7701(a)(51) and (52) to the Code.

(1) Section 7701(a)(51): Prohibited Foreign Entity.

Section 7701(a)(51) includes detailed rules defining a PFE. Section 7701(a)(51)(A) defines PFE as a specified foreign entity or a foreign-influenced entity.

Section 7701(a)(51)(B) provides that for purposes of the PFE restrictions, the term "specified foreign entity" means (i) a foreign entity of concern described in subparagraph (A), (B), (D), or (E) of section 9901(8) of the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021 (Public Law 116-283; 15 U.S.C. 4651) (2021 NDAA),⁸ (ii) an entity identified as a Chinese military company operating in the United States in accordance with section 1260H of the 2021 NDAA (10 U.S.C. 113 note), (iii) an entity included on a list required by clause (i), (ii), (iv), or (v) of section

⁸ As enacted, § 9901(6) of the 2021 NDAA defined the term "foreign entity of concern." Section 103(a)(2) of the CHIPS Act of 2022, Public Law 117-167, 136 Stat. 1366, 1379 (August 9, 2022), amended the 2021 NDAA by redesignating § 9901(6) as § 9901(8). Accordingly, the Treasury Department and the IRS interpret § 7701(a)(51)(B)(i)'s reference to § 9901(8) of the 2021 NDAA to be to the 2021 NDAA as amended by the CHIPS Act of 2022.

2(d)(2)(B) of Public Law 117-78 (135 Stat. 1527), (iv) an entity specified under section 154(b) of the National Defense Authorization Act for Fiscal Year 2024 (Public Law 118-31; 10 U.S.C. note prec. 4651), or (v) a foreign-controlled entity.⁹

Section 7701(a)(51)(D) provides that for purposes of defining a PFE, a “foreign-influenced entity” includes two categories of entities. In the first category, under § 7701(a)(51)(D)(i)(I), an entity is a “foreign-influenced entity” if, during the taxable year (aa) a specified foreign entity has the direct authority to appoint a covered officer of such entity, (bb) a single specified foreign entity owns at least 25 percent of such entity, (cc) one or more specified foreign entities own in the aggregate at least 40 percent of such entity, or (dd) at least 15 percent of the debt of such entity has been issued, in the aggregate, to 1 or more specified foreign entities. In the second category, under § 7701(a)(51)(D)(i)(II), an entity is a “foreign-influenced entity” if, during the previous taxable year, the entity made a payment to a specified foreign entity pursuant to a contract, agreement, or other arrangement which entitles such specified foreign entity (or an entity related to such specified foreign entity) to exercise effective control over (aa) any qualified facility or EST of the taxpayer (or any person related to the taxpayer), or (bb) with respect to any eligible component produced by the taxpayer (or any person

⁹ The definition of the term “foreign-controlled entity” includes an agency or instrumentality of the government (including any level of government below the national level) of a covered nation. § 7701(a)(51)(C)(ii). Federal tax determinations of whether an entity is an agency or instrumentality of any government typically are analyzed on a facts and circumstances basis. In determining whether an entity is an agency or instrumentality of a U.S. State for Federal tax purposes, Federal courts have applied a test similar to the six-factor test in Rev. Rul. 57-128, 1957-1 CB 311, which generally provides guidance on whether an entity is an instrumentality for purposes of the exemptions from employment taxes under §§ 3121(b)(7) and 3306(c)(7) of the Code. *See, e.g., Bernini v. Federal Reserve Bank of St. Louis, Eighth District*, 420 F. Supp. 2d 1021 (E.D. Mo. 2005); *Michigan v. United States*, 40 F.3d 817 (6th Cir. 1994); and *Rose v. Long Island Railroad Pension Plan*, 828 F.2d 910 (2d Cir. 1987), *cert. denied*, 485 U.S. 936 (1988). However, whether an entity is an agency or instrumentality of any government is outside the scope of this notice.

related to the taxpayer), (AA) the extraction, processing, or recycling of any applicable critical mineral, or (BB) the production of an eligible component which is not an applicable critical mineral.

For purposes of § 7701(a)(51)(D)(i)(II), the term “effective control” is defined generally in § 7701(a)(51)(D)(ii)(I). However, § 7701(a)(51)(D)(ii)(II) provides that during any period prior to the issuance of guidance by the Secretary of the Treasury or the Secretary’s delegate (Secretary), the term, “effective control” means the unrestricted contractual right of a contractual counterparty to (aa) determine the quantity or timing of production of an eligible component produced by the taxpayer, (bb) determine the amount or timing of activities related to the production of electricity undertaken at a qualified facility of the taxpayer or the storage of electrical energy in EST of the taxpayer, (cc) determine which entity may purchase or use the output of a production unit of the taxpayer that produces eligible components, (dd) determine which entity may purchase or use the output of a qualified facility of the taxpayer, (ee) restrict access to data critical to production or storage of energy undertaken at a qualified facility of the taxpayer, or to the site of production or any part of a qualified facility or EST of the taxpayer, to the personnel or agents of such contractual counterparty, or (ff) on an exclusive basis, maintain, repair, or operate any plant or equipment which is necessary to the production by the taxpayer of eligible components or electricity.

Section 7701(a)(51)(D)(ii)(III)(aa) adds that, in general, effective control also includes, with respect to a licensing agreement for the provision of intellectual property (or any other contract, agreement or other arrangement entered into with a contractual counterparty related to such licensing agreement) with respect to a qualified facility,

EST, or the production of an eligible component, any of the following: (AA) a contractual right retained by the contractual counterparty to specify or otherwise direct one or more sources of components, subcomponents, or applicable critical minerals utilized in a qualified facility, EST, or in the production of an eligible component; (BB) a contractual right retained by the contractual counterparty to direct the operation of any qualified facility, any EST, or any production unit that produces an eligible component; (CC) a contractual right retained by the contractual counterparty to limit the taxpayer's utilization of intellectual property related to the operation of a qualified facility or EST, or in the production of an eligible component; (DD) a contractual right retained by the contractual counterparty to receive royalties under the licensing agreement or any similar agreement (or payments under any related agreement) beyond the tenth year of the agreement (including modifications or extensions thereof); (EE) a contractual right retained by the contractual counterparty to direct or otherwise require the taxpayer to enter into an agreement for the provision of services for a duration longer than two years (including any modifications or extensions thereof); (FF) such contract, agreement, or other arrangement does not provide the licensee with all the technical data, information, and know-how necessary to enable the licensee to produce the eligible component or components subject to the contract, agreement, or other arrangement without further involvement from the contractual counterparty or a specified foreign entity; (GG) such contract, agreement, or other arrangement was entered into (or modified) on or after July 4, 2025.¹⁰

¹⁰ Section 7701(a)(51)(D)(ii)(III)(bb) provides an exception to the general rule under § 7701(a)(51)(D)(ii)(III)(aa), in the case of a bona fide purchase or sale of intellectual property.

Section 7701(a)(51)(E)(i)(I) provides that § 7701(a)(51)(C)(v) (defining a specified foreign entity as including a foreign-controlled entity) does not apply in the case of any entity the securities of which are regularly traded on (aa) a national securities exchange which is registered with the Securities and Exchange Commission; (bb) the national market system established pursuant to section 11A of the Securities and Exchange Act of 1934; or (cc) any other exchange or other market which the Secretary has determined in guidance issued under § 1296(e)(1)(A)(ii) has rules adequate to carry out the purposes of part VI of subchapter P of chapter 1 of subtitle A of the Code.

Section 7701(a)(51)(E)(i)(II) provides that § 7701(a)(51)(D)(i)(I) does not apply in the case of any entity (aa) the securities of which are regularly traded in a manner described in § 7701(a)(51)(E)(i)(I); or (bb) for which not less than 80 percent of the equity securities of such entity are owned directly or indirectly by an entity which is described in § 7701(a)(51)(E)(i)(II)(aa).

Section 7701(a)(51)(E)(iii) provides that, in the case of an entity described in § 7701(a)(51)(E)(i)(II), such entity is deemed to be a foreign-influenced entity under § 7701(a)(51)(D)(i)(I) if one of four conditions are met. The first three conditions are provided in § 7701(a)(51)(E)(iii)(I), which provides that an entity is deemed to be a foreign-influenced entity if, during the taxable year: (aa) a specified foreign entity has the authority to appoint a covered officer of such entity; (bb) a single specified foreign entity required to report its beneficial ownership under Rule 13d-3 of the Securities and Exchange Act of 1934 (or, in the case of an exchange or market described in § 7701(a)(51)(E)(i)(I)(cc), an equivalent rule) owns not less than 25 percent of such entity, or; (cc) one or more specified foreign entities that are required to report their

beneficial ownership under Rule 13d-3 of the Securities and Exchange Act of 1934 own, in the aggregate, not less than 40 percent of such entity. For the fourth condition, § 7701(a)(51)(E)(iii)(II) provides that an entity is deemed to be a foreign-influenced entity if such entity has issued debt, as part of an original issuance, in excess of 15 percent of its publicly-traded debt to one or more specified foreign entities.

Section 7701(a)(51)(J) provides that for purposes of applying any provision under § 7701(a)(51), the beginning of construction with respect to any property is determined pursuant to rules similar to the rules under Notice 2013-29 and Notice 2018-59 (as well as any subsequently issued guidance clarifying, modifying, or updating either such Notice), as in effect on January 1, 2025.¹¹

(2) Section 7701(a)(52): Material assistance from a PFE.

Section 7701(a)(52) provides rules for determining whether a qualified facility, EST, or eligible component includes material assistance from a PFE.

Section 7701(a)(52)(A) provides that the term “material assistance from a prohibited foreign entity” means, with respect to any qualified facility or EST, a MACR which is less than the threshold percentage applicable under § 7701(a)(52)(B); or, with respect to any facility which produces eligible components, a MACR which is less than the threshold percentage applicable under § 7701(a)(52)(C). Section 7701(a)(52)(B) provides applicable threshold percentages for a qualified facility and EST based on the calendar year during which construction of the qualified facility or EST begins. Section

¹¹ Notice 2025-42 provides guidance regarding when construction of an applicable wind facility or applicable solar facility has begun for purposes of determining whether such facility is subject to credit termination provisions added to §§ 45Y and 48E by the OBBBA. Notice 2025-42 was issued on August 15, 2025, and is not intended to address the beginning of construction rules for the purposes of PFE restrictions under § 7701(a)(51) and (52). See Notice 2025-42, fn 3. Accordingly, the guidance in Notice 2025-42 is inapplicable for purposes of determining whether the PFE restrictions under § 7701(a)(51) apply.

7701(a)(52)(C) provides applicable threshold percentages for eligible components (solar energy component, wind energy component, inverter, qualifying battery component, applicable critical mineral) based on the calendar year during which the eligible component is sold.

Section 7701(a)(52)(D) provides rules for determining the MACR for a qualified facility, EST, or eligible component.

Section 7701(a)(52)(D)(i) applies to any qualified facility (as defined in § 7701(a)(52)(E)(iv)) or EST (as defined in § 7701(a)(52)(E)(ii)). Section 7701(a)(52)(D)(i) provides that for purposes of § 7701(a)(52)(A)(i), the term “material assistance cost ratio” means the amount (expressed as a percentage) equal to the quotient of (I) an amount equal to (aa) the total direct costs to the taxpayer attributable to all manufactured products (MPs) (including components) which are incorporated into the qualified facility or EST upon completion of construction, minus (bb) the total direct costs to the taxpayer attributable to all MPs (including components) which are (AA) incorporated into the qualified facility or EST upon completion of construction, and (BB) mined, produced, or manufactured by a PFE, divided by (II) the amount described in § 7701(a)(52)(D)(i)(I)(aa) (for purposes of this notice, the term “Clean Electricity MACR” means the MACR for a qualified facility or an EST).

Section 7701(a)(52)(D)(ii) applies to any eligible component (as defined in § 7701(a)(52)(E)(i)). With respect to any facility that produces eligible components for purposes of § 7701(a)(52)(A)(ii), § 7701(a)(52)(D)(ii) provides that the term “MACR” means the amount (expressed as a percentage) equal to the quotient of (I) an amount equal to (aa) with respect to an eligible component, the total direct material costs that

are paid or incurred (within the meaning of § 461 and any regulations issued under § 263A) by the taxpayer for production of such eligible component, minus (bb) with respect to an eligible component, the total direct material costs that are paid or incurred (within the meaning of § 461 and any regulations issued under § 263A) by the taxpayer for production of such eligible component that are mined, produced, or manufactured by a PFE, divided by (II) the amount described in § 7701(a)(52)(D)(ii)(I)(aa) (for purposes of this notice, the term “Eligible Component MACR” means the MACR for an eligible component).

Section 7701(a)(52)(D)(iii)(I) requires the Secretary to issue safe harbor tables (and authorizes such other guidance as deemed necessary) no later than December 31, 2026, to (aa) identify the percentage of total direct costs of any MP which is attributable to a PFE, (bb) identify the percentage of total direct material costs of any eligible component which is attributable to a PFE, and (cc) provide all rules necessary to determine the amount of a taxpayer’s material assistance from a PFE within the meaning of § 7701(a)(52).

Section 7701(a)(52)(D)(iii)(II) provides that, for purposes of § 7701(a)(52), prior to the date on which the Secretary issues the forthcoming safe harbor tables (and other such guidance) described in § 7701(a)(52)(D)(iii)(I), and for construction of a qualified facility or EST which begins on or before the date which is 60 days after the date of issuance of such tables, a taxpayer may (aa) use the tables included in Notice 2025-08, 2025-8 I.R.B. 800, to establish the percentage of the total direct costs of any listed eligible component and any MP, and (bb) rely on a certification by the supplier of the MP, eligible component, or constituent element, material, or subcomponent of an eligible

component (AA) of the total direct costs or the total direct material costs, as applicable, of such product or component that was not produced or manufactured by a PFE, or (BB) that such product or component was not produced or manufactured by a PFE.

Section 7701(a)(52)(D)(iii)(III) provides that, notwithstanding § 7701(a)(52)(D)(iii)(I) and (II), (aa) if the taxpayer knows (or has reason to know) that an MP or eligible component was produced or manufactured by a PFE, the taxpayer must treat all direct costs with respect to such MP, or all direct material costs with respect to such eligible component, as attributable to a PFE, and (bb) if the taxpayer knows (or has reason to know) that the certification referred to in § 7701(a)(52)(D)(iii)(II)(bb) pertaining to an MP or eligible component is inaccurate, the taxpayer may not rely on such certification.

Section 7701(a)(52)(D)(iii)(IV) provides that, in a manner consistent with § 1.45X-4(c)(4)(i) (as in effect on July 4, 2025), the certification referred to in § 7701(a)(52)(D)(iii)(II)(bb) must—(aa) include (AA) the supplier's employer identification number, or (BB) any such similar identification number issued by a foreign government, (bb) be signed under penalties of perjury, (cc) be retained by the supplier and the taxpayer for a period of not less than six years and must be provided to the Secretary upon request, and (dd) be from the supplier from which the taxpayer purchased any MP, eligible component, or constituent elements, materials, or subcomponents of an eligible component, stating (AA) that such property was not produced or manufactured by a PFE and that the supplier does not know (or have reason to know) that any prior supplier in the chain of production of that property is a PFE, (BB) for purposes of § 45X, the total direct material costs for each component, constituent element, material, or subcomponent that were not produced or manufactured by a PFE, or (CC) for purposes

of § 45Y or § 48E, the total direct costs attributable to all MPs that were not produced or manufactured by a PFE.

Section 7701(a)(52)(D)(iv) provides that upon the taxpayer's election (in such form and manner as the Secretary designates), in the case of any MP, eligible component, or constituent element, material, or subcomponent of an eligible component which is (I) acquired by the taxpayer, or manufactured or assembled by or for the taxpayer, pursuant to a binding written contract which was entered into prior to June 16, 2025, and (II) (aa) placed into service before January 1, 2030 (or, in the case of an applicable facility, as defined in § 45Y(d)(4)(B), before January 1, 2028) in a facility the construction of which began before August 1, 2025, or (bb) in the case of a constituent element, material, or subcomponent, used in a product sold before January 1, 2030,¹² the cost to the taxpayer with respect to such product, component, element, material, or subcomponent is not included for purposes of determining the MACR under § 7701(a)(52)(D).

Section 7701(a)(52)(D)(v) provides the Secretary authority to prescribe such regulations and guidance as may be necessary or appropriate to prevent circumvention of the rules under § 7701(a)(52)(D), including prevention of (I) any abuse of the exception provided under § 7701(a)(52)(D)(iv) through the stockpiling of any MP, eligible component, or constituent element, material, or subcomponent of an eligible component during any period prior to the application of the requirements under § 7701(a)(52), or (II) any evasion with respect to the requirements of § 7701(a)(52)(D) where the facts

¹² In referencing § 7701(a)(52) for the definition of material assistance from a PFE, § 45X(c)(1)(C) substitutes "used in a product sold before January 1, 2027" for "used in a product sold before January 1, 2030" in § 7701(a)(52)(D)(iv)(II)(bb) (relating to existing, binding written contracts). See section 2.01(3) of this notice for a description of § 45X(c)(1)(C).

and circumstances demonstrate that the beginning of construction of a qualified facility or EST has not in fact occurred.

