



DEPARTMENT OF THE TREASURY

Internal Revenue Service

Credit for Renewable Electricity Production and Publication of Inflation

Adjustment Factor and Reference Price for Calendar Year 2025

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of publication.

SUMMARY: The 2025 inflation adjustment factor and reference price are used in determining the availability of the credit for renewable electricity production under section 45 (section 45 credit).

FOR FURTHER INFORMATION CONTACT: Charles Hyde, CC:ECE:2, Internal Revenue Service, 1111 Constitution Avenue NW, Washington, DC 20224, (202) 317-6853 (not a toll-free number).

SUPPLEMENTARY INFORMATION: The 2025 inflation adjustment factor and reference price apply to calendar year 2025 sales of kilowatt hours of electricity produced in the United States or a possession thereof from qualified energy resources.

Inflation Adjustment Factor: The inflation adjustment factor for calendar year 2025 for qualified energy resources is 1.9971.

Reference Price: The reference price for calendar year 2025 for facilities producing electricity from wind is 3.1 cents per kilowatt hour. The reference prices for facilities producing electricity from closed-loop biomass, open-loop biomass, geothermal energy, solar energy, municipal solid waste, qualified hydropower production, and marine and hydrokinetic renewable energy have not been determined for calendar year 2025.

Phaseout Calculation: Because the 2025 reference price for electricity produced from wind (3.1 cents per kilowatt hour) does not exceed 8 cents multiplied by the

inflation adjustment factor (1.9971), the phaseout of the credit provided in section 45(b)(1) does not apply to such electricity sold during calendar year 2025. For electricity produced from closed-loop biomass, open-loop biomass, geothermal energy, solar energy, municipal solid waste, qualified hydropower production, and marine and hydrokinetic renewable energy, the phaseout of the credit provided in section 45(b)(1) does not apply to such electricity sold during calendar year 2025.

Inflation Reduction Act Amendments: Section 45 was amended by section 13101 of Public Law 117-169, 136 Stat. 1818 (August 16, 2022), commonly known as the Inflation Reduction Act of 2022 (IRA). The IRA changed the manner in which the section 45 credit amounts are calculated for any qualified facility placed in service after December 31, 2021.

As amended by the IRA, section 45(b)(6)(A) provides that, in the case of any qualified facility that satisfies the requirements of section 45(b)(6)(B), the credit amount determined under section 45(a) (determined after the application of section 45(b)(1) through (5) and without regard to section 45(b)(6)) is equal to such amount multiplied by 5. A qualified facility satisfies the requirements of section 45(b)(6)(B) if it is placed in service after December 31, 2021, and it is one of the following: (i) a facility with a maximum net output of less than 1 megawatt (as measured in alternating current); (ii) a facility the construction of which began prior to January 29, 2023, which is the date that is 60 days after the publication of the guidance with respect to the requirements of section 45(b)(7)(A) (prevailing wage requirements) and section 45(b)(8) (apprenticeship requirements); or (iii) a facility that satisfies the requirements of section 45(b)(7)(A) and (8).¹ The IRA also added bonus credit amounts with respect to qualified facilities placed in service after December 31, 2022, that meet domestic content requirements under

¹ See sections 1.45-6, 1.45-7, 1.45-8, and 1.45-12 of the Income Tax Regulations for additional information regarding the requirements of section 45(b)(6)(B).

section 45(b)(9)² or energy community requirements under section 45(b)(11).³

The IRA amended the phaseout of the section 45 credit for wind facilities under section 45(b)(5) such that it does not apply to facilities placed in service after December 31, 2021. The IRA also added a new phaseout of the section 45 credit under section 45(b)(10) in the case of qualified facilities placed in service after December 31, 2022, for taxpayers making an elective payment election under section 6417. The IRA also amended the credit amount reduction under section 45(b)(3) in the case of qualified facilities the construction of which began after August 16, 2022.

The IRA amended section 45(d)(4) to restore the section 45 credit for electricity produced in solar energy facilities in the case of qualified facilities placed in service after December 31, 2021, and the construction of which began before January 1, 2025. Effective for facilities placed in service after December 31, 2022, the IRA (1) removed the one-half reduction of the credit amount under section 45(b)(4)(A) for qualified hydropower facilities and marine and hydrokinetic renewable energy facilities and (2) amended the definition of marine and hydrokinetic renewable energy under section 45(c)(10) and the definition of a marine and hydrokinetic renewable energy facility under section 45(d)(11). The IRA also extended certain deadlines in the definitions under section 45(d) for wind facilities, closed-loop biomass facilities, open-loop biomass facilities, geothermal facilities, landfill gas facilities, trash facilities, qualified hydropower facilities, and marine and hydrokinetic renewable energy facilities.

