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TaxNewsFlash

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U.S. FCC revises "Covered List" treatment of certain power inverters eligible for section 45X credit

The Public Safety and Homeland Security Bureau (PSHSB) of the Federal Communications Commission (FCC) on August 20, 2026, released Public Notice DA 26-870, modifying its treatment of certain power inverters on the FCC Covered List, which identifies equipment and services determined to pose an unacceptable risk to U.S. national security.

The update follows a July 28, 2026 FCC action (DA 26-786) that added foreign-produced power inverters and advanced robotic devices to the Covered List. At that time, an Executive Branch interagency body determined that foreign-produced power inverters posed national security and cybersecurity risks, and thus the FCC added such products to the Covered List, which generally prohibits such equipment from receiving FCC equipment authorizations.

Section 45X exception

In the August 20 notice, the FCC announced that the Department of War (DoW) determined that certain foreign-produced power inverters eligible for the section 45X advanced manufacturing production credit do not pose the unacceptable risks identified in the earlier determination. According to the notice, Congress and the president, through Pub. L. No. 119-21 (the One Big Beautiful Bill Act (OBBBA)), established requirements intended to support domestic production and secure supply chains. Specifically, the notice explains that section 45X limits eligibility for certain components that include material assistance from a prohibited foreign entity (section 45X(c)(1)(C)). As a result, the DoW concluded that foreign-produced power inverters that are eligible for the section 45X credit should not be treated as "foreign-produced" for purposes of the Covered List.

Narrowed scope and connectivity features

The August 20 notice also narrows the scope of covered power inverters by limiting the definition to utility-interactive inverters that contain, or are designed, equipped, or configured to accept, components enabling remote communication, control, sensing, data collection, or monitoring through wired or wireless connections (such as Ethernet, Wi-Fi, cellular, Bluetooth, or similar protocols).

The FAR Buy American standard overlap

As revised, the Covered List generally applies only to specified utility-interactive power inverters with remote connectivity features that are not eligible for the section 45X credit and do not otherwise meet the Covered List's domestic-product exclusion, which references the FAR Buy American standard (48 CFR § 25.101(a)).

Under this standard, a power inverter is excluded from the Covered List if it is manufactured in the United States and the cost of domestic components exceeds:

- 65% of the total component cost for items delivered in calendar years 2024 through 2028; or
- 75% of the total component cost for items delivered starting in calendar year 2029.

In addition, the August 20 notice confirms that the Covered List does not include entities producing power inverters in a foreign country that have been granted conditional approvals from the DoW or the Department of Homeland Security (DHS) that their devices do not pose unacceptable risks to national security and receive exemption for their devices from the Covered List.

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