Section 7701(a)(52)(E) provides definitions for purposes of § 7701(a)(52). Section 7701(a)(52)(E)(i) provides that the term “eligible component” means (I) any property described in § 45X(c)(1), or (II) any component which is identified by the Secretary pursuant to regulations or guidance issued under § 7701(a)(52)(G). Section 7701(a)(52)(E)(ii) provides that the term “energy storage technology” has the same meaning given such term under § 48E(c)(2). Section 7701(a)(52)(E)(iii) provides that the term “manufactured product” means (I) an MP which is a component of a qualified facility, as described in § 45Y(g)(11)(B) and any guidance issued thereunder, or (II) any product which is identified by the Secretary pursuant to regulations or guidance issued under § 7701(a)(52)(G). Section 7701(a)(52)(E)(iv) provides that the term “qualified facility” means (I) a qualified facility, as defined in § 45Y(b)(1), (II) a qualified facility, as defined in § 48E(b)(3), and (III) any qualified interconnection property (as defined in § 48E(b)(4)) which is part of the qualified investment with respect to a qualified facility (as described in § 48E(b)(1)). For purposes of this notice, the terms eligible component, energy storage technology, and qualified facility have the same meanings, respectively, as provided in §§ 7701(a)(52)(E)(i)(I), (ii), and (iv), and, as authorized under § 7701(a)(52)(E)(iii)(II), manufactured product has the meaning provided in section 3.01(2)(a) of this notice.¹³

¹³ As described in § 7701(a)(52)(E)(iv)(II) and (III), a qualified facility separately includes a “qualified facility, as defined in section 48E(b)(3),” and “qualified interconnection property (as defined in section 48E(b)(4)) which is part of the qualified investment with respect to a qualified facility (as described in section 48E(b)(1)).” See sections 3.01(7)(c); 4.01(2)(f); and 4.02(2)(b)(vi) of this notice for additional information about the application of § 7701(a)(52) to qualified interconnection property.

Section 7701(a)(52)(F) provides that rules similar to the rules under § 7701(a)(51)(H) and (J) (relating to determination of ownership and beginning of construction, respectively) apply for purposes of § 7701(a)(52). For purposes of determining whether the material assistance rules under § 7701(a)(52) apply, the beginning of construction is determined pursuant to rules similar to the rules under Notice 2013-29, 2013-20 I.R.B. 1085, and Notice 2018-59, 2018-28 I.R.B. 196 (as well as any subsequently issued guidance clarifying, modifying, or updating either such notice), as in effect on January 1, 2025.¹⁴

Section 7701(a)(52)(G) provides the Secretary with the authority to prescribe such regulations and guidance as may be necessary or appropriate to carry out the provisions of § 7701(a)(52), including—(i) identification of components or products for purposes of § 7701(a)(52)(E)(i) and (iii), and (ii) for purposes of § 7701(a)(52)(A)(ii), rules to address facilities which produce more than one eligible component.

Section 70512(l)(1) of the OBBBA provides that the amendments made to § 7701(a)(52) apply to taxable years beginning after July 4, 2025.

.03 Applicable Penalties and Statutes of Limitations.

Section 6662 imposes accuracy-related penalties on certain underpayments of tax. Under § 6662(a) and (b), any portion of an underpayment that is attributable to a substantial understatement of income tax is subject to a penalty amount equal to 20 percent of the portion of the applicable underpayment. Section 6662(d)(1)(A) states that, in general, there is a substantial understatement of income tax for any taxable year if the amount of the understatement for the taxable year exceeds the greater of—(i) 10

¹⁴ The guidance in Notice 2025-42 regarding beginning of construction is inapplicable for purposes of determining whether the material assistance rules under § 7701(a)(52) apply. See fn 11 of this notice.

percent of the tax required to be shown on the return for the taxable year, or
(ii) \$5,000.¹⁵

Section 6662(m)(1), as added to the Code by § 70512(j) of the OBBBA, generally provides that in the case of a disallowance of an applicable energy credit, § 6662(d)(1) must be applied—(A) in § 6662(d)(1)(A) and (B), by substituting “1 percent” for “10 percent” each place it appears, and (B) without regard to § 6662(d)(1)(C).¹⁶ Section 6662(m)(2) defines the term “disallowance of an applicable energy credit” as the disallowance of a credit under § 45X, 45Y, or 48E by reason of overstating the MACR (as determined under § 7701(a)(52)) with respect to any qualified facility, EST, or facility which produces eligible components. Section 70512(l)(1) of the OBBBA generally provides that the amendments made to § 6662 apply to taxable years beginning after July 4, 2025. New § 6501(o), as added to the Code by § 70512(i) of the OBBBA,¹⁷ provides that in the case of a deficiency attributable to an error with respect to the determination under § 7701(a)(52) for any taxable year, such deficiency may be assessed at any time within six years after the return for such year was filed.

Section 6417(d)(6)(D), as added to the Code by section 70512(j)(2) of the OBBBA, provides that in the case of an applicable entity (as defined in § 6417(d)(1)) which made an election under § 6417(a) with respect to an applicable credit for which there is a disallowance described in § 6662(m)(2), § 6417(d)(6)(A) shall apply with respect to any excessive payment resulting from such disallowance.

¹⁵ Section 6662(d)(1)(B) also defines a substantial understatement of income tax in the case of certain corporations.

¹⁶ Section 6662(d)(1)(C) provides a special rule for taxpayers claiming a deduction under § 199A.

¹⁷ OBBBA § 70512(i) redesignated former § 6501(o) as § 6501(p) and added the new § 6501(o) discussed in section 2.03 of this notice.

Section 6695B, as added to the Code by § 70512(k) of the OBBBA, provides that a person must pay a penalty in the amount determined under § 6695B(b) (described in the following paragraph) if the following conditions are satisfied: (1) the person (A) provides a certification described in § 7701(a)(52)(D)(iii)(II)(bb) with respect to any MP, eligible component, or constituent element, material, or subcomponent of an eligible component, and (B) knows, or reasonably should have known, that the certification would be used in connection with a determination under § 7701(a)(52)(D)(iii)(II)(bb); (2) the person knows, or reasonably should have known, that such certification is inaccurate or false with respect to (A) whether such property was produced or manufactured by a PFE, or (B) the total direct costs or total direct material costs of such property that was not produced or manufactured by a PFE that were provided on such certification; and (3) the inaccuracy or falsity described in § 6695B(a)(2) resulted in the disallowance of an applicable energy credit (as defined in § 6662(m)(2)) and an understatement of income tax (within the meaning of § 6662(d)(2)) for the taxable year in an amount which exceeds the lesser of (A) 5 percent of the tax required to be shown on the return for the taxable year, or (B) \$100,000.

Section 6695B(b) provides that the amount of penalty imposed under § 6695B(a) is equal to the greater of (1) 10 percent of the amount of the underpayment (as defined in § 6664(a)) solely attributable to the inaccuracy or falsity described in § 6695B(a)(2), or (2) \$5,000. Under § 6695B(c), no penalty may be imposed under § 6695B(a) if the person establishes to the satisfaction of the Secretary that any inaccuracy or falsity described in § 6695B(a)(2) is due to a reasonable cause and not willful neglect. Section 6696(d)(1), as modified by § 70512(k)(2)(A)(iv) of the OBBBA, provides in relevant part

that the amount of any § 6695B penalty shall be assessed within 6 years after the return or claim for refund with respect to which the penalty is assessed was filed, and no proceeding in court without assessment for the collection of such tax shall be begun after the expiration of such period. Section 70512(l)(3) of the OBBBA provides that the penalty for substantial misstatements on certifications provided by suppliers applies to certifications provided after December 31, 2025.

.04 Domestic Content Bonus Credit Guidance.

Sections 45(b)(9), 45Y(g)(11), 48(a)(12), and 48E(a)(3)(B) provide an increase to the amount of a credit determined under §§ 45, 45Y, 48, and 48E, respectively, for a taxpayer whose qualified facility under §§ 45 or 45Y, energy project under § 48, or qualified investment with respect to a qualified facility or EST under § 48E satisfies the domestic content requirement set forth in § 45(b)(9)(B)(i) (the Domestic Content Requirement).

(1) Notice 2023-38.

On May 12, 2023, the Treasury Department and the IRS released Notice 2023-38, 2023-22 I.R.B. 872, which describes a safe harbor regarding the classification of certain components in representative types of qualified facilities, energy projects, or ESTs for purposes of satisfying the Domestic Content Requirement.

Section 2.01 of Notice 2023-38 defines the term “Applicable Project” to mean (i) a qualified facility under §§ 45 or 45Y; (ii) an energy project under § 48, which may include qualified property for which a valid irrevocable election under § 48(a)(5) has been made to treat such qualified property as energy property under § 48; or (iii) a qualified investment with respect to a qualified facility or EST under § 48E.

Section 3.01(2) of Notice 2023-38 provides definitions of terms for purposes of the

Domestic Content Requirement. Section 3.01(2)(a) defines the term “Applicable Project Component” to mean any article, material, or supply, whether manufactured or unmanufactured, which is directly incorporated into an Applicable Project. Section 3.01(2)(c) defines the term “Manufactured Product” to mean an item produced as a result of the manufacturing process. Section 3.01(2)(d) defines the term “Manufactured Product Component” (MPC) to mean any article, material, or supply, whether manufactured or unmanufactured, which is directly incorporated into an Applicable Project Component that is an MP. Section 3.01(2)(e) of Notice 2023-38 defines “Manufacturing Process” as the application of processes to alter the form or function of materials or of elements of a product in a manner adding value and transforming those materials or elements so that they represent a new item functionally different from that which would result from mere assembly of the elements or materials.

Section 3.04 of Notice 2023-38 provides a safe harbor for classifications of certain Applicable Project Components. Table 2 of section 3.04 of Notice 2023-38 provides a Categorization of Applicable Project Components, so taxpayers can identify whether an Applicable Project Component is subject to rules for steel or iron or different rules for MPs in identifying whether the components meet the Domestic Content Requirement. Table 2 identifies a list of certain Applicable Project Components that may be found in the following types of Applicable Projects: Utility-scale photovoltaic system; Land-based wind facility; Offshore wind facility; and Battery energy storage technology.

(2) Notice 2024-41.

On May 24, 2024, the Treasury Department and the IRS released Notice 2024-41, 2024-24 I.R.B. 1615, which, among other things, modified the existing domestic content safe harbor in Notice 2023-38 by (i) expanding the non-exclusive list of Applicable

Projects in Table 2 to include hydropower and pumped hydropower storage facilities; (ii) redesignating “Utility scale photovoltaic system” as “Ground-mount and rooftop photovoltaic system”; and (iii) adding certain MPCs to previously listed Applicable Projects.

Notice 2024-41 further provides a new elective safe harbor in Table 1 of section 4.04(1)-(3) that taxpayers may use to classify the identified Applicable Project Components. Table 1 also provides the associated cost percentages for each of the identified MPs and MPCs that may be found in the identified Applicable Projects (Assigned Cost Percentages),¹⁸ which include solar photovoltaic (PV) systems, land-based wind facilities, and battery energy storage systems. Finally, Notice 2024-41 provides that taxpayers electing to use the new safe harbor must follow certain requirements, including treating the lists of Applicable Project Components and MPCs and the cost percentages listed in Table 1 as exclusive and exhaustive for purposes of determining compliance with the Domestic Content Requirement for an Applicable Project.

To be eligible for the safe harbor, Notice 2024-41 explains that an Applicable Project is not required to be constituted of the full list of Applicable Project Components in Table 1, and each Applicable Project Component listed is not required to be constituted of the full list of MPCs in Table 1. However, any Applicable Product Component or MPC listed in Table 1 that is not utilized as an input to the Applicable Project must be treated by the electing taxpayer as having a zero value in calculating whether the components meet the Domestic Content Requirement.

¹⁸ The term “Assigned Cost Percentages” as used in this notice also includes the Updated Assigned Cost Percentages that are described in Notice 2025-08.

(3) Notice 2025-08.

On January 16, 2025, the Treasury Department and IRS released Notice 2025-08, 2025-8 I.R.B. 800. Notice 2025-08 provides an updated elective safe harbor for the Domestic Content Requirement that modifies the safe harbor provided in Notice 2024-41, including Table 1. Section 5.05 of Notice 2025-08 provides an Updated Table for Solar PV Ground-Mount Applicable Projects. Sections 5.07(13) and (14) provide updated definitions for representative types of Ground-mounted PV (fixed-tilt) and Ground-mounted PV (tracker) facilities, respectively. Section 5.06 of Notice 2025-08 provides an Updated Table for Solar PV Rooftop Applicable Projects. Sections 5.07(18) and (19) provide updated definitions for representative types of Rooftop PV (MLPE) facilities and Rooftop PV (string inverter) facilities, respectively. Section 6.02 of Notice 2025-08 provides an Updated Table for Land-Based Wind Applicable Projects. Section 6.03(2) provides an updated definition for representative types of land-based wind facilities. Section 7.02 of Notice 2025-08 provides an Updated Table for battery energy storage systems Applicable Projects. Section 7.03(6) provides an updated definition for representative types of battery energy storage systems facilities. Collectively, the tables provided in sections 5.05, 5.06, 6.02, and 7.02 of Notice 2025-08 (Notice 2025-08 Tables), section 3.02 in Notice 2024-41 for a Hydropower Facility, or a Pumped Hydropower Storage Facility, and section 3.04 in Notice 2023-38 for an Offshore Wind Facility, are referred to after this as the “2023-2025 Safe Harbor Tables.”

Section 4 of Notice 2025-08 provides that a taxpayer may elect to use the classifications and cost percentages in Table 1 of Notice 2024-41 or the Notice 2025-08 Tables (as applicable) to qualify for the domestic content bonus credit amount for Applicable Projects of the specific types identified in Table 1 of Notice 2024-41 or the

Notice 2025-08 Tables that are eligible for a credit under §§ 45, 45Y, 48, or 48E by virtue of the 80/20 Rule. However, only new property listed in Table 1 of Notice 2024-41 or the Notice 2025-08 Tables (as applicable) is included in the calculation of the Domestic Cost Percentage; all other MPs or MPCs, including used property in an Applicable Project that satisfies the 80/20 Rule, is treated as foreign-sourced and must take a zero value consistent with section 4.03(3) in Notice 2024-41 and section 8.03(3) of Notice 2025-08.

.05 Substantiation.

Section 6001 provides that every person liable for any tax imposed by the Code, or for the collection thereof, must keep such records as the Secretary may from time to time prescribe. Section 1.6001-1(a) provides that any person subject to income tax must keep such permanent books of account or records, including inventories, as are sufficient to establish the amount of gross income, deductions, credits, or other matters required to be shown by such person in any return of such tax. Section 1.6001-1(e) provides that the books and records required by § 1.6001-1 must be retained so long as the contents thereof may become material in the administration of any internal revenue law.

SECTION 3. MATERIAL ASSISTANCE FROM A PFE

This section describes provisions that the Treasury Department and the IRS expect to include in the forthcoming proposed regulations for determining whether a qualified facility, EST, or eligible component includes material assistance from a PFE. If a qualified facility, EST, or eligible component includes material assistance from a PFE, meaning its Clean Electricity MACR or Eligible Component MACR is less than the applicable threshold percentage, it is ineligible for a credit under §§ 45Y, 48E, or 45X,

as applicable. Section 3.01 describes provisions that the Treasury Department and the IRS expect to include in the forthcoming proposed regulations for determining a qualified facility's or EST's MACR. Section 3.02 describes provisions that the Treasury Department and the IRS expect to include in the forthcoming proposed regulations for determining an eligible component's MACR.

.01 Clean Electricity MACR for qualified facilities and ESTs.

(1) In general.

To calculate the Clean Electricity MACR for a qualified facility or EST, a taxpayer must: (a) identify the types of MPs and MPCs included in the qualified facility or EST; (b) of the identified types of MPs and MPCs, track the relevant characteristics of each MP and MPC included in the qualified facility or EST; (c) determine the taxpayer's direct costs attributable to the identified MPs (including MPCs) (Direct Costs); and (d) determine the Direct Costs attributable to each of the identified MPs and MPCs that were mined, manufactured, or produced by a PFE (PFE Direct Costs). These steps are specified in section 3.01(2) through (5) of this notice. After completing these steps, a taxpayer will determine the Clean Electricity MACR by subtracting the sum of all PFE Direct Costs (PFE Total Direct Costs) from the sum of all Direct Costs (Total Direct Costs) and then dividing that result by Total Direct Costs.

For any taxable year for which a taxpayer is determining the amount of a § 45Y or § 48E credit, the taxpayer will calculate a separate Clean Electricity MACR for each qualified facility or EST. For example, a taxpayer that places in service two qualified facilities under § 45Y within a taxable year would calculate two Clean Electricity MACRs to determine whether each facility separately meets the material assistance rules under § 45Y(b)(1)(E) and may qualify for the § 45Y credit.

(2) Identify MPs and MPCs for qualified facilities and ESTs.

(a) In general. To identify MPs and MPCs, a taxpayer must identify the types of MPs and MPCs that are incorporated into the qualified facility or EST. A type of MP or MPC refers to a type of product or component that performs a unique, specified function within the qualified facility or EST. A taxpayer must identify MPs and MPCs consistent with the meaning of the phrase “manufactured products (including components)” in § 45Y(g)(11)(B)(iii) and the guidance issued under § 45Y(g)(11) in Notice 2023-38, and at a level of detail that is substantially similar to the level of detail provided in the 2023-2025 Safe Harbor Tables, with respect to MPs and MPCs. A taxpayer may rely on the definition of an Applicable Project Component in 3.01(2)(a), the definition of an MP in section 3.01(2)(c), the definition of an MPC in section 3.01(2)(d), and the additional definitions in section 3.01(2) of Notice 2023-38 to identify types of MPs and MPCs. Subject to the requirements of section 3.01(2)(b) of this notice, a taxpayer may use the Identification Safe Harbor described in section 4.01 of this notice to identify MPs and MPCs.

(b) Using Identification Safe Harbor. A taxpayer may rely upon the Identification Safe Harbor in section 4.01 of this notice to identify MPs and MPCs only if the qualified facility or EST is listed as an Applicable Project in the 2023-2025 Safe Harbor Tables (Listed qualified facility or EST).

(3) Track MPs and MPCs for qualified facilities and ESTs.

