

2025 energy tax incentives guide

Your guide to maximizing savings



WIPFLI

Introduction

Energy efficiency and renewable energy investments aren't just good for the planet — they're good for your bottom line.

Energy tax incentives can significantly reduce project costs, improve cash flow and provide long-term financial benefits. Yet, many businesses and organizations miss out on these savings simply because they don't know where to start.

Start here. Our guide breaks down everything you need to know about 2025 energy tax incentives, including on which dates certain incentives are phasing out due to the One Big Beautiful Bill Act.

The time to act on energy incentives is now.

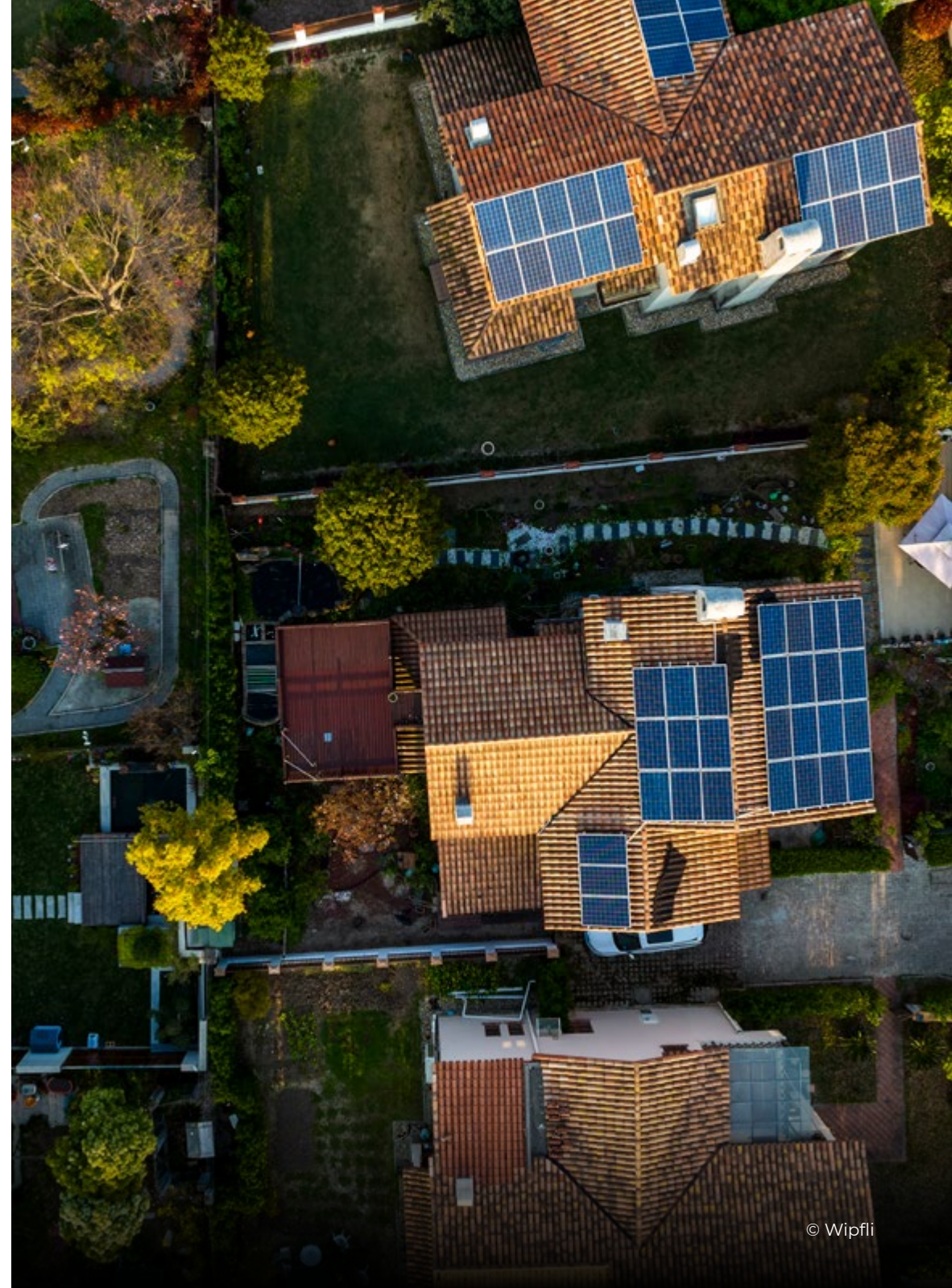


Table of contents

The business case for energy tax incentives	4
An introduction to energy tax incentives	5
How to qualify for energy incentives	7
Available energy tax incentives	8
Federal	8
State	9
Construction industry	10
Nonprofit and public sector	14
Tribal organizations	17
Support for energy tax incentives	19
How Wipfli can help	20



