



# TaxNewsFlash

United States

No. 2025-243  
August 15, 2025

## Notice 2025-42: Beginning of construction requirements for termination of clean electricity tax credits under sections 45Y and 48E

The IRS today released [Notice 2025-42](#), providing guidance on the "beginning of construction" requirements for wind and solar facilities in relation to the termination of clean electricity production credits (section 45Y) and clean electricity investment credits (section 48E).

The guidance aligns with Executive Order 14315, which directed the Secretary of the Treasury to issued revised guidance to "strictly enforce the termination of the clean electricity production and investment tax credits under sections 45Y and 48E" for wind and solar facilities and "to ensure that policies concerning the 'beginning of construction' are not circumvented" ([read TaxNewsFlash](#)). Under the "One Big Beautiful Bill Act" (OBBBA), facilities placed in service after December 31, 2027, and whose construction begins after July 4, 2026, will no longer qualify for the credits ([read the KPMG report](#)).

The notice tightens the "beginning of construction" requirements in various ways:

- The "Five Percent Safe Harbor," previously available under IRS notices, is largely excluded, except for low-output solar facilities (1.5 megawatts or less).
- Instead, taxpayers must use the "Physical Work Test" to demonstrate construction has begun before July 5, 2026. This test requires physical work of a significant nature, such as excavation or installation of key components, and excludes preliminary activities like planning or permitting.
- The guidance also outlines a "Continuity Requirement," mandating ongoing construction progress, with a safe harbor for facilities placed in service within four years of construction start.

The guidance applies to facilities whose construction begins (as determined under section 5 of Notice 2022-61) on or after September 2, 2025.

[kpmg.com/socialmedia](https://kpmg.com/socialmedia)



The information contained in TaxNewsFlash is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230, as the content of this document is issued for general informational purposes only, is intended to enhance the reader's knowledge on the matters addressed therein, and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.

Direct comments, including requests for subscriptions, to [Washington National Tax](#). For more information, contact KPMG's Federal Tax Legislative and Regulatory Services Group at +1 202.533.3712, 1801 K Street NW, Washington, DC 20006-1301.

To unsubscribe from TaxNewsFlash, reply to [Washington National Tax](#).

[Privacy](#) | [Legal](#)