(a) In general. Except as provided by section 3.01(3)(b) and (c) of this notice, tracking MPs and MPCs must be completed by individually tracking each MP or MPC and its characteristic(s) to the specific qualified facility or EST into which the MP or MPC is incorporated. If not using the Cost Percentage Safe Harbor provided in section

4.02(2) to determine Direct Costs, the taxpayer must track the following characteristics of MPs and MPCs to a qualified facility or EST: (i) the Direct Costs of each MP or MPC incorporated into the qualified facility or EST, as determined in the manner specified in section 3.01(4) of this notice, and (ii) whether the MP or MPC incorporated into the qualified facility or EST was mined, manufactured, or produced by a PFE (PFE Produced), as determined in the manner specified in section 3.01(5) of this notice. For purposes of this notice and computing the Clean Electricity MACR, if ownership of an MP (including MPCs) is shared by multiple qualified facilities or ESTs, then the owner of each qualified facility or EST is considered to have an undivided ownership interest in the MP (including MPCs) incorporated into the qualified facility or EST and must track its Direct Costs and whether the MP (including MPCs) was PFE Produced accordingly. If using the Cost Percentage Safe Harbor to determine Direct Costs, the taxpayer must only track whether each MP or MPC incorporated into the qualified facility or EST was PFE Produced.

(b) De minimis assignment-based tracking for qualified facilities and ESTs. (i) In general. A taxpayer may assign MPs or MPCs of the same type (including their characteristics) to qualified facilities or ESTs placed in service during the same taxable year without individually tracking them to such facilities or ESTs, provided that, for each qualified facility or EST, the total Direct Costs of all MPs and MPCs so assigned to such qualified facility or EST represent less than 10 percent of the Total Direct Costs of such qualified facility or EST.¹⁹ The taxpayer must apply an assignment method that is consistent with the purposes of § 7701(a)(52).

¹⁹ As described in section 3.01(1) and (4) of this notice, the term “Total Direct Costs” means the sum of the Direct Costs of each MP (including MPCs).

(ii) Example. Taxpayer A constructs and places in service three solar facilities (Facilities). Using the rules in section 3.01(2) of this notice to identify MPs and MPCs, Taxpayer A determines the Facilities contain three types of MPs—a PV Module, an Inverter, and a PV Tracker. Taxpayer A can track the PV Modules and Inverters to the specific facilities in which those MPs were incorporated. None of the MPCs included in the PV Modules and Inverters were PFE Produced.

Taxpayer A manufactured all of the PV Trackers incorporated among the Facilities. Taxpayer A can track the PV Trackers to a specific facility, and knows that some of the MPCs incorporated into the PV Trackers were PFE Produced. Taxpayer A would like to assign MPCs to specific facilities but must first determine whether any of the MPCs can be assigned.

For each type of MPC included in the PV Trackers, Taxpayer A determines that the percentage of the Total Direct Costs for each qualified facility is as follows: torque tube (11.0% of Total Direct Costs), structural fasteners (0.5% of Total Direct Costs), drive system (1.8% of Total Direct Costs), dampers (0.6% of Total Direct Costs), actuator (2.7% of Total Direct Costs), controller (0.8% of Total Direct Costs), and rails (1.9% of Total Direct Costs). For Taxpayer A, the percentage of Total Direct Costs represented by each type of MPC is the same in each Facility because Taxpayer A paid the same amount for each MPC and incorporated the MPCs equally into each facility (as each has the same number of PV Trackers). Otherwise, the Direct Costs and percentage of Total Direct Costs for each MPC would vary for each facility.

Except for the torque tubes, which exceed 10% of Total Direct Costs, Taxpayer A is permitted to assign the MPCs in the PV Trackers among its Facilities because, in the

aggregate, the percentage of Total Direct Costs (8.3%) of these types of MPCs is less than 10 percent of the Total Direct Costs of each of the Facilities (that is, the sum cost of the MPCs that comprise the PV Tracker, excluding the torque tube, do not exceed the 10 percent *de minimis* threshold).

While Taxpayer A paid the same amount for each MPC within each PV tracker, Taxpayer A's assignment of the MPCs among the Facilities can still affect the Clean Electricity MACR for each of the Facilities because some of the MPCs in the PV Tracker were PFE Produced and others were not PFE Produced. Taxpayer A knows that it incorporated 99 each of structural fasteners, drive systems, dampers, and rails, evenly into Taxpayer A's Facilities (meaning 33 of each were incorporated into each facility). Thirty-three of the structural fasteners, 66 of the drive systems, all of the dampers, and none of the rails were PFE Produced. Under section 3.01(3)(b) of this notice, Taxpayer A can assign the structural fasteners and drive systems to the Facilities using an assignment method that is consistent with the purposes of § 7701(a)(52), provided that the total Direct Costs of all MPs and MPCs so assigned to each Facility represent less than 10 percent of the Total Direct Costs of that Facility. For example, all 33 of its PFE Produced structural fasteners may be assigned to Facility 1 (and all 66 of its non-PFE Produced structural fasteners to Facilities 2 and 3), and all 66 of its PFE Produced drive systems may be assigned to Facilities 1 and 2 (and all 33 of its non-PFE Produced drive systems to Facility 3). Because all of the dampers were PFE Produced, they must be assigned to Facilities 1, 2, and 3 equally. Alternatively, Taxpayer A can assign the structural fasteners and drive systems among its Facilities in a manner that would result in a mix of PFE Produced units and non-PFE Produced units in each

Facility. For example, Taxpayer A could assign 22 of its PFE Produced and 11 of its non-PFE Produced structural fasteners to Facility 1, 11 of its PFE Produced and 22 of its non-PFE Produced structural fasteners to Facility 2, and 33 of its non-PFE Produced structural fasteners to Facility 3. In that case, the PFE Produced structural fasteners assigned to Facility 1 would comprise 67% of the total structural fasteners in Facility 1 (22/33), 33% of the total structural fasteners in Facility 2 (11/33), and 0% of the total structural fasteners in Facility 3 (0/33). Taxpayer A would use the percentages of structural fasteners assigned to each facility in calculating the Clean Electricity MACR for each of Facilities 1, 2, and 3.

(c) Tracking for ESTs with capacity under one megawatt (MW). (i) In general. For ESTs that are (A) of the same type, (B) each with a maximum net output of less than 1MW measured in alternating current, (C) placed in service during the same taxable year, and (D) for which a taxpayer is not using *de minimis* assignment-based tracking described in section 3.01(3)(b) of this notice, a taxpayer may track the characteristic(s) of each MP or MPC incorporated in a specific EST as specified in this section 3.01(3)(c) of this notice.

If not using the Cost Percentage Safe Harbor to determine Direct Costs, a taxpayer may track (A) the Direct Costs of a given MP or MPC by calculating the average of the Direct Costs of the MPs and MPCs of the same type that were incorporated into the same type of EST that were placed in service during the same specified period of time (Average Costs), as described in section 3.01(3)(c)(ii), (iii), and (v) of this notice; and (B) whether a given MP or MPC was PFE Produced by calculating the percentage of the MPs and MPCs of the same type that were PFE Produced and that were incorporated

into the same type of EST placed in service during a specified period of time (PFE Production Percentage), as described in section 3.01(3)(c)(ii), (iv), and (v) of this notice. If using the Cost Percentage Safe Harbor to determine Direct Costs, a taxpayer may track whether a given type of MP or MPC was PFE Produced by calculating the PFE Production Percentage.

(ii) Identification of types of EST. A type of EST may be identified by a shared production line, a shared method and capacity of energy storage, or any other reasonable method that is consistent with the purposes of § 7701(a)(52).

(iii) Average Costs calculation. A taxpayer may calculate Average Costs of a given MP or MPC by summing all Direct Costs of a given type of MP or MPC incorporated into all of the same type of EST placed in service during the specified period of time, then dividing that sum by the total quantity of MPs or MPCs of the same type incorporated into the same type of EST placed in service during that specified period of time.

(iv) PFE Production Percentage calculation. A taxpayer may calculate the PFE Production Percentage of a given MP or MPC by determining the quantity of PFE Produced MPs or MPCs of the same type that were incorporated into the same type of EST placed in service during the specified period of time (Total Quantity_{PFE-MP&MPC}), then dividing that quantity by the total quantity of MPs or MPCs of the same type that were incorporated into the same type of EST placed in service during that specified period of time (Total Quantity_{MP&MPC}). The specified period of time is as described in section 3.01(3)(c)(v) of this notice.

(v) Specified period of time. For the purposes of the Clean Electricity MACR, a

specified period of time must meet the following requirements: (A) The specified period must be at least one calendar day in length and may only include whole calendar days, (B) the first specified period of the taxpayer's taxable year must start on the first day of the taxpayer's taxable year, (C) specified periods shorter than a full taxable year must be contiguous, (D) every day of the taxpayer's taxable year must be covered by a specified period, and (E) the specified period cannot be longer than the taxpayer's taxable year. Any specified period of time selected under this section 3.01(3)(c)(v) must be consistent with the purposes of § 7701(a)(52).

(4) Determine Direct Costs for qualified facilities and ESTs.

(a) In general. To determine Direct Costs, a taxpayer must determine the direct costs to the taxpayer attributable to each MP (including MPCs) incorporated into the qualified facility or EST. To determine Total Direct Costs, a taxpayer must aggregate all Direct Costs. For these purposes, direct costs attributable to an MP produced by a taxpayer include the taxpayer's direct material costs and direct labor costs, as defined in § 1.263A-1(e)(2)(i)(A)²⁰ and (B), respectively, which will include the cost of any MPCs (whether produced or acquired by the taxpayer) in the MP. If a taxpayer acquires an MP, the taxpayer's Direct Costs attributable to the MP are its acquisition costs with respect to the MP. Direct costs, including direct labor costs, of incorporating MPs into the qualified facility or EST are not included as part of direct costs attributable to an MP.

(b) If using Cost Percentage Safe Harbor or Certification Safe Harbor.

Notwithstanding section 3.01(4)(a) of this notice, a taxpayer may use the Cost Percentage Safe Harbor described in section 4.02(2) of this notice or the Certification

²⁰ See § 1.471-3 for the elements of direct material costs.

Safe Harbor described in section 4.03 of this notice to determine Direct Costs. A taxpayer using the Cost Percentage Safe Harbor must determine Direct Costs using the Assigned Cost Percentages of the MPs and MPCs, rather than actual Direct Costs. Section 4.02(2) of this notice describes how the calculation of the Clean Electricity MACR is modified when using the Assigned Cost Percentages under the Cost Percentage Safe Harbor. Alternatively, a taxpayer may use the Certification Safe Harbor identified in section 4.03 of this notice to determine Direct Costs in whole or in part.

(5) Determine PFE Direct Costs for qualified facilities and ESTs.

(a) In general. To determine PFE Direct Costs, a taxpayer must determine the Direct Costs attributable to (i) each PFE Produced MP and (ii) each PFE Produced MPC included in an MP. To determine PFE Total Direct Costs, the taxpayer must aggregate all PFE Direct Costs. For these purposes, if the taxpayer acquires a PFE Produced MP, but some or all of the MPCs included in the MP are not PFE Produced, then the taxpayer excludes from PFE Direct Costs the portion of the MP's acquisition costs that are attributable to the MPCs that are not PFE Produced. If the taxpayer acquires an MP that is not PFE Produced, but some or all of the MPCs included in the MP are PFE Produced, then the taxpayer includes in PFE Direct Costs the portion of the MP's acquisition costs that is attributable to the PFE Produced MPCs. If the taxpayer produces an MP that includes any acquired PFE Produced MPCs, then the taxpayer's PFE Direct Costs include the acquisition costs of the PFE Produced MPCs.

(b) Determine whether MPs and MPCs are PFE Produced. To determine whether MPs and MPCs are PFE Produced, a taxpayer may use the Certification Safe Harbor described in section 4.03 of this notice. If a taxpayer is unable to or chooses not

to use the safe harbor, then the taxpayer must determine whether MPs and MPCs are PFE Produced by applying the definition of PFE in § 7701(a)(51) to the entity that mined, produced, or manufactured the relevant MP or MPC.

(c) Year of determination. Whether an MP or MPC is PFE Produced depends on the PFE status of the relevant entities as of the taxable year during which the taxpayer paid or incurred Direct Costs attributable to such MP or MPC under the taxpayer's method of accounting. In the case of a taxpayer whose taxable income is computed under an accrual method of accounting, Direct Costs are paid or incurred as the taxpayer produces such MP or MPC or when the taxpayer is provided such MP or MPC. For purposes of this section, the determination of whether an MP or MPC is PFE Produced is based on the taxable year of the entity that mined, produced, or manufactured the MP or MPC. For example, if a taxpayer paid for an MPC in 2026, but incorporated it into a facility placed in service in 2027, then whether the MPC is PFE Produced would be determined by whether the entity that mined, produced, or manufactured the MPC was a PFE for such entity's tax year that includes the date in 2026 of payment for the MPC, as determined under § 7701(a)(51)(A)(ii).²¹ If the entity that mined, produced, or manufactured the MP or MPC does not use a taxable year under § 7701(a)(23), then whether such entity is a PFE would be based on the entity's status for the calendar year in which the taxpayer paid or incurred the cost of the MP or MPC (or, in the case of an accrual method taxpayer, when the entity provided the MP or

²¹ Section 7701(a)(51)(A)(ii)(I) provides that an entity's status as a PFE is determined as of the last day of its taxable year. However, for purposes of the first taxable year beginning after July 4, 2025, the determination of whether an entity is a PFE because it is a specified foreign entity described in § 7701(a)(51)(B)(i) through (iv) is made as of the first day of the first taxable year. Section 7701(a)(51)(A)(ii)(II).

MPC to the taxpayer).

(6) Example.

The provisions of this section 3.01 are illustrated by the following example.

Assume that the taxpayer uses the calendar year as the taxpayer's taxable year.

(a) In its taxable year beginning in 2026, Taxpayer B begins construction on 50 units of EST with a capacity of less than 1MW (EST Units) and places them in service. Taxpayer B identifies the 50 EST Units as being the same type of EST, because each EST Unit meets the definition of thermal energy storage property provided by § 48(c)(6)(C). In order to qualify for the § 48E credit, § 48E(c)(3) requires that the construction of the EST Units not include material assistance from a PFE, meaning, in the case of an EST which begins construction during calendar year 2026, the Clean Electricity MACR cannot be less than 55%. See § 7701(a)(52)(B)(ii).

(b) Each of the 50 EST Units includes 3 heat exchangers (for a total of 150 heat exchangers in the 50 EST Units), identified by Taxpayer B as a type of MP, as well as additional types of MPs and MPCs. Each EST Unit contains the same types of MPs and MPCs in identical amounts.

(c) During the first 6 months of the taxable year, Taxpayer B places in service 25 of the 50 EST Units, and during the second 6 months of the taxable year, Taxpayer B places in service the remaining 25 of the 50 EST Units.

(d) Taxpayer B identifies the first 6 months of the taxable year as a specified period (Specified Period 1), and the second 6 months of the taxable year as another specified period (Specified Period 2).

(e) Of the 75 heat exchangers incorporated into the EST Units placed in service in Specified Period 1, 65 of them (including MPCs) are PFE Produced and 10 of them

(including MPCs) are not PFE Produced. In Specified Period 2, Taxpayer B changes its supply chain such that only 25 of the 75 heat exchangers (including MPCs) incorporated into the EST Units placed in service in Specified Period 2 are PFE Produced and 50 of them (including MPCs) are not PFE Produced.

(f) No additional MPs or MPCs incorporated into the EST Units are PFE Produced.

(g) Of the 75 heat exchangers incorporated into the EST Units placed in service in Specified Period 1, Taxpayer B acquired 25 of them for \$24 each, and 50 of them for \$30 each. Of the 75 heat exchangers incorporated into the EST Units placed in service in Specified Period 2, Taxpayer B acquired 25 of them for \$24 each, and 50 of them for \$35 each. Taxpayer B's Direct Costs attributable to MPs and MPCs other than the heat exchangers are \$16 for each EST Unit placed in service in Specified Period 1 and \$6.01 for each EST Unit placed in service in Specified Period 2.

(h) Because the EST Units are all of the same type, each with a maximum net output of less than 1MW measured in alternating current, and placed in service during the same taxable year, Taxpayer B may track the characteristics of each MP or MPC incorporated in a specific EST as specified in section 3.01(3)(c) of this notice. Under Section 3.01(3)(c) of this notice, Taxpayer B calculates the Average Cost of each heat exchanger for Specified Period 1 by summing the Direct Costs of the heat exchangers incorporated into the EST Units placed in service during Specified Period 1, then dividing that sum by the total quantity of heat exchangers incorporated into the EST Units placed in service during Specified Period 1 ($((\$24 \times 25) + (\$30 \times 50)) / 75 = \$28$). Based on the Average Cost of each heat exchanger, the Direct Costs of the heat

exchangers in each EST Unit placed in service during Specified Period 1 are \$84 ($\28×3). Accordingly, the Total Direct Costs of each EST Unit placed in service during Specified Period 1 is \$100 ($\$84 + \16).

(i) Under Section 3.01(3)(c)(iv) of this notice, Taxpayer B calculates the PFE Production Percentage for the heat exchangers for Specified Period 1 based on the quantity of heat exchangers incorporated into the EST Units placed in service during Specified Period 1. The Total Quantity_{PFE-MP&MPC} of heat exchangers included in such EST Units is 65, and the Total Quantity_{MP&MPC} is 75. Taxpayer B divides the heat exchangers' Total Quantity_{PFE-MP&MPC} (65) by the Total Quantity_{MP&MPC} (75) to determine its PFE Production Percentage of 86.7% ($65/75$) for its heat exchangers in Specified Period 1.

(j) Taxpayer B calculates the PFE Total Direct Costs for each EST Unit placed in service in Specified Period 1. As the heat exchangers are the only MP or MPC that were PFE Produced, Taxpayer B multiplies \$84 (Direct Costs related to the heat exchangers in each EST Unit) by 86.7% (PFE Production Percentage) to determine the PFE Total Direct Costs of \$72.83.

(k) Taxpayer B calculates a Clean Electricity MACR for each EST Unit placed in service in Specified Period 1 as follows: $(\$100 \text{ [Total Direct Costs of each EST Unit]} - \$72.83 \text{ [PFE Total Direct Costs]}) / \$100 \text{ [Total Direct Costs of each EST Unit]} = 27.2\%$. For each EST Unit placed in service in Specified Period 1, the Clean Electricity MACR of 27.2% is less than the applicable threshold percentage (55%).