The business case for energy tax incentives

How energy tax incentives benefit businesses

Energy tax incentives offer more than just cost savings — they give businesses a competitive edge and maximize the return on investment (ROI) from energy-efficient projects. Companies that are proactive and strategic about energy tax incentives can:

- Offset upfront construction costs and recover capital faster.
- Improve cash flow by reducing tax liabilities and operating expenses.
- Increase asset value with energy-efficient upgrades that lower long-term costs.

- Meet regulatory mandates for energy efficiency and emissions reductions.
- Attract investors, tenants and future buyers who prioritize sustainability.

By taking advantage of energy incentives, businesses can reduce the financial risk associated with capital projects and build a more stable and sustainable future.

Despite their upside, many incentives go unclaimed

While the benefits of energy tax incentives are clear, businesses forfeit thousands of dollars in unclaimed tax incentives. Some companies don't pursue incentives at all — or worse, leave money on the table.

Why would companies pass on “free money”? Some companies find the process too overwhelming, while others make mistakes that limit their savings or result in denied claims.

Many programs offer direct cash rebates or tax deductions that significantly reduce investment costs and make energy-efficient projects more financially viable. The key is knowing how to navigate the process and where to turn for support.

How much could you be missing?

[Take our quiz to find out](#) whether you qualify for energy tax incentives, credits or rebates.



An introduction to energy tax incentives

Let's start with the basics: Energy tax incentives are financial benefits designed to encourage businesses and property owners to invest in energy-efficient improvements and renewable energy projects. Qualifying energy investments cover a wide range of activities, from a company constructing a new building or upgrading its HVAC systems to a homeowner installing solar panels or energy-efficient lighting.

Energy tax incentives are offered at multiple levels:

- **The federal government** offers major tax credits, deductions and grants. Many of these are phasing out in 2025 and 2026, so the time to educate yourself and act on these is now.
- **Many state governments** offer property tax exemptions, sales tax reductions and rebates.
- **Local governments** may provide incentives tied to sustainability initiatives or local building codes.
- **Utility providers** often offer rebates, discounts or other incentives to encourage lower consumption or self-generation.

Federal, state and local incentives can often be combined to maximize savings and lower project costs.

How energy incentives work

Energy tax incentives generally fall into four main categories: tax credits, deductions, rebates and direct payments.

Tax credits reduce tax liability

Tax credits directly reduce the amount of taxes owed by a business or property owner.

Rebates provide cash incentives for installations

Rebates provide direct cash payments to businesses and property owners that install qualifying energy-efficient equipment.

Direct payments and grants help fund qualified projects

Some programs provide upfront funding to help businesses invest in energy efficiency.

Bonus credits (often called ‘adders’) increase incentive values

Projects that qualify for the Investment Tax Credit (ITC) and meet certain criteria may earn 10%-20% in additional tax credits. Bonuses may be awarded for using domestically made materials or being located in an energy transition zone or low-income community.



How to qualify for energy incentives

Eligibility for energy incentives varies based on location, project type and other factors, such as performance. However, the biggest hurdle is timing.

Some incentives have to be applied for before construction begins to ensure eligibility, meet documentation requirements and lock in credit amounts or bonus provisions. Missing key deadlines can disqualify your project — even if you meet all the technical and performance requirements.

Make sure you understand the timing and application processes to maximize your benefits. Starting early allows you to:

- **Align building plans** with program requirements (e.g., square footage, materials or energy efficiency measures).
- **Optimize system designs** for maximum savings, whether through solar, HVAC or other qualifying upgrades.
- **Build incentives into your construction schedule** to ensure compliance with application deadlines.

