



TaxNewsFlash

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Final regulations and Rev. Proc. 2025-11: Guidance on environmental justice clean electricity capacity limitation program

The U.S. Treasury Department and IRS today released [final regulations](#) (T.D. 10025) providing guidance on the program under section 48E(h) to allocate environmental justice clean electricity capacity limitation established under H.R. 5376 (commonly called the “Inflation Reduction Act of 2022” (IRA)) for calendar years 2025 and succeeding years. The program provides an increase of 10% or 20% to the new clean electricity investment tax credit rate available under section 48E for taxpayers (or tax-exempt or government entities) that apply for and receive an allocation under the program.

The final regulations adopt proposed regulations published in the Federal Register on September 3, 2024 (read [TaxNewsFlash](#)) with certain changes in response to the comments received, and describe definitions and requirements that would be applicable for the program for calendar year 2025 and succeeding years.

The final regulations provide that the total annual bonus capacity limitation (1.8 gigawatts) will be reserved initially for projects across the four facility categories eligible to receive an allocation under the program as follows:

Category 1: Located in a low-income community	600 MW
Category 2: Located on Indian land	200 MW
Category 3: Qualified low-income residential building project	200 MW
Category 4: Qualified low-income economic benefit project	800 MW

In addition, 50% of the capacity limitation in each category will be reserved at the beginning of each application period for applicable facilities that meet certain geographic criteria or certain ownership criteria (for example, if the facility is owned by certain tax-exempt, tribal or government entities).

The final regulations apply to qualified facilities placed in service after December 31, 2024, and during tax years ending on or after January 13, 2025.

Rev. Proc. 2025-11

As announced in the proposed regulations, the Treasury Department and IRS are also providing procedural guidance for the 2025 program and future program years in [Rev. Proc. 2025-11](#).

These procedural rules provide guidance regarding the manner of obtaining an allocation, information an applicant must submit, the application review process, and placed in service reporting requirements. Rev. Proc. 2025-11 also provides information on the requirements specific to the additional selection criteria (ASC) application options (including documentation submission requirements) and describes how the capacity limitation will be divided across the facility categories. Many of the procedural rules are similar to those applicable to the environmental justice solar and wind capacity limitation program under section 48(e) available for calendar years 2023 and 2024. Read [TaxNewsFlash](#)

Read a related [Treasury release](#) (January 8, 2024)

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