PFE Production Percentage Based on
Quantity of Heat Exchangers
Incorporated into EST Units Placed in
Service During First 6 Months of Taxable
Year

Total Quantity _{PFE-MP&MPC}	65
Total Quantity _{MP&MPC}	75
PFE Production Percentage (Total Quantity _{PFE-MP&MPC}) / (Total Quantity _{MP&MPC})	86.7%

Clean Electricity MACR for each EST
Unit Placed in Service During First 6
Months of Taxable Year

Total Direct Costs	\$100
PFE Production Percentage	86.7%
Cost attributable to heat exchangers (based on Average Cost)	\$84
PFE Total Direct Costs (PFE Production Percentage × Cost attributable to heat exchangers)	\$72.83
Clean Electricity MACR (Total Direct Costs – PFE Total Direct Costs) / (Total Direct Costs)	27.2%

(l) Taxpayer B calculates the Average Cost of each heat exchanger for Specified Period 2 by summing the Direct Costs of the heat exchangers incorporated into the EST Units placed in service during Specified Period 2, then dividing that sum by the total quantity of heat exchangers incorporated into the EST Units placed in service during Specified Period 2 ($((\$24 \times 25) + (\$35 \times 50)) / 75 = \$31.33$). Based on the Average Cost of each heat exchanger, the Direct Costs of the heat exchangers in each EST Unit placed in service during Specified Period 2 are \$93.99 ($\31.33×3). Accordingly, the Total Direct Costs of each EST Unit placed in service during Specified Period 1 is \$100 ($\$93.99 + \6.01).

(m) Taxpayer B calculates a PFE Production Percentage for the heat exchangers for Specified Period 2 based on the quantity of heat exchangers

incorporated into the EST Units placed in service during Specified Period 2. The Total Quantity_{PFE-MP&MPC} of heat exchangers included in such EST Units is 25, and the Total Quantity_{MP&MPC} is 75. Taxpayer B divides the heat exchangers' Total Quantity_{PFE-MP&MPC} (25) by the Total Quantity_{MP&MPC} (75) to equal a PFE Production Percentage of 33.3% (25/75).

(n) Taxpayer B calculates the PFE Total Direct Costs for each EST Unit placed in service in Specified Period 2. As the heat exchangers are the only MP or MPC that were PFE produced, Taxpayer B multiplies \$93.99 (Direct Costs related to the heat exchangers in each EST Unit) by 33.3% (PFE Production Percentage) to determine the PFE Total Direct Costs of \$31.30.

(o) Taxpayer B calculates a Clean Electricity MACR for each EST Unit placed in service in Specified Period 2 as follows: $(\$100 \text{ [Total Direct Costs of each EST Unit]} - \$31.30 \text{ [PFE Total Direct Costs]}) / \$100 \text{ [Total Direct Costs of each EST Unit]} = 68.7\%$. For each such EST Unit, the Clean Electricity MACR of 68.7% is not less than the applicable Material Assistance Threshold Percentage (55%).

PFE Production Percentage Based on
Quantity of Heat Exchangers
Incorporated into EST Units Placed in
Service During Second 6 Months of
Taxable Year

Total Quantity _{PFE-MP&MPC}	25
Total Quantity _{MP&MPC}	75
PFE Production Percentage (Total Quantity _{PFE-MP&MPC}) / (Total Quantity _{MP&MPC})	33.3%

Clean Electricity MACR for each EST
Unit Placed in Service During Second 6
Months of Taxable Year

Total Direct Costs	\$100
PFE Production Percentage	33.3%
Cost attributable to heat exchangers (based on Average Cost)	\$93.99
PFE Total Direct Costs (PFE Production Percentage × Cost attributable to heat exchangers)	\$31.30
Clean Electricity MACR (Total Direct Costs – PFE Total Direct Costs) / (Total Direct Costs)	68.7%

(p) Taxpayer B's 25 EST Units placed in service during Specified Period 1 include material assistance from a PFE within the meaning § 48E(b)(6), and, therefore, Taxpayer B cannot claim the credit under § 48E for those EST Units. In contrast, Taxpayer B's 25 EST Units placed in service during Specified Period 2 do not include material assistance from a PFE within the meaning of § 48E(b)(6), and, therefore, § 48E(b)(6) does not prohibit Taxpayer B from claiming the credit under § 48E for those EST Units.

(7) Special Cases for qualified facilities and ESTs.

(a) 80/20 Rule. For purposes of this notice, only the Direct Costs of the new MPs and MPCs incorporated into a facility that is a qualified facility by virtue of the 80/20 Rule are considered when calculating the Clean Electricity MACR.

(b) Treatment of steel and iron. Calculation of the Clean Electricity MACR includes only costs related to MPs (including MPCs) as provided in § 7701(a)(52)(D)(i). Accordingly, unless identified as an MP or MPC under § 7701(a)(52)(E)(iii) or (G), any steel or iron components that meet the description of steel or iron in section 3.02 of Notice 2023-38²² and are incorporated into the taxpayer's qualified facility or EST are not relevant in determining the Clean Electricity MACR.

(c) Qualified interconnection property.

(i) In general. As described in § 7701(a)(52)(E)(iv)(II) and (III), the term “qualified facility” separately includes a “qualified facility, as defined in section 48E(b)(3),” and “qualified interconnection property (as defined in section 48E(b)(4)) which is part of the qualified investment with respect to a qualified facility (as described in section 48E(b)(1)).” Thus, a taxpayer seeking to claim a § 48E credit with respect to a qualified investment in a qualified facility (as defined in § 48E(b)(3)) without including qualified interconnection property is required to calculate a Clean Electricity MACR only for the qualified facility. However, a taxpayer seeking to claim a § 48E credit that includes qualified interconnection property (as defined in § 48E(b)(4)) which is part of the qualified investment with respect to a qualified facility (as described in § 48E(b)(1)) must also calculate a separate Clean Electricity MACR for the qualified interconnection property. The requirements in this section 3.01 for a qualified facility also apply to the calculation of a Clean Electricity MACR for qualified interconnection property.

²² Section 3.02 of Notice 2023-38 defines the Domestic Content Requirement's Steel or Iron Requirement as applying to Applicable Project Components that are construction materials made primarily of steel or iron and are structural in function.

(ii) Effect of MACR calculation for qualified interconnection property. The Clean Electricity MACR with respect to qualified interconnection property does not, on its own, affect whether a taxpayer is allowed to claim a § 48E credit. If a taxpayer calculates a Clean Electricity MACR with respect to its qualified interconnection property that is lower than the applicable threshold percentage (that is, the qualified interconnection property includes material assistance from a PFE), or if a taxpayer is unable to calculate a Clean Electricity MACR with respect to its qualified interconnection property, then the taxpayer is not precluded from claiming a § 48E credit with respect to the taxpayer's qualified investment in the qualified facility (as described in § 48E(b)(1)) if the Clean Electricity MACR with respect to the qualified facility (as defined in § 48E(b)(3)) is not less than the applicable threshold percentage (that is, the qualified facility does not include material assistance from a PFE). In this scenario, expenditures with respect to the qualified interconnection property are not included in the taxpayer's qualified investment with respect to the qualified facility (as described in § 48E(b)(1)).

However, even if a taxpayer calculates a Clean Electricity MACR with respect to its qualified interconnection property that is not less than the applicable threshold percentage (that is, the qualified interconnection property does not include material assistance from a PFE), the taxpayer would not be allowed a § 48E credit with respect to its qualified interconnection property if the Clean Electricity MACR with respect to the qualified facility (as defined in § 48E(b)(3)) is less than the applicable threshold percentage (that is, the qualified facility includes material assistance from a PFE).

.02 Eligible Component MACR.

(1) In general.

To calculate the Eligible Component MACR for an eligible component, a taxpayer

must first: (a) identify the constituent elements, materials, or subcomponents (collectively, Constituent Materials) incorporated into the eligible component or consumed in production of the eligible component, the costs of which are considered direct material costs of the eligible component under § 1.263A-1(e)(2)(i)(A) with respect to the taxpayer's production of the eligible component; (b) track the relevant characteristics of each Constituent Material used to produce the eligible component; (c) determine the taxpayer's direct material costs for each Constituent Material used to produce the eligible component (Direct Material Costs); and (d) of the Direct Material Costs, determine the Direct Material Costs attributable to each PFE Sourced Constituent Material (PFE Direct Material Costs). These steps may be completed in the manner specified in section 3.02(2) through (5) of this notice, or alternatively by using the safe harbors described in sections 4.01(3), 4.02(3), and 4.03 of this notice.²³ After determining those items, a taxpayer determines the Eligible Component MACR by subtracting the sum of all PFE Direct Material Costs for all PFE Sourced Constituent Materials (PFE Total Direct Material Costs) from the sum of all Direct Material Costs for all Constituent Materials (Total Direct Material Costs) and then dividing that result by Total Direct Material Costs.

For a taxable year that a taxpayer is determining a § 45X credit, a taxpayer calculates a separate Eligible Component MACR for each eligible component sold during the taxable year. Multiple eligible components may have the same Eligible

²³ A taxpayer may identify Constituent Materials using the Identification Safe Harbor described in section 4.01(3) of this notice. A taxpayer may determine Direct Material Costs, determine PFE Direct Material Costs, and calculate the Eligible Component MACR by using the Cost Percentage Safe Harbor described in section 4.02(3) of this notice. A taxpayer also may determine Direct Material Costs and PFE Direct Material Costs by using the Certification Safe Harbor described in section 4.03 of this notice.

Component MACR if such components share Constituent Materials that are mined, produced, or manufactured by the same entity or that are included in the same average percentage calculation as described in section 3.02(3)(b) of this notice.

(2) Identify Constituent Materials for § 45X eligible components.

(a) In general. To identify Constituent Materials, a taxpayer must identify each specific Constituent Material for the production of each eligible component.

Alternatively, a taxpayer must identify the types of Constituent Materials incorporated into the eligible component if (i) using the Identification Safe Harbor described in section 4.01(3) of this notice or (ii) tracking Constituent Materials based on averaging as described in section 3.02(3)(b) of this notice.

(b) Using Identification Safe Harbor. A taxpayer may rely upon the Identification Safe Harbor in section 4.01(3) of this notice to identify Constituent Materials only if the eligible component is listed as an Applicable Project Component in the 2023-2025 Safe Harbor Tables (Listed eligible component).²⁴

(3) Track Constituent Materials for eligible components.

(a) In general. Except as provided in section 3.02(3)(b) of this notice, tracking Constituent Materials must be completed by individually tracking each Constituent Material and its characteristic(s) to the specific eligible component into which the Constituent Material was incorporated or in the production of which the Constituent Material was consumed. If not using the Cost Percentage Safe Harbor provided in section 4.02(3) of this notice to determine Direct Material Costs, the taxpayer must track

²⁴ See section 4.01(3)(d)(i) of this notice for a chart of eligible components defined in § 45X that may be treated as a Listed eligible component, along with the Applicable Project Component to which that eligible component must correspond to be treated as a Listed eligible component.

the following characteristics of each Constituent Material used to produce an eligible component: (i) the Direct Material Costs of the Constituent Material, as determined in the manner specified in section 3.02(4) of this notice, and (ii) whether the Constituent Material was mined, produced, or manufactured by a PFE (PFE Sourced), as determined in the manner specified in section 3.02(5)(b) and (c) of this notice. If using the Cost Percentage Safe Harbor to determine Direct Material Costs, the taxpayer must track only whether each Constituent Material was PFE Sourced.

(b) Track Constituent Materials based on averaging. (i) In general. As specified in this section 3.02(3)(b), a taxpayer may track Constituent Materials of a given type of Constituent Material incorporated in or consumed in production of the same type of eligible component produced during a specified period of time. If not using the Cost Percentage Safe Harbor to determine Direct Material Costs, a taxpayer may track (A) the Direct Material Costs of a given type of Constituent Material by calculating the average of the Direct Material Costs of the Constituent Materials of the same type incorporated in or consumed in production of the same type of eligible component produced during a specified period of time, as specified in section 3.02(3)(b)(ii) of this notice (Average Costs); and (B) whether a given Constituent Material was PFE Sourced by calculating the percentage of the Constituent Materials of the same type that were PFE Sourced and incorporated in or consumed in production of the same type of eligible component during a specified period of time, as specified in section 3.02(3)(b)(iii) of this notice (PFE Production Percentage). For purposes of determining whether an eligible component is produced during a specified period of time, an eligible component is “produced” as a result of a process conducted by the taxpayer that

substantially transforms constituent elements, materials, or subcomponents into a complete and distinct eligible component that is functionally different from that which would result from minor assembly or superficial modification of the elements, materials, or subcomponents. For solar grade polysilicon, electrode active materials, and applicable critical minerals, consistent with § 1.45X-1(c)(2), an eligible component is “produced” as a result of processing, converting, refining, or purifying source materials to substantially transform the source materials to derive a distinct eligible component.²⁵ If using the Cost Percentage Safe Harbor to determine Direct Material Costs, a taxpayer may track whether a given type of Constituent Material was PFE Sourced by calculating the PFE Production Percentage.

(ii) Average Costs calculation. A taxpayer may calculate Average Costs of a given Constituent Material by summing all of the Direct Material Costs paid or incurred for that type of Constituent Material incorporated in or consumed in production of all of the same type of eligible component produced during a specified period of time, then dividing that sum by the total quantity of that type of Constituent Material incorporated in or consumed in production of the same type of eligible component produced during a specified period of time.

(iii) PFE Production Percentage calculation. A taxpayer may determine the PFE Production Percentage of a given Constituent Material for a specified period of time by determining the total quantity of PFE Sourced Constituent Materials of the same type that were incorporated into the same type of eligible component produced during a

²⁵ For the production process for electrode active materials and applicable critical minerals, the term “conversion” is defined in § 1.45X-3(e)(2)(iii)(A) or § 1.45X-4(c)(2)(i), respectively, as “a chemical transformation from one species to another,” and the term purification is defined in § 1.45X-3(e)(2)(iii)(B) or § 1.45X-4(c)(2)(ii), respectively, as “increasing the mass fraction of a certain element.”

specified period of time (Total Quantity_{PFE-CM}), then dividing that quantity by the total quantity of Constituent Materials of the same type that were incorporated into the same type of eligible component produced during that specified period of time (Total Quantity_{CM}). The specified period of time is as described in section 3.02(3)(b)(v) of this notice.

(iv) Identification of types of eligible components. For purposes of section 3.02(3)(b)(ii) and (iii) of this notice, each eligible component that is separately described in §§ 45X(c)(2)(B) through (G), (c)(3)(B)(i), (c)(3)(B)(ii)(I)(aa) and (bb), (c)(3)(B)(iii) through (v), (c)(3)(B)(vii)(I) and (II), (c)(4)(B)(i), (c)(4)(B)(ii)(I) and (II), (c)(4)(B)(iii) through (v), (c)(5)(B)(i) and (ii), (c)(5)(B)(iii)(I)(aa) and (bb), (c)(6)(A) through (Z), and (c)(6)(AA)(i) through (xxv) is considered a separate type of eligible component.

(v) Specified period of time. For purposes of the Eligible Component MACR, a specified period of time must meet the following requirements: (A) The specified period must be at least one calendar day in length and may only include whole calendar days, (B) the first specified period of the taxpayer's taxable year must start on the first day of the taxpayer's taxable year, (C) specified periods shorter than a full taxable year must be contiguous, (D) every day of the taxpayer's taxable year must be covered by a specified period and (E) the specified period cannot be longer than the taxpayer's taxable year. Any specified period of time selected under this section 3.02(3)(b)(v) must be consistent with the purposes of § 7701(a)(52).

(4) Determine Direct Material Costs.

(a) In general. To determine Direct Material Costs, the taxpayer must determine the direct material costs of the Constituent Materials tracked to the eligible component. A taxpayer not using the Cost Percentage Safe Harbor described in section 4.02(3) of this notice or the Certification Safe Harbor described in section 4.03 of this notice to

determine Direct Material Costs, must determine Direct Material Costs in the manner specified in this section 3.02(4). Direct Material Costs are costs that a taxpayer paid or incurred (within the meaning of § 461 and regulations issued under § 263A) for materials that become an integral part of the eligible component produced by the taxpayer and for those materials that are consumed in the ordinary course of production and that can be identified or associated with particular units or groups of units of the eligible component (within the meaning of § 1.263A-1(e)(2)(i)(A)). See § 1.471-3 for the elements of direct material costs. For example, freight-in and tariffs paid or incurred by the taxpayer generally are direct material costs. See section 3.02(5)(b) of this notice for guidance regarding resellers. To determine Total Direct Material Costs, the taxpayer must aggregate the Direct Material Costs.

(b) If using Cost Percentage Safe Harbor or Certification Safe Harbor.

Notwithstanding section 3.02(4)(a) of this notice, the taxpayer may use the Cost Percentage Safe Harbor identified in section 4.02(3) of this notice or the Certification Safe Harbor identified in section 4.03 of this notice to determine Direct Material Costs. A taxpayer using the Cost Percentage Safe Harbor must determine Direct Material Costs using the Assigned Cost Percentages of the Constituent Materials, rather than actual Direct Material Costs. Section 4.02(3) of this notice describes how the calculation of the Eligible Component MACR is modified when using the Assigned Cost Percentages under the Cost Percentage Safe Harbor. Alternatively, a taxpayer may use the Certification Safe Harbor identified in section 4.03 of this notice to determine Direct Material Costs in whole or in part.

(c) Section 45X contract manufacturing arrangements. Section 1.45X-1(c)(3)(iii)

permits parties that produce eligible components pursuant to a contract manufacturing arrangement to determine by agreement the party that may claim the § 45X credit. For purposes of section 3.02 of this notice, in the case of an eligible component produced pursuant to a contract manufacturing arrangement, as defined in § 1.45X-1(c)(3)(iii), Direct Material Costs are the direct material costs that are paid or incurred (within the meaning of § 461 and regulations issued under § 263A) by the party that performs the actual production activities that bring about a substantial transformation resulting in the eligible component. If the party performing the production activities did not incur any or all direct materials costs within the meaning of § 461 and any regulations issued under § 263A, then Direct Material Costs also include the direct material costs to the taxpayer claiming a § 45X credit in such contract manufacturing arrangement.