By incorporating energy incentives into your project from the start, you can find more ways to save.

Timing is everything with ‘adders’

A building owner installed a \$500,000 solar system expecting to receive a \$150,000 tax credit. But, they weren’t informed about “adders” available under Section 48E — or strict compliance requirements that had to be met before the system was energized.

Because they missed key planning deadlines, the owner missed up to \$100,000 in additional credits.

Lesson learned: Adders can significantly boost your savings, but only if you plan ahead.

Available energy tax incentives

If you're investing in energy-efficient upgrades or renewable energy projects, make sure to take full advantage of available incentives.

Federal energy tax incentives

- **Section 179D, Energy-Efficient Commercial Buildings Deduction:**

This deduction allows commercial building owners and designers of government-owned, tax-exempt or nonprofit-owned buildings to claim tax benefits for installing energy-efficient lighting, HVAC, and building envelope improvements. Note that Section 179D will phase out for construction beginning after June 30, 2025.

- **Section 45L, Energy-Efficient Home Credit:** Homebuilders and developers can receive a tax credit of up to \$5,000 per unit for constructing or renovating homes and multifamily buildings that meet certain energy efficiency standards. Note that this credit ends for homes acquired after June 30, 2026, including leased apartments.

- **Section 48E, Clean Electricity Investment Tax Credit:** Businesses that invest in solar, wind, geothermal and other renewable energy systems can offset a percentage of their project costs through this credit, which can be combined with state and utility incentives. Note that wind and solar projects that begin construction after July 4, 2026, must be placed into service before December 31, 2027, to be eligible for Section 48E.

- **Section 30C, Alternative Fuel Vehicle Refueling Property Credit:** Businesses that install electric vehicle (EV) charging stations or other alternative fuel infrastructure can claim a credit of up to 30% of the cost. Note that this credit will phase out for property placed in service after June 30, 2026.

- **HOMES** provides rebates to homeowners and multifamily property owners for whole-home energy efficiency improvements. Savings amounts are typically based on measured energy reductions.

- **HEAR** offers rebates for energy-efficient appliances, such as heat pumps and electric stoves, to help households electrify their homes.

State energy tax incentives

State incentives are powerful when combined with federal and local incentive programs. The benefits add up fast — but disappear just as quickly, since they often have capacity limits or are offered on a first-come, first-served basis.

Check [here](#) to see what incentives are available in your state. Common state incentives include:

- **Electric vehicle tax credits:**
Some states offer tax credits to offset the purchase or lease of an electric vehicle.
- **Net billing, net metering or self-generation programs:** Residential and commercial customers with renewable energy systems may be credited for excess energy they send to the grid.
- **Property tax exemptions:** Renewable energy systems and energy-efficient building components may be exempt from property tax valuations or taxed at a reduced rate.

- **Rebates:** Residents may receive financial incentives for energy-efficient appliances, heating and cooling systems, lighting or other renewable energy installations.
- **Tax credits and sales tax exemptions:** In some states, taxpayers can deduct a portion of the cost of purchasing and installing a solar or wind energy device. Solar and wind energy devices may also be exempt from state sales tax.

For the most accurate and up-to-date information on energy incentives, visit your state's tax, utility or energy program website or consult a professional energy or tax advisor.



Construction and real estate incentives

Construction and real estate firms face high upfront costs, especially for energy-efficient solutions, and financing challenges can delay projects. Tax credits, rebates and direct pay options help offset expenses early on, making sustainable building projects more affordable.

Key energy incentives for construction and real estate firms

- **Section 179D, Energy-Efficient Commercial Buildings Deduction:** Building owners and designers of government-owned, tax-exempt or nonprofit-owned buildings can claim tax benefits for energy-efficient upgrades such as HVAC systems, lighting and building envelope improvements. Note that Section 179D will phase out for construction beginning after June 30, 2025.
- **Section 45L, Energy-Efficient Home Credit:** Homebuilders and multifamily developers earn a per-unit credit for constructing or renovating energy-efficient residences. Note that this credit ends for homes acquired after June 30, 2026, including leased apartments.

- **Investment Tax Credit (ITC):**
Provides up to a 30% tax credit for solar, wind and other renewable energy investments.
- **State and local incentives:**
Many states offer property tax exemptions, sales tax reductions and rebate programs for energy-efficient construction.

