

What the “One Big Beautiful Bill” Means for the Energy Efficiency of Affordable Housing

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Signed into law on July 4, 2025, the [One Big Beautiful Bill Act \(OBBBA\)](#) enacted the phaseout of several Inflation Reduction Act (IRA) energy credits. Many Low-Income Housing Tax Credit developers had recently integrated these credits into their capital stacks to invest in energy efficiency and renewable energy measures, leading to long-term energy savings for both building owners and residents.

Because many developers were previously unable to make comprehensive green building measures pencil-out at scale, the legislation’s phaseout of these credits is expected to have the greatest implications for affordable multifamily housing.

Below is a breakdown of OBBBA’s impact on relevant energy tax credits and other IRA programs.

Phaseout of Relevant Energy Tax Credits

- The **New Energy Efficient Home (45L)** credit, which incentivizes builders to construct energy-efficient new houses and apartments, will be terminated after June 30, 2026. Buildings will have to be sold or leased and Energy Star-certified by this date.
- The **Energy Efficient Commercial Buildings Deduction (179D)**, which incentivizes owners of commercial and large multifamily buildings to install energy efficiency measures in new or existing buildings, will be terminated after June 30, 2026. Eligible projects must begin construction before this date.
- Phaseout of **Investment Tax Credit (48E) for wind and solar:**
 - Projects that begin construction before December 31, 2025 are granted a four-year window to be placed in service under existing “commence construction” guidance from the IRS. These projects are not required to comply with new “Foreign Entity of Concern” (FEOC) restrictions.² Under current guidance, “commence construction” refers to expending 5% of a project’s cost or beginning physical work of a significant nature.

- For projects beginning construction between January 1, 2026 and July 4, 2026, the same four-year placed-in-service deadline applies. However, unlike earlier projects, these must comply with FEOC restrictions.
- Projects that begin construction after July 4, 2026 must be placed in service no later than December 31, 2027. These projects are also subject to FEOC compliance.
- Allows credits for third-party rented or leased solar projects. Disallows credits for solar water heaters and small wind projects.
- Phaseout of **Investment Tax Credit (48E) for Geothermal and Energy Storage**
 - Full credit remains available for zero-emission technologies other than solar and wind, including energy storage and geothermal projects, that begin construction before the end of 2033. Thereafter, the phase-out schedule is 75% credit for projects in 2034, 50% in 2035, and 0% starting in 2036. As with solar and wind projects, FEOC restrictions apply to projects that commence construction after December 31, 2025.
 - Energy storage is subject to escalating thresholds to obtain the domestic content bonus for 48E.

Other Tax Credit Considerations

- **Transferability and Elective Pay:** This bill does not significantly alter Transferability or Elective Pay, but these provisions will only be usable during the lifespan of the underlying credits. Buyers of transferred tax credits will now be subject to FEOC requirements.
- **Low-Income Communities Bonus Credit Program:** The program is still applicable for the life of the credit.

Repeal and Rescission of Inflation Reduction Act Programs

The OBBBA also terminates the authorization of the **Greenhouse Gas Reduction Fund**³ and rescinds any unobligated funds. A portion of this funding was awarded to provide low-cost financing for deep energy efficiency retrofits in new and existing affordable housing. For reference, over 99% of funds are officially obligated. It is unclear what impact this provision will have on the overall program as the funds remain frozen and the future of the program is being litigated.

What's Next for Developers

Developers have already begun to revise scopes and seek gap funding for projects in their pipelines that relied on tax credits which are being phased out under OBBBA. Increasingly, these projects are looking to state and local resources to fill these gaps.

Visit the [Affordable Housing Decarbonization Hub](#) regularly for updates and information as the federal landscape policy evolves.



¹ On July 7, 2025, the Trump-Vance Administration issued an [Executive Order](#) directing the Treasury Department to take aggressive steps within 45 days to strictly enforce the repeal of 45Y and 48E tax credits, consistent with applicable law. Such efforts may impact the provisions described in this document.

² FEOC restrictions limit the use of credits by any projects tied to companies with a connection to certain nations, including China, either by sourcing materials from these countries or having a share of ownership or influence based in these countries. For full details, see the text of the bill here: <https://www.congress.gov/bill/119th-congress/house-bill/1/text/enr>.

³ Enterprise co-leads the Power Forward Communities coalition, which received a \$2 billion grant from GGRF's National Clean Investment Fund.