(5) Determine PFE Direct Material Costs.

(a) In general. To determine PFE Direct Material Costs, the taxpayer must determine the Direct Material Costs attributable to each PFE Sourced Constituent Material (that is, PFE Direct Material Costs). A taxpayer not using the Cost Percentage Safe Harbor described in section 4.02(3) of this notice or the Certification Safe Harbor described in section 4.03 of this notice to determine PFE Direct Material Costs, must determine PFE Direct Material Costs in the manner specified in this section 3.02(5). To determine PFE Total Direct Material Costs, the taxpayer must aggregate the PFE Direct Material Costs.

(b) Determine whether Constituent Materials are PFE Sourced. To determine whether Constituent Materials are PFE Sourced, a taxpayer may use the Certification Safe Harbor described in section 4.03 of this notice. If a taxpayer is unable to or chooses not to use the Certification Safe Harbor, then the taxpayer must determine

whether Constituent Materials are PFE Sourced by applying the definition of PFE in § 7701(a)(51) to the direct supplier of the Constituent Material for all costs associated with the Constituent Material procured from that supplier. If the direct supplier is merely a reseller, then the taxpayer applies the definition of PFE in § 7701(a)(51) to the entity that mined, produced, or manufactured the Constituent Material at issue for all costs associated with those Constituent Materials.

(c) Year of determination. Whether a Constituent Material is PFE Sourced depends on the PFE status of the relevant entities as of the taxable year during which the taxpayer paid or incurred the Direct Material Costs of such Constituent Materials under the taxpayer's method of accounting. In the case of a taxpayer whose taxable income is computed under an accrual method of accounting, Direct Material Costs are paid or incurred as the taxpayer produces such Constituent Materials or when the taxpayer is provided such Constituent Materials. For purposes of this section, the determination of whether a Constituent Material is PFE Sourced is based on the taxable year of the direct supplier of the Constituent Material, or in the case of a reseller, the entity that mined, produced, or manufactured the Constituent Material, as described in section 3.02(5)(b) and (c) of this notice. For example, if a taxpayer paid for Constituent Materials in 2026, but incorporated them into an eligible component sold in 2027, then whether the Constituent Materials are PFE Sourced would be determined by whether the direct supplier (who is not a reseller) was a PFE for such entity's tax year that includes the date in 2026 of payment for the Constituent Materials, as determined under § 7701(a)(51)(A)(ii).²⁶ If the direct supplier, or in the case of a reseller, the entity that

²⁶ See fn. 19 of this notice.

mined, produced, or manufactured the Constituent Materials does not use a taxable year under § 7701(a)(23), then whether such entity is a PFE would be based on the entity's status for the calendar year in which the taxpayer paid or incurred the Direct Material Costs of such Constituent Materials (or, in the case of an accrual method taxpayer, when the entity provided the Constituent Materials to the taxpayer).

(6) Example.

The provisions of this section 3.02 are illustrated by the following example. Assume that the taxpayer uses the calendar year as the taxpayer's taxable year.

(a) In its taxable year beginning in 2026, Taxpayer C produces and sells 200 photovoltaic (PV) modules (EC Units). Taxpayer C identifies the EC Units as being of the same type, because each unit meets the definition of a PV module in § 45X(c)(3)(B)(v). In order to qualify for the § 45X credit, § 45X(c)(1)(C) requires that the EC Units not include material assistance from a PFE, meaning, in the case of any solar energy component sold during calendar year 2026, the Eligible Component MACR cannot be less than 50%. See § 7701(a)(52)(C)(I).

(b) Each of the 200 EC Units includes 144 PV cells (for a total of 28,800 PV cells in the 200 EC Units) as a Constituent Material, as well as additional Constituent Materials. Each EC Unit contains the same types of additional Constituent Materials in identical amounts, and the Total Direct Material Costs that are paid or incurred by Taxpayer C for the additional Constituent Materials amount to \$60 for each of the 200 EC Units.

(c) Taxpayer C produces 160 EC Units during the first 39 weeks of the taxable year, and another 40 EC Units during the next 13 weeks of the taxable year.

(d) Taxpayer C identifies the first 39 weeks of the taxable year as a specified

period (Specified Period 1), and the next 13 weeks of the taxable year as another specified period (Specified Period 2).

(e) Of the 23,040 PV cells incorporated into the EC Units produced in Specified Period 1, 21,020 are PFE Sourced and 2,020 are not PFE Sourced. In Specified Period 2, Taxpayer C changes its supply chain such that only 2,620 of the 5,760 PV cells incorporated into the EC Units produced in Specified Period 2 are PFE Sourced and 3,140 of them are not PFE Sourced.

(f) No other Constituent Materials incorporated into the EC Units are PFE Sourced.

(g) Of the 23,040 PV cells incorporated into the EC Units produced in Specified Period 1, Taxpayer C acquired 21,020 for \$0.50 each and 2,020 for \$1.50 each. Of the 5,760 PV cells incorporated into the EC Units produced in Specified Period 2, Taxpayer C acquired 2,620 for \$0.50 each and 3,140 for \$1.50 each.

(h) Taxpayer C calculates the Average Cost of each PV cell for Specified Period 1 by summing the Direct Material Costs of the PV cells incorporated into the EC Units produced during Specified Period 1, then dividing that sum by the total quantity of PV cells incorporated into the EC Units produced during Specified Period 1 ($((\$0.50 \times 21,020) + (\$1.50 \times 2,020)) / 23,040 = \0.59). Based on the Average Cost of each PV cell, the Direct Material Costs of the PV cell in each EC Unit produced during Specified Period 1 are \$84.96 ($\0.59×144). The Total Direct Costs for each EC produced during Specified Period 1 is \$144.96 ($\$84.96 + \60)

(i) Taxpayer C calculates a PFE Production Percentage for the PV cells for Specified Period 1 based on the quantity of PV cells incorporated into the EC Units

produced during Specified Period 1. The Total Quantity_{PFE-CM} of PV cells included in such EC Units is 21,020, and the Total Quantity_{CM} is 23,040. Taxpayer C divides the PV cells' Total Quantity_{PFE-CM} (21,020) by the Total Quantity_{CM} (23,040) to equal a PFE Production Percentage of 91.2% (21,020/23,040) for its PV cells in Specified Period 1.

(j) Taxpayer C calculates the Total PFE Direct Material Costs for each EC Unit in Specified Period 1. As PV cells are the only Constituent Material that was PFE produced, Taxpayer C multiplies \$84.96 (Direct Material Costs for the PV cells in each EC Unit) by 91.2% (PFE Production Percentage for Specified Period 1) to get the PFE Total Direct Material Costs of \$77.48

(k) Taxpayer C calculates an Eligible Component MACR for each EC Unit produced in Specified Period 1 as follows: $(\$144.96 \text{ [Total Direct Material Costs of each EC Unit]} - \$77.48 \text{ [PFE Total Direct Material Costs]}) / \$144.96 \text{ [Total Direct Material Costs of each EC Unit]} = 46.5\%$. For each such EC Unit sold in Specified Period 1, the Clean Electricity MACR of 46.5% is less than the applicable threshold percentage (50%).

PFE Production Percentage Based on
Quantity of PV Cells Incorporated into EC
Units Produced During First 39 Weeks of
Taxable Year

Total Quantity _{PFE-CM}	21,020
Total Quantity _{CM}	23,040
PFE Production Percentage (Total Quantity _{PFE-CM}) / (Total Quantity _{CM})	91.2%

Eligible Component MACR for each EC
Unit Produced During First 39 Weeks of
Taxable Year

Total Direct Material Costs	\$144.96
PFE Production Percentage	91.2%
Cost attributable to PV cells (based on Average Cost)	\$84.96
PFE Total Direct Material Costs (PFE Production Percentage × Costs attributable to PV cells)	\$77.48
Eligible Component MACR (Total Direct Material Costs – PFE Total Direct Material Costs) / (Total Direct Material Costs)	46.5%

(l) Taxpayer C calculates the Average Cost of each PV cell for Specified Period 2 by summing the Direct Material Costs of the PV cells incorporated into the EC Units produced during Specified Period 2, then dividing that sum by the total quantity of PV Cells incorporated into the EC Units produced during Specified Period 2 ($((\$0.50 \times 2,620) + (\$1.50 \times 3,140)) / 5,760 = \1.05). Based on the Average Cost of each PV cell, the Direct Material Costs of the PV cells in each EC Unit produced during Specified Period 2 are \$151.20 ($\1.05×144). The Total Direct Costs for each EC produced during Specified Period 2 is \$211.20 ($\$151.20 + \60)

(m) Taxpayer C calculates a PFE Production Percentage for the PV cells for Specified Period 2 based on the quantity of PV cells incorporated into the EC Units

produced during Specified Period 2. The Total Quantity_{PFE-CM} of PV cells included in such EST Units is 2,620, and the Total Quantity_{CM} is 5,760. Taxpayer C divides the PV cells' Total Quantity_{PFE-CM} (2,620) by the Total Quantity_{CM} (5,760) to equal a PFE Production Percentage of 45.5% (2,620/5,760).

(m) Taxpayer C calculates the Total PFE Direct Material Costs for each EC Unit in Specified Period 2. As PV cells are the only Constituent Material that was PFE produced, Taxpayer C multiplies \$151.20 (Direct Material Costs for the PV cells in each EC Unit) by 45.5% (PFE Production Percentage for Specified Period 2) to get the PFE Total Direct Material Costs of \$68.80.

(n) Taxpayer C calculates an Eligible Component MACR for each EC Unit produced in Specified Period 2 as follows: $(\$211.20 \text{ [Total Direct Material Costs of each EC Unit]} - \$68.80 \text{ [PFE Total Direct Material Costs]}) / \$211.20 \text{ [Total Direct Material Costs of each EC Unit]} = 67.4\%$. For each EC Unit solid in Specified Period 2, the Eligible Component MACR of 67.4% is not less than the applicable threshold percentage (50%).

PFE Production Percentage Based on
Quantity of PV Cells Incorporated into
EC Units Produced During Next 13
Weeks of Taxable Year

Total Quantity PFE-CM	2,620
Total Quantity _{CM}	5,760
PFE Production Percentage (Total Number PFE-CM) / (Total Number _{CM})	45.5%

Eligible Component MACR for each EC
Unit Produced During Next 13 Weeks of
Taxable Year

Total Direct Material Costs	\$211.20
PFE Production Percentage	45.5%
Cost attributable to PV cells (based on Average Cost)	\$151.20
PFE Total Direct Material Costs (PFE Production Percentage × Costs attributable to PV cells)	\$68.80
Eligible Component MACR (Total Direct Material Costs – PFE Total Direct Material Costs) / (Total Direct Material Costs)	67.4%

(o) Taxpayer C's 160 EC Units produced during the first 39 weeks of the taxable year include material assistance from a PFE within the meaning of § 45X(c)(1)(C), therefore, Taxpayer C cannot claim the credit under § 45X for such EC Units. In contrast, Taxpayer C's 40 EC Units produced during the next 13 weeks of the taxable year do not include material assistance from a PFE within the meaning of § 45X(c)(1)(C), therefore, § 45X(c)(1)(C) does not prohibit Taxpayer C from claiming the credit under § 45X for those EC Units.

SECTION 4. INTERIM SAFE HARBORS

Section 7701(a)(52)(D)(iii)(II) provides two interim safe harbors that a taxpayer may choose to apply when determining a Clean Electricity MACR or Eligible Component MACR.

Section 7701(a)(52)(D)(iii)(II)(aa) permits a taxpayer to use the tables included in Notice 2025-08 to establish the percentage of the total direct costs of any listed eligible component and any MP. To effectuate this safe harbor, section 4.01 of this notice describes the Identification Safe Harbor that a taxpayer may use to identify MPs and MPCs of a Listed qualified facility or EST or to identify Constituent Materials of a Listed eligible component, and section 4.02 this notice describes the Cost Percentage Safe Harbor that a taxpayer may use to determine Direct Costs and PFE Direct Costs for a qualified facility or EST or to determine the Direct Material Costs and PFE Direct Material Costs for an eligible component,

Section 7701(a)(52)(D)(iii)(II)(bb) permits a taxpayer to rely upon supplier certifications for certain information. To effectuate this safe harbor, section 4.03 of this notice describes the Certification Safe Harbor that a taxpayer may use to determine Direct Costs or Direct Material Costs, PFE Direct Costs or PFE Direct Material Costs, and whether MPs and MPCs are PFE Produced or Constituent Materials are PFE Sourced.

.01 Identification Safe Harbor.

(1) In general.

This section 4.01 describes the Identification Safe Harbor. A taxpayer may use the Identification Safe Harbor to identify MPs and MPCs of a Listed qualified facility or EST or to identify Constituent Materials of a Listed eligible component.

(2) Identification Safe Harbor requirements for qualified facilities or ESTs.

(a) In general. A taxpayer may rely upon the Identification Safe Harbor to identify the types of MPs and MPCs of a qualified facility or EST only if the qualified facility or EST is listed as an “Applicable Project” in the 2023-2025 Safe Harbor Tables. For this purpose, in the 2023-2025 Safe Harbor Tables with cost percentages, the titles of the tables (for example, “Updated Table for Solar PV Ground-Mount”) or the column titled “Applicable Project” may be considered as listing the qualified facility or EST, the column titled “Applicable Project Component” or “APC” may be considered as listing the types of MPs within the qualified facility or EST (Listed MPs), and the column titled “Manufactured Product Component” or “MPC” may be considered as listing the types of MPCs within the qualified facility or EST (Listed MPCs). In the 2023-2025 Safe Harbor Tables without cost percentages, the column titled “Applicable Project Component” may be considered as listing the types of MPs and MPCs within the qualified facility or EST (Listed MPs and MPCs).²⁷

(b) Exclusive list. Except as provided in section 4.02(2)(b)(ii) of this notice, a taxpayer that uses the Identification Safe Harbor with respect to a Listed qualified facility or EST to identify types of MPs and MPCs must use the Listed MPs and Listed MPCs as the exclusive and exhaustive list of MPs and MPCs for that purpose. Any MPs or MPCs contained in the taxpayer’s qualified facility or EST that are not listed in an applicable 2023-2025 Safe Harbor Table are disregarded for purposes of using the Identification Safe Harbor. For examples of using the Identification Safe Harbor to help calculate a Clean Electricity MACR with unlisted but utilized MPs or MPCs that are

²⁷ The definitions provided in Notice 2025-08 for Applicable Project, APC, or MPCs are applicable.

disregarded, see section 4.04(2) and (5) of this notice. The requirements in the previous sentence apply regardless of whether property listed in the 2023-2025 Safe Harbor Tables is fully or fractionally owned or shared.

(c) Listed but unutilized MPs or MPCs. Any Listed MP or Listed MPC that is not utilized as an input to the taxpayer's qualified facility or EST is disregarded for purposes of using the Identification Safe Harbor. For examples of calculating a Clean Electricity MACR with listed but unutilized MPs or MPCs, see sections 4.04(1) and (6) of this notice.

(d) Treatment of steel and iron. A taxpayer using the Identification Safe Harbor with respect to a Listed qualified facility or EST to identify types of MPs and MPCs disregards any item that is identified in the applicable table as "Steel/Iron" or a "Steel/Iron Product." As described in section 3.01(7)(b) of this notice, any steel or iron components incorporated into the taxpayer's qualified facility or EST are disregarded for purposes of calculating a Clean Electricity MACR.

(e) 80/20 Rule.

(i) In general. A taxpayer that owns a facility that is a qualified facility by virtue of the 80/20 Rule may be unable to determine the source of any used property that is part of the facility. Accordingly, a taxpayer disregards any used property for purposes of using the Identification Safe Harbor for any such facility.

(ii) Partially replaced property. In applying the Identification Safe Harbor to any facility that is a qualified facility by virtue of the 80/20 Rule, if the facility includes a mix of new and used property of the same type of Listed MP or Listed MPC, the taxpayer may not disregard the new property for purposes of using the Identification Safe

Harbor.²⁸ For example, if a taxpayer replaces some, but not all, used PV modules with new PV modules in their solar facility that is a qualified facility by virtue of the 80/20 rule, the taxpayer may not disregard the new PV modules as a Listed MP for purposes of using the Identification Safe Harbor. See section 4.04(6) of this notice for an example of using the Identification Safe Harbor with partially replaced property.

(f) Qualified interconnection property. A taxpayer may not use the Identification Safe Harbor with respect to qualified interconnection property because the 2023-2025 Safe Harbor Tables list only MPs and MPCs for qualified facilities as defined in § 48E(b)(3), and qualified interconnection property is not part of a qualified facility as defined in § 48E(b)(3).

(3) Identification Safe Harbor requirements for eligible components.

(a) In general. A taxpayer may rely upon the Identification Safe Harbor to identify types of Constituent Materials (as defined in section 3.02(1) of this notice) only if the eligible component is a Listed eligible component in section 4.01(3)(d) of this notice. For this purpose, in the 2023-2025 Safe Harbor Tables with cost percentages, the column titled “Applicable Project Component” or “APC” may be considered as identifying the eligible component, and the column titled “Manufactured Product Component” or “MPC” may be considered as identifying the type of Constituent Materials of the Listed eligible component. In the 2023-2025 Safe Harbor Tables without cost percentages, the column titled “Applicable Project Component” may be considered as identifying the types of Constituent Materials of the eligible component. If

²⁸ Except as provided in section 4.02(2)(b)(v) of this notice, for purposes of determining Total Direct Costs and Total PFE Direct Costs, only costs paid or incurred with respect to new property will be included to compute the Clean Electricity MACR.

an eligible component is not listed in section 4.01(3)(d) of this notice, then the taxpayer may not treat the eligible component as a Listed eligible component, and therefore may not use the Identification Safe Harbor. See section 4.04(3) of this notice for an example of being unable to use the Identification Safe Harbor.