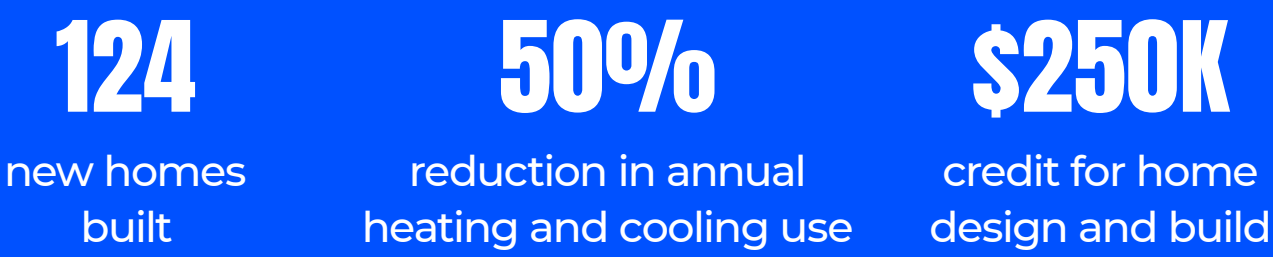
Additional tax-saving strategies
for construction firms

Construction and real estate firms can combine energy incentives with other tax-saving strategies, such as cost segregation studies and opportunity zones.

Energy efficiency generated \$250K in Section 45L credits

Section 45L provides federal tax credits to homebuilders who construct energy-efficient residential properties. Here’s how one client was rewarded for “going green.”

A residential builder constructed 124 single-family homes in Illinois between 2018 and 2021. The homes were designed to use 50% less power to heat and cool the homes compared to baseline models. Because the project met Section 45L energy-efficiency requirements, the builder claimed \$250,000 in federal tax credits for the design and construction of the homes.





Cost segregation studies

Cost segregation studies allow developers to accelerate depreciation deductions on certain building components, reducing their taxable income and increasing cash flow. Instead of depreciating a commercial building over 39 years, a cost segregation study identifies assets that can be depreciated over five, seven or 15 years.

By reclassifying assets such as HVAC systems, lighting or specialized flooring, businesses can claim larger depreciation deductions earlier, freeing up capital for reinvestment.

Cost segregation is especially beneficial when combined with the Section 179D Deduction or the ITC.

Opportunity zones

Opportunity zones are economically distressed areas designated by the federal government. Significant tax benefits are offered in these zones to stimulate real estate and infrastructure investment.

If a construction project is in a designated opportunity zone, developers may qualify for:

- Capital gains tax deferrals.
- Reductions in capital gains tax liability.
- Tax-free growth on new investments (for properties held for 10+ years).

Opportunity zone tax advantages can be combined with energy tax credits, including Section 179D, the ITC and state and local incentives.

How to maximize construction tax incentives

Consumer expectations and regulatory requirements for sustainability are growing, giving construction firms little choice about whether to prioritize energy efficiency. Instead, firms need to decide how to navigate technical requirements, application processes and timelines to qualify for incentives and reduce costs.

Timing is everything. Many incentive programs require pre-approval and early documentation — before construction begins. Missing deadlines can mean forfeiting valuable tax credits and rebates.

To maximize tax incentives, construction firms should:

- **Identify available incentives early** and integrate them into project planning.
- **Coordinate with tax professionals** to help ensure compliance with incentive requirements and deadlines.
- **Work with engineers and architects** to meet energy performance standards.

How 179D balances long- and short-term savings

179D can cut energy costs and tax liabilities. Here's how it worked for one client:

A general contractor built and improved 14 energy-efficient locations, reducing average energy costs by 42% — and saving owners nearly \$150,000 annually. Because the upgrades met federal Section 179D requirements, the contractor was able to claim a \$1 million tax deduction. In this case, proactive and sustainable design choices delivered significant tax relief and stronger project ROI.

14

energy-efficient
locations

\$150K

annual energy
cost savings

\$1M

Section 179D
deduction

Nonprofit and public sector incentives

Government agencies, educational institutions and nonprofits face unique financial challenges when it comes to energy-efficient upgrades.

