



TaxNewsFlash

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Notice 2025-8: Updated elective safe harbor for domestic content bonus credit guidance amounts under sections 45, 45Y, 48, and 48E

The IRS today released [Notice 2025-8](#) which modifies the new elective safe harbor for the domestic content bonus credit under sections 45, 45Y, 48, and 48E provided in Notice 2024-41, after review of the comments received in response to Notice 2024-41.

As explained in a related [Treasury release](#), Notice 2025-8 provides “improved default values that more closely align with the characteristics and costs of applicable project components and manufactured product components in the marketplace, as analyzed by the Department of Energy.”

Specifically, Notice 2025-8 provides a variety of updates to the safe harbor tables, including:

- **Solar:** The updated tables update cost percentages, make certain adjustments to the characterizations of applicable project components and manufactured product components, and offer clarifying definitions.
- **Domestic solar wafers:** For each solar table, there are new optional alternative cost percentages for projects using domestic solar cells manufactured with domestic wafers.
- **Land-based wind:** The updated table for land-based wind includes minor adjustments to the characterizations of applicable project components and manufactured product components.
- **Battery electric storage system (BESS):** The updated table updates cost percentages, makes certain adjustments to the characterizations of applicable project components and manufactured product components, and offers clarifying definitions.

In addition, Notice 2025-8 provides additional clarity on the use of the tables for retrofits, projects utilizing elective pay (also known as direct pay), as well as carport and floating solar projects.

Taxpayers may rely on the updated safe harbor provided in Notice 2025-8 for applicable projects beginning construction before the date that is 90 days after the date of publication of the forthcoming proposed

regulations on the domestic content bonus credit requirements in the Federal Register or after any future modification, update, or withdrawal of the updated elective safe harbor.

Background

H.R. 5376 (commonly called the “Inflation Reduction Act of 2022” (IRA)) amended sections 45 and 48 to provide a domestic content bonus credit amount for certain qualified facilities or energy projects placed in service after December 31, 2022, and added new sections 45Y and 48E, which also incorporate a domestic content bonus credit amount, for projects placed in service after December 31, 2024.

Very generally, the domestic content bonus provides taxpayers claiming clean energy tax credits with the opportunity to claim up to an additional 10% credit for constructing projects using domestically produced steel, iron, and manufactured products.

Manufactured products are considered domestically produced if not less than an adjusted percentage of the total costs of such manufactured product are mined, produced, or manufactured in the United States. The adjusted percentage starts at 40% for projects on which construction begins before 2025 and increases thereafter.

Importantly, while satisfying the domestic content rules provide a bonus credit opportunity, not satisfying domestic content may also result in a haircut to the amount of a credit claimant’s “direct pay” tax credit, when applicable.

The IRS in May 2023 released [Notice 2023-38](#) describing certain rules that the Treasury Department and IRS intend to include in forthcoming proposed regulations regarding the domestic content bonus credit requirements under sections 45, 45Y, 48, and 48E. In particular, section 3.04 of the notice described a safe harbor regarding the classification of certain components in representative types of qualified facilities, energy projects, or energy storage technologies.

The IRS in May 2024 released [Notice 2024-41](#) which expanded the safe harbor provided in section 3.04 of Notice 2023-38 and provided a new safe harbor in Table 1 of the notice that taxpayers may elect to use to classify applicable project components and to calculate the domestic cost percentage in an applicable project to qualify for the domestic content bonus credit amounts under sections 45, 45Y, 48, and 48E. Read [TaxNewsFlash](#)

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