(b) Exclusive list. Except as provided in section 4.02(3)(b)(ii) of this notice, a taxpayer that uses the Identification Safe Harbor with respect to a Listed eligible component to identify Constituent Materials must use the Listed MPCs as the exclusive and exhaustive list of Constituent Materials. The requirements in the previous sentence apply regardless of whether property listed in the 2023-2025 Safe Harbor Tables is fully or fractionally owned or shared.

(c) Listed but unutilized. Any Listed MPC that is not utilized as an input to the Listed eligible component is disregarded for purposes of using the Identification Safe Harbor. For examples of calculating an Eligible Component MACR with listed but unutilized MPCs, see sections 4.04(2) and (5) of this notice.

(d) Listed eligible components and corresponding Applicable Project Components.

(i) In general. Subject to section 4.01(3)(d)(ii) of this notice, the following chart identifies the only eligible components defined in § 45X that may be treated as a Listed eligible component, along with the Applicable Project Component to which that eligible component must correspond to be treated as a Listed eligible component. If the eligible component is listed in more than one of the Notice 2025-08 tables, then the taxpayer must use the table for the Applicable Project that most closely reflects the reasonably anticipated use of the eligible component.

Eligible Component	Applicable Project Component (Listed eligible component)
Central inverters § 45X(c)(2)(B)	Inverter
Commercial inverters § 45X(c)(2)(C)	Inverter
Distributed wind inverters § 45X(c)(2)(D)	Inverter
Microinverters § 45X(c)(2)(E)	Inverter
Residential inverters § 45X(c)(2)(F)	Inverter
Utility inverters § 45X(c)(2)(G)	Inverter
Solar module § 45X(c)(3)(B)(v)	PV module
Battery modules using battery cells § 45X(c)(5)(B)(iii) (as described in section 4.01(3)(c)(ii) of this notice)	Battery pack/module

(ii) Special requirements for battery modules. Battery modules using battery cells may be treated as a Listed eligible component upon first meeting the requirements of § 45X(c)(5)(B)(iii)(I)(aa), (c)(5)(B)(iii)(II), and (c)(5)(B)(iii)(III), notwithstanding when this transformation occurs in a manufacturing production chain. However, consistent with the definition of an Applicable Project Component in section 3.01(2)(a) of Notice 2023-38, only battery modules that are “directly incorporated” into a distributed battery energy storage system or a grid-scale battery energy storage system, as those facilities are defined in section 7.03(6) and (9) of Notice 2025-08, may be treated as Listed eligible components under the “Updated Table for Battery Energy Storage System” in section 7.02 of Notice 2025-08.

.02 Cost Percentage Safe Harbor.

(1) In general.

This section 4.02 describes the Cost Percentage Safe Harbor. A taxpayer may use

the Cost Percentage Safe Harbor to determine Direct Costs, determine PFE Direct Costs, and calculate the Clean Electricity MACR only if the (i) the taxpayer is using the Identification Safe Harbor with respect to such qualified facility or EST and (ii) the qualified facility or EST satisfies the requirements of section 4.02(2) of this notice. A taxpayer may use the Cost Percentage Safe Harbor to determine Direct Material Costs, determine PFE Direct Material Costs, and calculate the Eligible Component MACR only if (i) the taxpayer is using the Identification Safe Harbor with respect to such eligible component and (ii) the eligible component satisfies the requirements of section 4.02(3) of this notice. The Cost Percentage Safe Harbor is not used to determine whether an MP, MPC, or Constituent Material is PFE Produced or PFE Sourced.

(2) Cost Percentage Safe Harbor requirements for qualified facilities or ESTs.

(a) In general. In lieu of determining Direct Costs, determining PFE Direct Costs, and calculating the Clean Electricity MACR in the manner specified in section 3.01 of this notice, a taxpayer can instead determine Direct Costs, determine PFE Direct Costs, and calculate the Clean Electricity MACR by using the Cost Percentage Safe Harbor as described in section 4.02(2)(c) of this notice.

(b) Specific requirements for using 2023-2025 Safe Harbor Tables.

(i) Exclusive list. Except as provided in section 4.02(2)(b)(ii) and (v) of this notice, a taxpayer that uses the Cost Percentage Safe Harbor with respect to a Listed qualified facility or EST must use the Assigned Cost Percentages of the Listed MPs and Listed MPCs as the exclusive and exhaustive set of costs for that purpose. Any MPs or MPCs contained in the taxpayer's qualified facility or EST that are not listed in an applicable 2023-2025 Safe Harbor Table are disregarded for purposes of using the Cost

Percentage Safe Harbor. For examples of using the Cost Percentage Safe Harbor to calculate a Clean Electricity MACR with unlisted but utilized MPs or MPCs, see sections 4.04(1) and (6) of this notice. The requirements in this section 4.02(2)(b) apply regardless of whether property listed in the 2023-2025 Safe Harbor Tables is fully or fractionally owned or shared.

(ii) Listed but unutilized MPs or MPCs. Any Listed MP or Listed MPC that is not utilized as an input to the taxpayer's qualified facility or EST is disregarded for purposes of using the Cost Percentage Safe Harbor. For examples of calculating a Clean Electricity MACR with listed but unutilized MPs or MPCs, see sections 4.04(1) and (6) of this notice.

(iii) Treatment of steel and iron. A taxpayer using the Cost Percentage Safe Harbor for a Listed qualified facility or EST may disregard any item that is identified in the applicable table as a "Steel/Iron" or "Steel/Iron Product" for purposes of using this safe harbor. As described in section 3.01(7)(b) of this notice, any steel or iron components incorporated into the taxpayer's qualified facility or EST are disregarded for purposes of calculating a Clean Electricity MACR.

(iv) Incremental Production Rule. The 2023-2025 Safe Harbor Tables are designed to provide cost percentages for different types of MPs and MPCs that are included in an entirely new qualified facility. Using those tables in the context of a facility which is a qualified facility by virtue of the Incremental Production Rule, which may consist of only a small fraction of the components that are included in an entire new qualified facility, can generate results inconsistent with the purpose of the material assistance rules under § 7701(a)(52). Accordingly, a taxpayer may not use the Cost

Percentage Safe Harbor for any such facility.

(v) 80/20 Rule.

(A) In general. A taxpayer that owns a facility that is a qualified facility by virtue of the 80/20 Rule may be unable to determine the source of any used property which is part of the facility. Accordingly, a taxpayer disregards any used property for purposes of using the Cost Percentage Safe Harbor for any such facility.

(B) Partially replaced property. In applying the Cost Percentage Safe Harbor to any facility that is a qualified facility by virtue of the 80/20 Rule, a taxpayer must use the entire Assigned Cost Percentages for Listed MPs and Listed MPCs for any new property which is part of the facility. For example, if a taxpayer were to replace only 5 out of 9 Blades in a land-based wind facility that is a qualified facility by virtue of the 80/20 Rule, the taxpayer must use the 31.2% Assigned Cost Percentage attributable to Blades, without adjustment based on partial replacement of the Blades, for purposes of using the Cost Percentage Safe Harbor. See section 4.04(6) of this notice for an example of using the Cost Percentage Safe Harbor with partially replaced property.

(vi) Qualified interconnection property. As described in section 4.01(2)(e) of this notice, a taxpayer may not use the Identification Safe Harbor with respect to qualified interconnection property. To use the Cost Percentage Safe Harbor, a taxpayer must also use the Identification Safe Harbor. Accordingly, a taxpayer may not use the Cost Percentage Safe Harbor with respect to qualified interconnection property.

(c) Application of Cost Percentage Safe Harbor to qualified facilities and ESTs. A taxpayer using the Cost Percentage Safe Harbor will calculate a Clean Electricity MACR using the following steps. For an example of using the Cost Percentage Safe Harbor to

calculate a Clean Electricity MACR, see section 4.04(1) of this notice.

(i) Step one: Identify MPs and MPCs using the Identification Safe Harbor. To determine the Clean Electricity MACR using the Cost Percentage Safe Harbor, a taxpayer must first identify MPs and MPCs using the Identification Safe Harbor, as described in section 4.01(2) of this notice.

(ii) Step two: Track MPs and MPCs. To determine the Clean Electricity MACR using the Cost Percentage Safe Harbor, a taxpayer must track only whether each MP or MPC incorporated into the qualified facility or EST was PFE Produced, as described in section 3.01(3) of this notice.

(iii) Step three: determine Total Percentage. Next, in lieu of determining Direct Costs and Total Direct Costs in the manner described in section 3.01(4)(a) of this notice, a taxpayer using the Cost Percentage Safe Harbor determines Total Direct Costs by summing the Assigned Cost Percentages for each Listed MPC and the Assigned Cost Percentages for Production of each Listed MP within the Applicable Project (Total Percentage). The Assigned Cost Percentages for MPs and MPCs listed in the 2023-2025 Safe Harbor Tables will sum to a Total Percentage of 100% unless the taxpayer has listed but unutilized MPs or MPCs or the 80/20 Rule applies.²⁹

(iv) Step four: determine Total PFE Percentage. Then, in lieu of determining PFE Direct Costs and PFE Total Direct Costs in the manner described in section 3.01(5) of

²⁹ As described in section 4.02(2)(b)(ii) of this notice, the Assigned Cost Percentages for listed but unutilized MPs or MPCs are disregarded from the determination of a Clean Electricity MACR. See sections 4.04(1) and (6) of this notice for an example of using the Cost Percentage Safe Harbor to calculate a Clean Electricity MACR for a facility with listed but unutilized MPs or MPCs. Additionally, as described in section 4.02(2)(b)(v) of this notice, any used property in a facility that is a qualified facility by virtue of the 80/20 Rule is disregarded from the determination of a Clean Electricity MACR. See section 4.04(6) of this notice for an example of using the Cost Percentage Safe Harbor to calculate a Clean Electricity MACR for a facility that is a qualified facility by virtue of the 80/20 rule.

this notice, a taxpayer using the Cost Percentage Safe Harbor determines PFE Total Direct Costs by summing the Assigned Cost Percentages for each Listed MPC that is PFE Produced and Assigned Cost Percentages for Production of each Listed MP that is PFE Produced within the Applicable Project (Total PFE Percentage). If an MP is PFE Produced, but some or all of the MPCs included in the MP are not PFE Produced, then the taxpayer includes in the Total PFE Percentage the Assigned Cost Percentages for Production of the MP plus the Assigned Cost Percentages for each PFE Produced MPC. If an MP is not PFE Produced, but some or all of the MPCs included in the MP are PFE Produced, then the taxpayer only includes in the Total PFE Percentage the Assigned Cost Percentages for the PFE Produced MPCs.

(v) Step five: determine Clean Electricity MACR. After determining the Total Percentage and Total PFE Percentage, a taxpayer using the Cost Percentage Safe Harbor determines the Clean Electricity MACR by subtracting the Total PFE Percentage from the Total Percentage and then dividing that result by the Total Percentage. If the Clean Electricity MACR is less than the applicable threshold percentage, then the qualified facility or EST includes material assistance from a PFE.

(3) Cost Percentage Safe Harbor requirements for eligible components.

(a) In general. In lieu of determining Direct Material Costs, determining PFE Direct Material Costs, and calculating the Eligible Component MACR in the manner specified in section 3.02 of this notice, a taxpayer can instead determine Direct Material Costs, determine PFE Direct Material Costs, and calculate the Eligible Component MACR by using the Cost Percentage Safe Harbor described in section 4.02(3)(b) and (c) of this notice.

(b) Specific requirements for using 2023-2025 Safe Harbor Tables for § 45X eligible components.

(i) Exclusive list. Except as provided in section 4.02(3)(b)(ii) of this notice, a taxpayer that uses the Cost Percentage Safe Harbor with respect to a Listed eligible component to determine Direct Material Costs must use the Listed MPCs as the exclusive and exhaustive set of Constituent Materials for that purpose. Any Constituent Material contained in the taxpayer's eligible component which is not listed as an MPC in the applicable 2023-2025 Safe Harbor Table is disregarded for purposes of using the Cost Percentage Safe Harbor. For examples of using the Cost Percentage Safe Harbor to calculate an Eligible Component MACR with unlisted but utilized MPCs, see sections 4.04(2) and (5) of this notice.

(ii) Listed but unutilized MPCs. Any Listed MPC that is not utilized as an input to the Listed eligible component is disregarded for purposes of using the Cost Percentage Safe Harbor. For examples of calculating an Eligible Component MACR with listed but unutilized MPCs, see sections 4.04(2) and (5) of this notice.

(c) Application of Cost Percentage Safe Harbor to eligible components. A taxpayer using the Cost Percentage Safe Harbor will calculate an Eligible Component MACR using the following steps.

(i) Step one: Identify Constituent Materials using the Identification Safe Harbor. To determine the Eligible Component MACR using the Cost Percentage Safe Harbor, a taxpayer must first identify types of Constituent Materials included in the Listed Eligible Component using the Identification Safe Harbor, as described in section 4.01(3) of this notice.

(ii) Step two: Track Constituent Materials. To determine the Eligible

Component MACR using the Cost Percentage Safe Harbor, a taxpayer must only track whether each Constituent Material incorporated into the eligible component was PFE Sourced, as described in section 3.02(5) of this notice.

(iii) Step three: determine Total Percentage. Next, in lieu of determining Direct Material Costs and Total Direct Material Costs in the manner described in section 3.02(4)(a) of this notice, a taxpayer using the Cost Percentage Safe Harbor determines Total Direct Material Costs by summing the Assigned Cost Percentages for each Listed MPC included in the Listed eligible component (Total Percentage).

(iv) Step four: determine Total PFE Percentage. Then, in lieu of determining PFE Direct Material Costs and PFE Total Direct Material Costs in the manner described in section 3.02(5) of this notice, a taxpayer using the Cost Percentage Safe Harbor determines PFE Total Direct Material Costs by summing the Assigned Cost Percentages for each Listed MPC that is PFE Sourced and included in the Listed eligible component (Total PFE Percentage).

(v) Step five: determine Eligible Component MACR. After determining the Total Percentage and Total PFE Percentage, the taxpayer will determine the Eligible Component MACR by subtracting the Total PFE Percentage from the Total Percentage and then dividing that result by the Total Percentage. If the Eligible Component MACR is less than the applicable threshold percentage, then the eligible component includes material assistance from a PFE.

.03 Certification Safe Harbor.

(1) In general.

This section 4.03 describes the Certification Safe Harbor. In lieu of determining Direct Costs or Direct Material Costs and PFE Direct Costs or PFE Direct Material

Costs in the manners specified in sections 3.01(4)(a), 3.02(4)(a), 3.01(5)(a) and (c), and 3.02(5)(a) and (c) of this notice, a taxpayer can instead determine Direct Costs or Direct Material Costs by using the Certification Safe Harbor as described in section 4.03(2) of this notice. In addition, in lieu of determining whether MPs and MPCs are PFE Produced or Constituent Materials are PFE Sourced in the manners specified in sections 3.01(5)(b) and 3.02(5)(b) of this notice, a taxpayer can instead determine whether MPs and MPCs are PFE Produced or Constituent Materials are PFE Sourced by using the Certification Safe Harbor as described in section 4.03(2) of this notice.

(2) Requirements to be a valid certification.

(a) In general. The certifications described in section 4.03(2)(b) of this notice must be prepared in a manner consistent with § 1.45X-4(c)(4)(i), meaning that any certifications must be attached to Form 7211, *Clean Electricity Production Credit*; Form 3468, *Investment Credit*; Form 7207, *Advanced Manufacturing Production Credit*; or any other applicable form for claiming a § 45Y, 48E, or 45X credit filed with the taxpayer's annual return submitted to the IRS for the first taxable year in which the taxpayer claims a credit for a qualified facility, EST, or eligible component. See section 2.05 of this notice for rules regarding substantiation under § 6001. Additionally, under § 7701(a)(52)(D)(iii)(IV), any certification, must (aa) include (AA) the supplier's employer identification number, or (BB) any such similar identification number issued by a foreign government, (bb) be signed under penalties of perjury, (cc) be retained by the supplier and the taxpayer for a period of not less than six years and must be provided to the Secretary upon request, and (dd) be from the supplier from which the taxpayer purchased any MP, eligible component, or constituent elements, materials, or subcomponents of an eligible component, stating—(AA) that such property was not

produced or manufactured by a PFE and that the supplier does not know (or have reason to know) that any prior supplier in the chain of production of that property is a PFE, (BB) for purposes of § 45X, the total direct material costs for each component, constituent element, material, or subcomponent that were not produced or manufactured by a PFE, or (CC) for purposes of § 45Y or § 48E, the total direct costs attributable to all MPs that were not produced or manufactured by a PFE.

(b) Requirements for Certification Safe Harbor. The direct supplier may certify either (1) the total direct costs to the taxpayer or the total direct material costs paid or incurred by the taxpayer, as applicable, of such MP, MPC, eligible component, or Constituent Material that was not PFE Produced or PFE Sourced, as applicable, or (2) that such MP, MPC, eligible component, or Constituent Material was not PFE Produced or PFE Sourced, as applicable. See sections 4.04(4) and (5) of this notice for examples applying the Certification Safe Harbor.

(c) Inaccurate certifications. A taxpayer may rely on a certification described in section 4.03(2)(b) for the purposes described in section 4.03(1) of this notice unless the taxpayer knows or has reason to know that such certification is inaccurate. Where the taxpayer knows (or has reason to know) that an MP, MPC, eligible component, or Constituent Material was PFE Produced or PFE Sourced the taxpayer must treat all direct costs or direct material costs, as applicable, with respect to such property as PFE Produced or PFE Sourced.

.04 Examples.

The provisions of this section are illustrated by the following examples. In each example, assume that the taxpayer uses the calendar year as the taxpayer's taxable year.

(1) Example 1: calculating Clean Electricity MACR using the Identification Safe Harbor and Cost Percentage Safe Harbor.