Funding is often limited or restricted, making it difficult for nonprofits to invest in sustainability — even when the long-term savings are significant. They're also more likely to have aging infrastructure with high operating costs, making retrofits both necessary and expensive.

Unlike private-sector businesses, nonprofits and public entities typically don't owe federal taxes, which makes traditional tax credits less useful. However, recent legislation expanded energy incentives for tax-exempt organizations. Direct pay options allow them to receive cash payments instead of tax credits.





Key energy incentives for nonprofits

- **Section 179D, Energy-Efficient Commercial Buildings Deduction:** Government, tax-exempt and nonprofit entities can transfer this deduction to architects, engineers and contractors who design energy-efficient upgrades for their buildings, making projects more cost-effective. Note that Section 179D will phase out for construction beginning after June 30, 2025.
- **Direct Pay Investment Tax Credit:** Nonprofits, schools and government agencies can receive a direct payment for installing renewable energy systems, such as solar panels, wind turbines and geothermal heat pumps.
- **State and local energy incentives:** Many states offer grants, low-interest loans and rebates to help public institutions improve energy efficiency.

These programs can be combined with federal incentives to further reduce costs.

How to use energy incentives for large-scale projects

Energy tax incentives can make large-scale infrastructure projects financially feasible for public sector organizations. By leveraging these incentives, government agencies and nonprofits can:

- **Lower the cost of renewable energy projects**, such as solar installations and electrification.
- **Reduce long-term energy expenses** to free up funds for public services and mission-driven programs.
- **Secure additional financing**, such as grants or performance-based contracts, using energy savings as leverage.

Public sector organizations don’t have to rely solely on philanthropy or limited budgets to fund energy-efficient upgrades. They can leverage direct pay options, state incentives and local utility rebates to modernize infrastructure, lower energy costs and meet sustainability targets — without unnecessary financial strain.

How does Direct Pay work?

Under Section 48 of the ITC, tax-exempt entities can receive the value of the credit as a cash payment from the IRS. In many cases, that payment can be used as unrestricted cash, freeing up dollars to support general operations, reduce borrowing needs or pay down capital costs.

Here’s how it’s paid off for some of our clients:



Direct Pay helped fund school operations

A school added a geothermal system as part of \$4.1M in building improvements. \$2M of the project costs qualified for energy tax incentives. The school received a direct payment of \$800K from the IRS it could add to the general operating fund.



Energy incentives for tribal organizations

Tribal organizations manage large and complex facilities, ranging from gaming and hospitality venues to schools and healthcare offices.

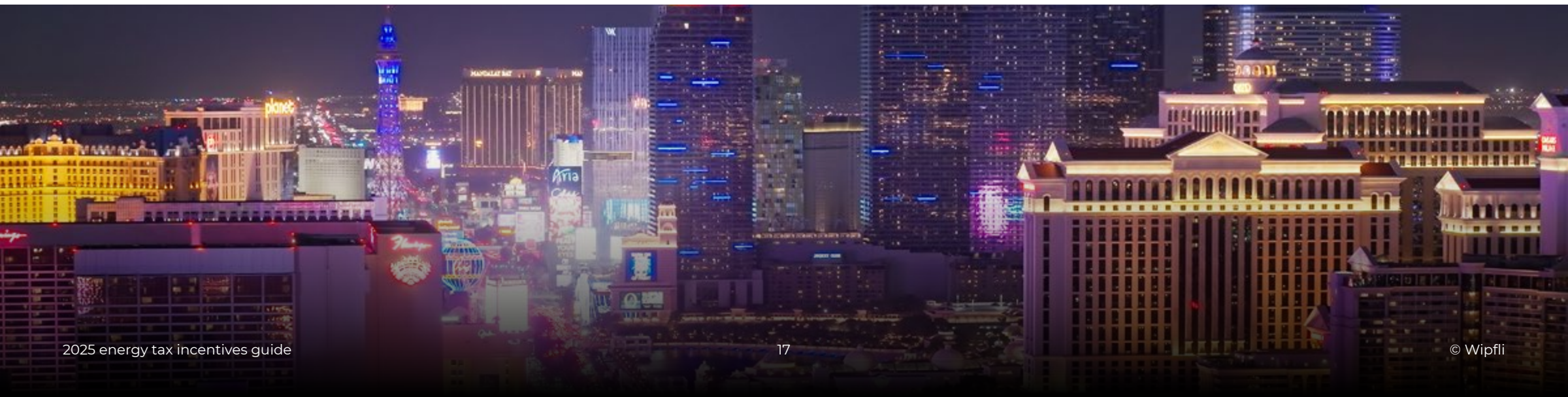
These buildings are often expensive to maintain and operate, making energy-efficiency a critical cost-saving strategy. However, funding for building improvements can be limited, and complex regulatory requirements and bureaucratic hurdles often make it difficult for tribes to pursue energy-efficient upgrades.