Credit Amount for a Qualified Facility Placed in Service before January 1, 2022:

As required by section 45(b)(2), the 1.5 cent amount provided in section 45(a)(1) is adjusted by multiplying such amount by the inflation adjustment factor for the calendar

² See Notice 2023-38, 2023-22 I.R.B. 872 (May 12, 2023), Notice 2024-41, 2024-24 I.R.B. 1615 (May 16, 2024), corrected at IR 2024-147 (May 24, 2024), and Notice 2025-08, 2025-8 I.R.B. 800 (February 18, 2025), for additional information regarding the domestic content bonus credit.

³ See Notice 2024-30, 2024-16 I.R.B. 878 (April 15, 2024), for additional information regarding the energy community bonus credit.

year in which the sale occurs. If any amount as increased under section 45(b)(2) is not a multiple of 0.1 cent, such amount is rounded to the nearest multiple of 0.1 cent. In the case of electricity produced in open-loop biomass facilities, landfill gas facilities, trash facilities, qualified hydropower facilities, and marine and hydrokinetic renewable energy facilities, section 45(b)(4)(A) requires the amount in effect under section 45(a)(1) for such calendar year (before rounding to the nearest 0.1 cent as required by section 45(b)(2)) to be reduced by one-half.⁴

Under the calculation required by section 45(b)(2), the credit for renewable electricity production for calendar year 2025 determined under section 45(a) is 3 cents per kilowatt hour on the sale of electricity produced in any qualified facility placed in service before January 1, 2022, from the qualified energy resources of wind, closed-loop biomass, and geothermal energy, and 1.5 cents per kilowatt hour on the sale of electricity produced in any qualified facility placed in service before January 1, 2022, from the qualified energy resources of open-loop biomass, landfill gas, trash, qualified hydropower, and marine and hydrokinetic renewable energy.

Credit Amount for a Qualified Facility Placed in Service after December 31, 2021:

As required by section 45(b)(2), the 0.3 cent amount provided in section 45(a)(1) is adjusted by multiplying such amount by the inflation adjustment factor for the calendar year in which the sale occurs. If the 0.3 cent amount as adjusted for inflation is not a multiple of 0.05 cent, the amount is rounded to the nearest multiple of 0.05 cent. In the case of electricity produced in open-loop biomass facilities, landfill gas facilities, trash facilities, qualified hydropower facilities, and marine and hydrokinetic renewable energy facilities, section 45(b)(4)(A) requires the amount in effect under section 45(a)(1) for such calendar year (determined before rounding as required by section 45(b)(2)) to be

⁴ As amended by the IRA and discussed later in this notice, the one-half reduction under section 45(b)(4)(A) no longer applies to qualified hydropower facilities and marine and hydrokinetic renewable energy facilities placed in service after December 31, 2022.

reduced by one-half.

Under the calculation required by section 45(b)(2), the credit for renewable electricity production for calendar year 2025 determined under section 45(a) is 0.6 cents per kilowatt hour on the sale of electricity produced in any qualified facility placed in service after December 31, 2021, from the qualified energy resources of wind, closed-loop biomass, geothermal energy, and solar energy, and 0.3 cents per kilowatt hour on the sale of electricity produced in any qualified facility placed in service after December 31, 2021, from the qualified energy resources of open-loop biomass, landfill gas, and trash. The credit for renewable electricity production for calendar year 2025 determined under section 45(a) is also 0.3 cents per kilowatt hour on the sale of electricity produced in any qualified facility placed in service after December 31, 2021, and before January 1, 2023, from the qualified energy resources of qualified hydropower and marine and hydrokinetic renewable energy.

Credit Amount for Qualified Hydropower Facilities and Marine and Hydrokinetic Renewable Energy Facilities Placed in Service after December 31, 2022: The one-half reduction under section 45(b)(4)(A) no longer applies to qualified hydropower facilities and marine and hydrokinetic renewable energy facilities placed in service after December 31, 2022. Accordingly, under the calculation required by section 45(b)(2), the credit for renewable electricity production for calendar year 2025 determined under section 45(a) is 0.6 cents per kilowatt hour on the sale of electricity produced in any qualified facility placed in service after December 31, 2022, from the qualified energy resources of qualified hydropower and marine and hydrokinetic renewable energy.

(Authority: 45(e)(2)(A) (26 U.S.C. 45(e)(2)(A)) of the Internal Revenue Code.)

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