(a) In taxable year 2026, Taxpayer D purchases a 50-megawatt direct current ground-mounted PV (tracker) (Facility) and places the Facility in service. Construction of the Facility began in calendar year 2026. Under § 7701(a)(52)(B)(i)(I), the Facility includes material assistance from a PFE if the Clean Electricity MACR with respect to the Facility is less than 40%. Taxpayer D would like to use the Identification Safe Harbor and the Cost Percentage Safe Harbor to calculate a Clean Electricity MACR and determine whether its Facility includes material assistance from a PFE.

(b) Taxpayer D first uses the identification Safe Harbor to identify MPs and MPCs. Taxpayer D identifies the Applicable Project in the Notice 2025-08 Table for “Updated Table for Solar PV Ground-Mount,” that corresponds to the Facility. Taxpayer D disregards the table rows for Steel pile or Steel ground screw and Steel or Iron reinforcing products in foundation and identifies 3 MPs in the column for Ground-mount (Tracking): PV modules (65.8%), Inverters (5.5%), and PV trackers (28.7%). The Facility’s PV modules do not include Bypass Diodes (0.4%) (that is, listed but unutilized), but do include heat sensors (that is, unlisted but utilized).

(c) Taxpayer D next tracks whether each Listed MP or Listed MPC identified in the previous step was PFE Produced. With respect to the PV modules’ MPCs, Taxpayer D knows that only the cells were PFE Produced; no additional Listed MPCs incorporated into the PV Modules were PFE Produced. With respect to the PV modules as an MP, Taxpayer D also knows that the PV modules were not PFE Produced. Additionally, Taxpayer D knows that the inverters and PV trackers, including each of the Listed MPCs within the inverters and PV trackers that were incorporated into the

inverters and PV trackers, were not PFE Produced.

(d) Taxpayer D then uses the Cost Percentage Safe Harbor to aggregate the Assigned Cost Percentages and determine a Total Percentage. Taxpayer D sums the Assigned Cost Percentages for each of the identified MPs, disregarding Bypass Diodes, to determine a Total Percentage of 99.6% (65.8% + 5.5% + 28.7% - 0.4%) (Total Percentage).

(e) Taxpayer D next uses the Cost Percentage Safe Harbor to aggregate the Assigned Cost Percentages attributable to PFE Produced MPs and MPCs and determines a Total PFE Percentage. The Assigned Cost Percentage for the only PFE Produced MP or MPC is 38.0% for the PFE Produced Cells (Total PFE Percentage).

(f) Taxpayer D calculates the Clean Electricity MACR of the Facility, disregarding Bypass Diodes and heat sensors, as follows: (99.6% [Total Percentage] – 38.0% [Total PFE Percentage]) / 99.6% [Total Percentage] = 61.8%. The Clean Electricity MACR of 61.8% is not less than the applicable threshold percentage (40%).

Clean Electricity MACR

Total Percentage	99.6%
Total PFE Percentage	38.0%
Eligible Component MACR	61.8%
$\frac{99.6\% - 38.0\%}{99.6\%} = 61.8\%$	
$\frac{\text{Total Percentage} - \text{Total PFE Percentage}}{\text{Total Percentage}} = \text{Eligible Component MACR}$	

(g) Taxpayer D's Facility does not include material assistance from a PFE and, therefore, § 48E(b)(6) does not prohibit Taxpayer D from claiming the credit under § 48E

for the Facility.

(2) Example 2: calculating Eligible Component MACR using the Identification Safe Harbor and the Cost Percentage Safe Harbor.

(a) In taxable year 2026, Taxpayer E produces and sells 100 solar modules (within the meaning of § 45X(c)(3)(B)(v)) (Solar Modules) to an unrelated person. Under § 7701(a)(52)(C)(i)(I)(aa), the Solar Modules include material assistance from a PFE if the Eligible Component MACR with respect to the Solar Modules is less than 50%. Taxpayer E would like to use the Identification Safe Harbor and the Cost Percentage Safe Harbor to calculate an Eligible Component MACR and determine whether its Solar Modules include material assistance from a PFE.

(b) Taxpayer E determines the Solar Modules may be treated as a Listed eligible component by relying on section 4.01(3)(d)(i) of this notice, which identifies solar modules as defined in § 45X(c)(3)(B)(v) as a Listed eligible component. As a result, Taxpayer E may use the Identification Safe Harbor to identify Constituent Materials and use the Assigned Cost Percentages of the MPCs listed for PV module to determine Total Direct Material Costs. Taxpayer E finds that PV module is a Listed eligible component in two separate Notice 2025-08 tables: “Updated Table for Solar PV Ground-Mount” and the “Updated Table for Solar PV Rooftop”. Taxpayer E knows that the Solar Modules do not have domestic c-Si PV Cells or domestic wafers and will be used in a Solar PV Ground-mount (Tracking) and so must use the column “Ground-mount (Tracking)” to identify Assigned Cost Percentages for the Solar Modules. A PV module identified in the “Ground-mount (Tracking)” column of the “Updated Table for Solar PV Ground-Mount” consists of 10 MPCs: Cells (38.0%), Frame/Backrail (6.0%), Front Glass (6.0%), Encapsulant (3.8%), Backsheet/Backglass (3.8%), Junction Box (1.0%), Edge

Seals (0.3%), Pottants (0.3%), Bus Ribbons (1.5%), and Bypass Diodes (0.4%). The Solar Modules do not include Bypass Diodes (that is, listed but unutilized), but do include heat sensors (that is, unlisted but utilized). In addition to these MPCs and Assigned Cost Percentages, the Ground-mount (Tracking) column provides that Production of a PV module for such an Applicable Project has an Assigned Cost Percentage of 4.7%.

(c) Taxpayer E next tracks whether each Listed MPC identified in the previous step was PFE Sourced. Taxpayer E knows that 800 out of 1000 Cells incorporated in each Solar Module were PFE Sourced and that no additional Constituent Materials incorporated into the Solar Modules and listed as an MPC in the “Updated Table for Solar PV Ground-Mount” for a PV module were PFE Sourced.

(d) Taxpayer E then uses the Cost Percentage Safe Harbor to aggregate Assigned Cost Percentages and determine a Total Percentage and Total PFE Percentage. Taxpayer E sums the Assigned Cost Percentages for each of the MPCs listed within the PV Module, plus Production of the PV Module, disregarding Bypass Diodes and heat sensors, to determine a Total Percentage of 65.4% ($38.0\% + 6.0\% + 6.0\% + 3.8\% + 3.8\% + 1.0\% + 0.3\% + 0.3\% + 1.5\% + 0.4\% + 4.7\% - 0.4\%$).

(e) To determine Total PFE Percentage, Taxpayer E determines the Assigned Cost Percentage attributable to the PFE Sourced Cells by multiplying the Assigned Cost Percentage for Cells (38.0%) by the percentage of such Cells that were PFE Sourced (800 out of 1000 = 80%), which equals 30.4% (Total PFE Percentage).

(f) Taxpayer E calculates the Eligible Component MACR as follows: $(65.4\% \text{ [Total Percentage]} - 30.4\% \text{ [Total PFE Percentage]}) / 65.4\% \text{ [Total PFE Percentage]} = 53.5\%$.

The Eligible Component MACR of 54.0% is not less than the applicable threshold percentage (50%).

Eligible Component MACR

Total Percentage	65.4%
Total PFE Percentage	30.4%
Eligible Component MACR	53.5%
$\frac{65.4\% - 30.4\%}{65.4\%} = 53.5\%$	
$\frac{\text{Total Percentage} - \text{Total PFE Percentage}}{\text{Total Percentage}} = \text{Eligible Component MACR}$	

(g) Taxpayer E's Solar Modules do not include material assistance from a PFE, and thus satisfy the requirements of § 45X(c)(1)(C), therefore, § 45X(c)(1)(C) does not prohibit Taxpayer E from claiming the credit under § 45X for the Solar Modules.

(3) Example 3: unable to rely on the Cost Percentage Safe Harbor.

(a) In taxable year 2026, Taxpayer F produces and sells 100 PV cells to an unrelated person (PV Cells). Under § 7701(a)(52)(C)(i)(I)(aa), the PV Cells include material assistance from a PFE if the Eligible Component MACR with respect to the PV Cells is less than 50%. Taxpayer F would like to use the Identification Safe Harbor and the Cost Percentage Safe Harbor to calculate an Eligible Component MACR and determine whether its PV Cells include material assistance from a PFE.

(b) Taxpayer F first uses the Identification Safe Harbor to identify Constituent Materials. To determine whether a PV cell may be treated as a Listed eligible component, Taxpayer F determines whether a PV cell that is an eligible component

under § 45X(c)(3)(A)(ii) may be treated as a Listed eligible component under section 4.01(3)(d)(i) of this notice. A PV cell that qualifies as an eligible component under § 45X(c)(3)(A)(ii) is not listed in section 4.01(3)(d)(i) of this notice, and so Taxpayer F may not treat the PV Cells as a Listed eligible component. Because a PV Cell may not be treated as a Listed eligible component, Taxpayer F is unable to rely on the Identification Safe Harbor to identify Constituent Materials or the Cost Percentage Safe Harbor to calculate an Eligible Component MACR for the PV Cells and determine whether its PV Cells include material assistance from a PFE.

(c) Taxpayer F may still rely on the Certification Safe Harbor or the guidance provided in section 3.02 of this notice to calculate the Eligible Component MACR.

(4) Example 4: calculating Clean Electricity MACR using the Identification Safe Harbor and the Certification Safe Harbor.

(a) Assume the same facts provided in *Example 1*, except that Taxpayer D decides to rely on the Identification Safe Harbor and the Certification Safe Harbor, instead of the Cost Percentage Safe Harbor, to calculate a Clean Electricity MACR and determine whether its Facility includes material assistance from a PFE.

(b) Taxpayer D first identifies the Facility as an Applicable Project in the Notice 2025-08 Table for “Updated Table for Solar PV Ground-Mount”. The Facility’s PV modules do not include Bypass Diodes (that is, listed but unutilized), but do include heat sensors (that is, unlisted but utilized). Taxpayer D disregards the table rows for Applicable Project Components categorized as Steel/Iron, disregards Bypass Diodes and heat sensors, and identifies the following MPs for the Applicable Project Solar PV Ground-mount (Tracking): PV tracker, PV module (which includes the following MPCs: Cells, Frame/Backrail, Front Glass, Encapsulant, Backsheet/Backglass, Junction Box,

Edge Seals, Pottants, and Bus Ribbons), and Inverter.

(c) Disregarding the costs associated with the Bypass Diodes and heat sensors, the sum of Taxpayer D's Direct Costs attributable to the MPs identified is \$3,000 (Total Direct Costs). Of the \$3,000 in Total Direct Costs, \$2,400 is attributable to the PV modules, and the PV tracker and inverter account for the remaining \$600 of the Total Direct Costs.

(d) Taxpayer D obtains a certification from each supplier of the Facility's identified MPs. Taxpayer D does not know or have reason to know that any of the certifications are inaccurate.

(e) The supplier of the PV modules certifies that Taxpayer D's Direct Costs for such PV modules, including MPCs, that were not produced or manufactured by a PFE, is \$1,320. Accordingly, Taxpayer D treats \$1,080 of its Total Direct Costs for the PV modules as attributable to production by a PFE (\$2,400 - \$1,320).

(f) The supplier of the inverters and the supplier of the PV trackers each certify that such MPs were not produced or manufactured by a PFE and that the supplier does not know (or have reason to know) that a prior supplier of any MPC in the chain of production of such MPs is a PFE. Accordingly, Taxpayer D treats \$0 of its Direct Costs for the PV tracker and inverter as attributable to production by a PFE (\$600 - \$600). Taxpayer D determines PFE Total Direct Costs of \$1,080 by adding its Direct Costs for the PV modules that are attributable to production by a PFE and its Direct Costs for the PV tracker and inverter that are attributable to production by a PFE (\$1,080 + \$0).

(g) Taxpayer D calculates the Clean Electricity MACR as follows: $(\$3,000 \text{ [Total Direct Costs]} - \$1,080 \text{ [PFE Total Direct Costs]}) / \$3,000 \text{ [Total Direct Costs]} = 64\%$.

The Clean Electricity MACR of 64% is not less than the applicable threshold percentage (40%).

Clean Electricity MACR

Total Direct Costs	\$3,000
PFE Total Direct Costs	\$1,080
Clean Electricity MACR	64%
$\frac{\$3,000 - \$1,080}{\$3,000} = 64.0\%$	
$\frac{\text{Total Direct Costs} - \text{Total PFE Direct Costs}}{\text{Total Direct Costs}} = \text{Clean Electricity MACR}$	

(h) Taxpayer D's Facility does not include material assistance from a PFE and thus satisfies the requirements of § 48E(b)(6), therefore, § 48E(b)(6) does not prohibit Taxpayer D from claiming the credit under § 48E for the Facility.

(5) Example 5: calculating Eligible Component MACR using the Identification Safe Harbor and the Certification Safe Harbor.

(a) Assume the same facts provided in *Example 2*, except that Taxpayer E decides to rely on the Identification Safe Harbor and the Certification Safe Harbor, instead of the Cost Percentage Safe Harbor, to calculate an Eligible Component MACR and determine whether its Solar Modules include material assistance from a PFE.

(b) Taxpayer E uses the Notice 2025-08 Table for "Updated Table for Solar PV Ground-Mount" to identify the Constituent Materials of the Listed eligible component. The Solar Modules do not include Bypass Diodes (that is, listed but unutilized), but do include heat sensors (that is, unlisted but utilized). Taxpayer E disregards Bypass Diodes and heat sensors. Taxpayer E identifies the following Constituent Materials:

Cells, Frame/Backrail, Front Glass, Encapsulant, Backsheet/Backglass, Junction Box, Edge Seals, Pottants, and Bus Ribbons.

(c) Disregarding the costs associated with the heat sensors, the sum of Taxpayer E's Direct Material Costs attributable to the identified Constituent Materials is \$2,000 (Total Direct Material Costs).

(d) Taxpayer E obtains certifications from each direct supplier of the identified Constituent Materials. Taxpayer E does not know or have reason to know that the certifications are inaccurate.

(e) The direct suppliers of the Constituent Materials certify that Taxpayer E's total direct material costs for such Constituent Materials that were not produced or manufactured by a PFE is \$900. Accordingly, Taxpayer E treats \$1,100 of its Total Direct Material Costs as attributable to Constituent Materials that are PFE Sourced (\$2,000 - \$900) (PFE Total Direct Material Costs).

(f) Taxpayer E calculates the Eligible Component MACR as follows: $(\$2,000 [\text{Total Direct Material Costs}] - \$1,100 [\text{PFE Total Direct Material Costs}] / \$2,000 [\text{Total Direct Material Costs}] = 45\%$. The Eligible Component MACR of 45% is less than the applicable threshold percentage (50%).

Eligible Component MACR

Total Direct Material Costs	\$2,000
PFE Total Direct Material Costs	\$1,100
Eligible Component MACR	45%
$\frac{\$2,000 - \$1,100}{\$2,000} = 45.0\%$	
$\frac{\text{Total Direct Material Costs} - \text{PFE Total Direct Material Costs}}{\text{Total Direct Material Costs}} = \text{Eligible Component MACR}$	

(g) Taxpayer E's Solar Modules include material assistance from a PFE and thus do not satisfy the requirements of § 45X(c)(1)(C), therefore, § 45X(c)(1)(C) prohibits Taxpayer E from claiming the credit under § 45X for the Solar Modules.

(6) Example 6: calculating Clean Electricity MACR using the Identification Safe Harbor and the Cost Percentage Safe Harbor for a qualified facility that meets the 80/20 Rule.

(a) In taxable year 2026, Taxpayer G partially replaced the PV modules in an existing 100-megawatt direct current ground-mounted PV (tracking) and installed new corresponding PV trackers (Facility). Taxpayer G retained the existing inverters and PV trackers and PV modules that were not replaced. The fair market value of the used property is not more than 20 percent of the Facility's total value (calculated by adding the cost of the new property to the value of the used property). Taxpayer G placed the Facility into service in 2026. Under § 7701(a)(52)(B)(i)(I), the Facility includes material assistance from a PFE if the Clean Electricity MACR with respect to the Facility is less than 40%. Taxpayer G would like to use the Identification Safe Harbor and the Cost Percentage Safe Harbor to calculate a Clean Electricity MACR and determine whether

its Facility includes material assistance from a PFE.

(b) Taxpayer G first uses the Identification Safe Harbor to identify MPs and MPCs. Taxpayer G identifies the Facility as an Applicable Project in the Notice 2025-08 Table for “Updated Table for Solar PV Ground-Mount.” Taxpayer G disregards the table rows for Steel pile or Steel ground screw and Steel or Iron reinforcing products in foundation and identifies 3 MPs in the column for Ground-mount (Tracking): PV modules (65.8%), Inverters (5.5%), and PV trackers (28.7%). The “Updated Table for Solar PV Ground-Mount” identifies a PV module as consisting of 10 MPCs, identified in the column for Ground-mount (Tracking): Cells (38.0%), Frame/Backrail (6.0%), Front Glass (6.0%), Encapsulant (3.8%), Backsheet/Backglass (3.8%), Junction Box (1.0%), Edge Seals (0.3%), Pottants (0.3%), Bus Ribbons (1.5%), and Bypass Diodes (0.4%). The same table identifies a PV Tracker as consisting of 7 MPCs, identified in the column for Ground-mount (Tracking): Torque tube (11.0%), Structural Fasteners (0.4%), Drive System (1.9%), Dampers (0.5%), Actuator (2.8%), Controller (0.7%), and Rails (2.0%). In addition to these MPCs and Assigned Cost Percentages, the Ground-mount (Tracking) column provides that Production of a PV module for such an Applicable Project has an Assigned Cost Percentage of 4.7% and that Production of a PV Tracker has an Assigned Cost Percentage of 9.4%.