Fortunately, tribal organizations can qualify for federal, state and local energy incentives that help reduce

project costs and build long-term financial sustainability.

Key energy incentives for tribal organizations

- **Tribal Energy Loan Guarantee Program (TELGP):** This federal program helps tribal entities access low-interest financing for renewable energy and energy-efficiency projects. Through TELGP, the U.S. Department of Energy provides loan guarantees for up to 90% of the loan amount to encourage private lenders to invest in tribal energy projects. TELGP lowers borrowing costs, reduces risk and improves tribes' access to capital.



- **Direct Pay Investment Tax Credit:**

Tribal governments and businesses can receive direct cash payments for investing in solar panels, wind turbines and geothermal systems.

- **Section 179D, Energy-Efficient Commercial Buildings Deduction:**

Tribal governments that invest in energy-efficient upgrades can transfer this deduction to designers, engineers and contractors — reducing project costs while improving sustainability. Note that Section 179D will phase out for construction beginning after June 30, 2025.

- **State and local utility incentives:**

Many states and local utility providers offer rebates, grants and energy-efficiency financing tailored to tribal communities.

These incentives can be stacked to help tribes fund clean energy projects, reduce costs and meet long-term sustainability goals.

Unique benefits for the gaming and hospitality sector

Casinos and hotels consume large amounts of energy, making energy efficiency an essential strategy for reducing operational costs. By investing in energy-efficient upgrades — funded through incentives — tribal gaming and hospitality operators can:

- Lower utility costs with energy-efficient lighting, HVAC and smart building technologies.
- Improve guest experiences by integrating sustainable features such as EV charging stations.
- Meeting sustainability goals to stay competitive in the wider hospitality market.
- Stack credits and rebates to reduce costs and maximize savings.



Support for energy tax incentives

Energy tax incentives can be complex, but the right support can make the process easier to navigate and more profitable. Working with an energy tax specialist can help you maximize savings, ensure compliance and avoid costly mistakes.

How an energy tax specialist can help

An advisor can help you identify all the incentives available to you and develop a strategy to optimize tax benefits. Get help with:

- **Tax credit assessments:** Identify available incentives for your project and calculate the potential savings.

- **Pre-qualification and feasibility studies:** Determine whether a project meets eligibility criteria before you commit resources to reduce the risk of denied claims.
- **Cost-segregation studies:** Accelerate depreciation on energy-efficient building components to take larger tax deductions sooner and improve cash flow.
- **Compliance and risk management:** Lower your risk of penalties and audits with accurate documentation, proper reporting and compliance with IRS and state requirements.
- **Legislative monitoring and policy updates:** Stay on top of new tax credits, changes in eligibility requirements and upcoming incentive programs to maximize financial benefits.



HOW WIPFLI CAN HELP

Energy tax incentives offer significant financial benefits, but many businesses, nonprofits and tribal organizations fail to take full advantage of them — often because they don't know where to start. With rising energy costs, sustainability pressures and evolving regulations, now is the time to act strategically and leverage every available incentive

By planning ahead and working with the professionals at Wipfli, you can reduce the upfront cost of energy investments and build long-term operational savings into your budget.

Our commitment to renewable energy ROI extends beyond tax incentives. We can help you evaluate investment strategies, maximize available incentives and adapt to regulatory changes as they unfold.

Don't leave money on the table. Take our quick quiz to see whether you qualify for energy tax incentives at wipfli.com/energy.

Learn more at wipfli.com/energy.

Perspective changes everything.

WIPFLI

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