(c) Taxpayer G next tracks whether each Listed MP or Listed MPC identified in the previous step was PFE Produced. Multiple new PV modules were incorporated into the Facility. Taxpayer G knows that during taxable year 2026, 6 out of 10 new PV modules (and all of their constituent MPCs) were PFE produced, and that the remaining 4 out of 10 new PV modules (and all of their constituent MPCs) were not PFE produced.

Additionally, Taxpayer G knows that the new PV trackers were PFE Produced, and that, of the identified MPCs for a PV tracker, *only* the new Rails were PFE Produced.

(d) Taxpayer G next uses the Cost Percentage Safe Harbor to aggregate the Assigned Cost Percentages and determine a Total Percentage. Even though Taxpayer G only partially replaced the Facility's PV Modules and accompanying PV Trackers, because the Facility is a qualified facility by virtue of the 80/20 rule, Taxpayer G uses the Assigned Cost Percentages without adjustment to determine a Total Percentage and Total PFE Percentage. Taxpayer G sums the Assigned Cost Percentages for each of the identified MPs, disregarding the Inverters (which are entirely used property), to determine a Total Percentage of 94.5% (65.8% + 28.7% + 5.5% - 5.5%).

(e) Taxpayer G next uses the Cost Percentage Safe Harbor to aggregate the Assigned Cost Percentages attributable to PFE Produced MPs and MPCs and determine a Total PFE Percentage. To determine Total PFE Percentage, Taxpayer G determines the Assigned Cost Percentage attributable to the PFE Produced new PV modules by multiplying the Assigned Cost Percentage for PV modules (65.8%) by the percentage of such PV modules, including MPCs, that were PFE Produced (6 out of 10 = 60%), which equals 39.5%. Taxpayer G adds the Assigned Cost Percentage attributable to the PFE Produced new PV modules (39.5%) to the Assigned Cost Percentages attributable to production of the new PV Trackers by a PFE (9.4%) and the PFE Produced new Rails (2.0%) to equal a Total PFE Percentage of 50.9% (39.5% + 9.4% + 2.0%).

(f) Taxpayer G calculates the Clean Electricity MACR of the Facility as follows:
 $(94.5\% \text{ [Total Percentage]} - 50.9\% \text{ [Total PFE Percentage]}) / 94.5\% \text{ [Total Percentage]} =$

46.1%. The Clean Electricity MACR of 46.1% is not less than the applicable threshold percentage (40%).

Clean Electricity MACR

Total Percentage	94.5%
Total PFE Percentage	50.9%
Clean Electricity MACR	46.1%
$\frac{94.5\% - 50.9\%}{94.5\%} = 46.1\%$	
$\frac{\text{Total Percentage} - \text{Total PFE Percentage}}{\text{Total Percentage}} = \text{Clean Electricity MACR}$	

(g) Taxpayer G's Facility does not include material assistance from a PFE and thus satisfies the requirements of § 48E(b)(6), therefore, § 48E(b)(6) does not prohibit Taxpayer G from claiming the credit under § 48E for the Facility.

SECTION 5. CERTAIN PFE RESTRICTIONS

This section describes rules that the Treasury Department and the IRS expect to include in the forthcoming proposed regulations for determining the application of certain PFE restrictions.

.01 Application of Foreign-Influenced Entity Rules.

Effective control is determined independently under each provision of § 7701(a)(51)(D)(ii)(III)(aa)(AA) through (GG). A specified foreign entity (or an entity related to such specified foreign entity) is determined to exercise effective control for purposes of § 7701(a)(51)(D)(i)(II) as a result of any contract, agreement, or other arrangement under § 7701(a)(51)(D)(ii)(III)(aa) that fulfills any one of § 7701(a)(51)(D)(ii)(III)(aa)(AA) through (GG). For example, under

§ 7701(a)(51)(D)(ii)(III)(aa)(GG), if a taxpayer makes a payment to a specified foreign entity under a licensing agreement for the provision of intellectual property with respect to a qualified facility, and such agreement was entered into or modified on or after July 4, 2025, the specified foreign entity would be exercising effective control over the taxpayer's qualified facility and the taxpayer would be considered a foreign-influenced entity.

.02 Establishment of rules to prevent entities from evading, circumventing, or abusing the application of the PFE restrictions.

Pursuant to the grants of authority provided to the Secretary under § 7701(a)(51)(D) and (K), the Treasury Department and the IRS intend to propose regulations to prevent entities from evading, circumventing, or abusing the application of restrictions with respect to PFEs under § 7701(a)(51), including rules to prevent such evasion, circumvention, or abuse through transfers or alterations of rights, property, or both, including transfers or alterations resulting in lapses of restricted foreign ownership or control that are temporary in nature.

SECTION 6. GLOSSARY OF CERTAIN TERMS USED IN THIS NOTICE

Term	Definition
2023-2025 Safe Harbor Tables	Collectively, the tables provided in sections 5.05, 5.06, 6.02, and 7.02 of Notice 2025-08 (Notice 2025-08 Tables), section 3.02 in Notice 2024-41 for a Hydropower Facility, or a Pumped Hydropower Storage Facility, and section 3.04 in Notice 2023-38 for an Offshore Wind Facility.
80/20 Rule	Sections 1.45Y-4(d)(1) and 1.48E-4(c)(1) provide that a qualified facility or EST, as applicable, may qualify as originally placed in service even if it contains some used components of property within the unit of qualified facility, provided the fair market value of the used components of the unit of qualified facility or EST is not more than 20 percent of the total value of the unit of qualified facility (that is, the cost of the new components of property plus the fair market value of the used components of property within the unit of qualified facility).
Assigned Cost Percentages	The associated cost percentages for each of the identified MPs and MPCs that may be found in the identified Applicable Projects.
Average Costs	The average of the Direct Costs of MPs and MPCs of the same type that were incorporated into ESTs that were placed in service, or the average of the Direct Material Costs of Constituent Materials incorporated in or consumed in the production of eligible components produced in the same specified period of time.
Clean Electricity MACR	The amount (expressed as a percentage) equal to the quotient of—(I) an amount equal to—(aa) the total direct costs to the taxpayer attributable to all manufactured products (including components) which are incorporated into the qualified facility or EST upon completion of construction, minus (bb) the total direct costs to the taxpayer attributable to all manufactured products (including components) which are—(AA) incorporated into the qualified facility or EST upon completion of construction, and (BB) mined, produced, or manufactured by a PFE, divided by (II) the amount described in (aa).
Constituent Materials	Constituent elements, materials, or subcomponents of the eligible component that are considered direct materials costs under § 1.263A-1(e)(2)(i)(A).

Direct Costs	The taxpayer's direct costs attributable to the MPs (including MPCs) included in the qualified facility or EST.
Direct Material Costs	The total costs of a Constituent Material that is paid or incurred (within the meaning of § 461 and any regulations issued under § 263A) by the taxpayer for the production of an eligible component.
Domestic Content Requirement	Sections 45(b)(9), 45Y(g)(11), 48(a)(12), and 48E(a)(3)(B) provide an increase to the amount of a credit determined under §§ 45, 45Y, 48, and 48E, respectively, for a taxpayer whose qualified facility under §§ 45 or 45Y, energy project under § 48, or qualified investment with respect to a qualified facility or EST under § 48E satisfies the domestic content requirement set forth in § 45(b)(9)(B)(i).
Eligible Component MACR	The amount (expressed as a percentage) equal to the quotient of—(I) an amount equal to—(aa) with respect to an eligible component, the total direct material costs that are paid or incurred (within the meaning of § 461 and any regulations issued under § 263A) by the taxpayer for production of such eligible component, minus (bb) with respect to an eligible component, the total direct material costs that are paid or incurred (within the meaning of § 461 and any regulations issued under § 263A) by the taxpayer for production of such eligible component that are mined, produced, or manufactured by a PFE, divided by (II) the amount described in (aa).
EST	Energy storage technology.
Incremental Production Rule	Section 45Y(b)(1)(C) provides that the term “qualified facility” includes a new unit or additions of capacity placed in service after December 31, 2024, in connection with an existing facility used for the generation of electricity with a greenhouse gas emissions rate not greater than zero that was placed in service before January 1, 2025, but only to the extent of the increased amount of electricity produced at the facility by reason of such new unit or additions of capacity.
Listed eligible component	An eligible component listed as an Applicable Project Component in the 2023-2025 Safe Harbor Tables.
Listed MPs	In the 2023-2025 Safe Harbor Tables <i>with</i> cost percentages, the column titled “Applicable Project Component” or “APC” may be considered as identifying the types of MPs within the qualified facility or EST.

Listed MPCs	In the 2023-2025 Safe Harbor Tables <i>with</i> cost percentages, the column titled “Manufactured Product Component” or “MPC” may be considered as identifying the types of MPCs within the qualified facility or EST.
Listed MPs and MPCs	In the 2023-2025 Safe Harbor Tables <i>without</i> cost percentages, the column titled “Applicable Project Component” may be considered as identifying the types of MPs and MPCs within the qualified facility or EST
Listed qualified facility or EST	A qualified facility or EST listed as an Applicable Project in the 2023-2025 Safe Harbor Tables.
MACR	Material assistance cost ratio.
MP	Manufactured product.
MPC	Manufactured product component.
PFE	Prohibited foreign entity.
PFE Direct Costs	The Direct Costs attributable to the each of the identified MPs and MPCs that were PFE Produced.
PFE Direct Material Costs	The Direct Material Costs attributable to each PFE Sourced Constituent Material.
PFE Produced	An MP or MPC mined, manufactured, or produced by a PFE.
PFE Production Percentage	The percentage of the MPs and MPCs of the same type that were PFE Produced or PFE Sourced and that were, as applicable, incorporated into the same type of ESTs placed in service during a specified period of time or the percentage of the Constituent Materials incorporated in or consumed to produce the same type of eligible components during a specified period of time.
PFE Sourced	Constituent Material supplied by a PFE.
PFE Total Direct Material Costs	The aggregate amount of the PFE Direct Material Costs attributable to any PFE Sourced Constituent Materials.
PFE Total Direct Costs	The aggregate amount of direct costs attributable to (A) any PFE Produced MP, and (B) any PFE Produced MPC included in any MP.

Total Direct Costs	The total direct costs to the taxpayer attributable to all MPs (including MPCs) which are incorporated into the qualified facility or EST upon completion of construction.
Total Direct Material Costs	The total direct material costs for all Constituent Materials that are paid or incurred (within the meaning of § 461 and any regulations issued under § 263A) by the taxpayer for the production of the eligible component.
Total Percentage	<p>For purposes of calculating the Clean Electricity MACR, the sum of the Assigned Cost Percentages for each Listed MPC and the Assigned Cost Percentages for Production of each Listed MP within the Applicable Project.</p> <p>For purposes of calculating the Eligible Component MACR, the sum of the Assigned Cost Percentages for each Listed MPC within the Listed eligible component and the Assigned Cost Percentage for Production of the Listed eligible component.</p>
Total PFE Percentage	<p>For purposes of calculating the Clean Electricity MACR, the sum of the Assigned Cost Percentages of the PFE Produced MPCs and the Assigned Cost Percentages for Production of each PFE Produced MP.</p> <p>For purposes of calculating the Eligible Component MACR, the sum of the Assigned Cost Percentages of the PFE Sourced MPCs within the Listed eligible component.</p>
Total Quantity _{CM}	The total quantity of Constituent Materials of the same type that were incorporated into the same type of eligible component produced during a specified period of time.
Total Quantity _{MP&MPC}	The total quantity of MPs or MPCs of the same type that were incorporated into the same type of EST placed in service during a specified period of time.
Total Quantity _{PFE-CM}	The total quantity of PFE Sourced Constituent Materials of the same type that were incorporated into the same type of eligible component produced during a specified period of time.
Total Quantity _{PFE-MP&MPC}	The quantity of PFE Produced MPs or MPCs of the same type that were incorporated into the same type of EST placed in service during a specified period of time.

SECTION 7. REQUEST FOR COMMENTS

.01 Specific questions.

In addition to general comments regarding PFE and material assistance issues, the Treasury Department and the IRS request comments with respect to the following specific questions:

(1) With respect to determining the Total Direct Costs to the taxpayer attributable to all MPs (including MPCs) that are incorporated in the qualified facility or EST upon completion of construction under § 7701(a)(52)(D)(i)(I)(aa), is any further guidance needed to clarify how to determine “Total Direct Costs”?

(2) If guidance is needed to clarify how to determine Total Direct Costs:

(a) What would be the best standard to apply with respect to qualified facilities and ESTs under §§ 45Y and 48E? For example, does the standard that is based on a taxpayer’s direct costs under § 1.263A-1(e)(2)(i)(A) and (B) (that is, direct material and direct labor costs that are paid or incurred by the taxpayer within the meaning of § 461) capture the appropriate costs?

(b) Should the rules for computing Total Direct Costs applicable to a taxpayer that purchases an MP or MPC be different than the rules for computing Total Direct Costs applicable to a taxpayer that mines, produces, or manufactures an MP or MPC?

(3) What rules are necessary to prevent the circumvention of the rules and restrictions with respect to PFEs consistent with the purposes of the PFE and material assistance rules added by the OBBBA?

(4) What substantiation and documentation, in addition to the records required under § 6001, should be required to support compliance with the anti-circumvention rules under § 7701(a)(52)(D)(v)(II), such as to demonstrate that beginning of

construction of a qualified facility or EST has occurred for purposes of the PFE and material assistance rules added by the OBBBA?

.02 Deadline for Submission.

Written comments should be submitted by March 30, 2026. However, consideration will be given to any written comments submitted after March 30, 2026, if such consideration will not delay the issuance of future published guidance.

.03 Form and Manner.

The subject line for the comments should include a reference to Notice 2026-15. All stakeholders are strongly encouraged to submit comments electronically. Comments may be submitted in one of two ways:

(1) Electronically via the Federal eRulemaking Portal at <https://www.regulations.gov> (type IRS-2026-15 in the search field on the <https://www.regulations.gov> homepage to find this notice and submit comments).

(2) By mail to: Internal Revenue Service, CC:PA:LPD:PR (Notice 2026-15), Room 5203, P.O. Box 7604, Ben Franklin Station, Washington, DC 20044.

.04 Publication of Comments.

The Treasury Department and the IRS will publish for public availability any comment submitted electronically or on paper to the IRS's public docket on <https://www.regulations.gov>.

SECTION 8. RELIANCE ON NOTICE AND SUBSTANTIATION OF SAFE HARBOR USE

.01 In General.

A taxpayer may rely on the guidance provided in section 3 and 5.01 of this notice to calculate the Clean Electricity MACR for any § 45Y qualified facility or § 48E qualified

facility or EST the construction of which, or, under § 48E, the construction, reconstruction, or erection of which, begins after December 31, 2025, and on or before the date that is 60 days after the publication of the forthcoming proposed regulations in the *Federal Register*. A taxpayer may rely on the guidance provided in sections 3 and 5.01 of this notice to calculate an Eligible Component MACR for § 45X eligible components sold in taxable years beginning after July 4, 2025, and on or before the date that is 60 days after the publication of the forthcoming proposed regulations in the *Federal Register*.

A taxpayer may rely on the guidance provided in section 4 of this notice to calculate the Clean Electricity MACR for any § 45Y qualified facility or § 48E qualified facility or EST the construction of which, or, under § 48E, the construction, reconstruction, or erection of which, begins after December 31, 2025, and on or before the date that is 60 days after the publication of the forthcoming safe harbor tables (and other guidance) under § 7701(a)(52)(D)(iii)(I). A taxpayer may rely on the guidance provided in section 4 of this notice to calculate an Eligible Component MACR for § 45X eligible components sold in taxable years beginning after July 4, 2025, and on or before the date that safe harbor tables (and other guidance) under § 7701(a)(52)(D)(iii)(I) are published. A taxpayer using the guidance provided in this notice must apply the guidance in a manner that is consistent with the purposes of § 7701(a)(51) and (52).

.02 Substantiation and Certification.

Taxpayers choosing to use any of the safe harbors provided in section 4 of this notice must provide the IRS with a statement identifying the specific safe harbor, including, if applicable, the specific 2023-2025 Safe Harbor Table, and the taxpayer's

application of the safe harbor (that is, to identify MPs and MPCs, to determine Direct Costs, etc.). This statement must be attached to Form 7211, *Clean Electricity Production Credit*; Form 3468, *Investment Credit*; Form 7207, *Advanced Manufacturing Production Credit*; or any other applicable form for claiming a § 45Y, 48E, or 45X credit filed with the taxpayer's annual return submitted to the IRS for the first taxable year in which the taxpayer claims a credit for a qualified facility, EST, or eligible component. See section 2.05 of this notice for rules regarding substantiation under § 6001.

SECTION 9. PAPERWORK REDUCTION ACT

The Paperwork Reduction Act of 1995 (44 USC 3501-3520) (PRA) generally requires that a Federal agency obtain the approval of the Office of Management and Budget (OMB) before collecting information from the public, whether such collection of information is mandatory, voluntary, or required to obtain or retain a benefit. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid control number assigned by OMB.

This notice mentions collection requirements for taxpayers to keep records to substantiate their tax credit claims. These records are considered general tax records under 26 CFR 1.6001-1. Additionally, taxpayers report the credits using Form 7211, Form 3468, and Form 7207 which are already approved by OMB for tax-exempt organizations and governmental entities, individuals, estates and trusts, and business taxpayers under OMB control numbers 1545-0047, 1545-0074, 1545-0092, and 1545-0123.

The reporting requirements from section 4.03(2)(a), for taxpayers choosing to use the Certification Safe Harbor, and section 8.02 of this notice are associated with Form 7211, Form 3468, and Form 7207 that were approved, and will continue to be approved,

under OMB control numbers 1545-0047, 1545-0074, 1545-0092, and 1545-0123. This notice does not alter any previously approved information collection requirements already approved by OMB.

SECTION 10. DRAFTING INFORMATION

The principal author of this notice is the Office of Associate Chief Counsel (Energy, Credits, and Excise Tax); however, other personnel from the Treasury Department and the IRS participated in its development. For further information regarding this notice contact (202) 317-6853 (not a toll-free call).