

Jefferies LLC's Washington Policy Series

What Next for the Tax Credits and Transferability Market in Trump 2.0

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David Burton

Partner

New York

+1 212 318 3311

david.burton@nortonrosefulbright.com

Tax credit transfers statistics

Market size

- Crux, a web-based tax credit broker, estimated the 2024 market for tax credit transfers to be **\$24 billion**.
- In 2024, NRF advised on 48 tax credit transfer deals with a total value of about \$4.8 billion.
 - If Crux' forecast is correct, we worked on **1/5th** of the tax credit transfer deals in the market last year.
- Based on dollar value over 2023 and 2024, we advised the seller 77% of the time, the lender 12% of the time and the buyer 11% of the time.

Price premium for PTCs

PTCs get a premium over ITCs due to less risk around provable production amounts whereas ITCs have recapture risk.

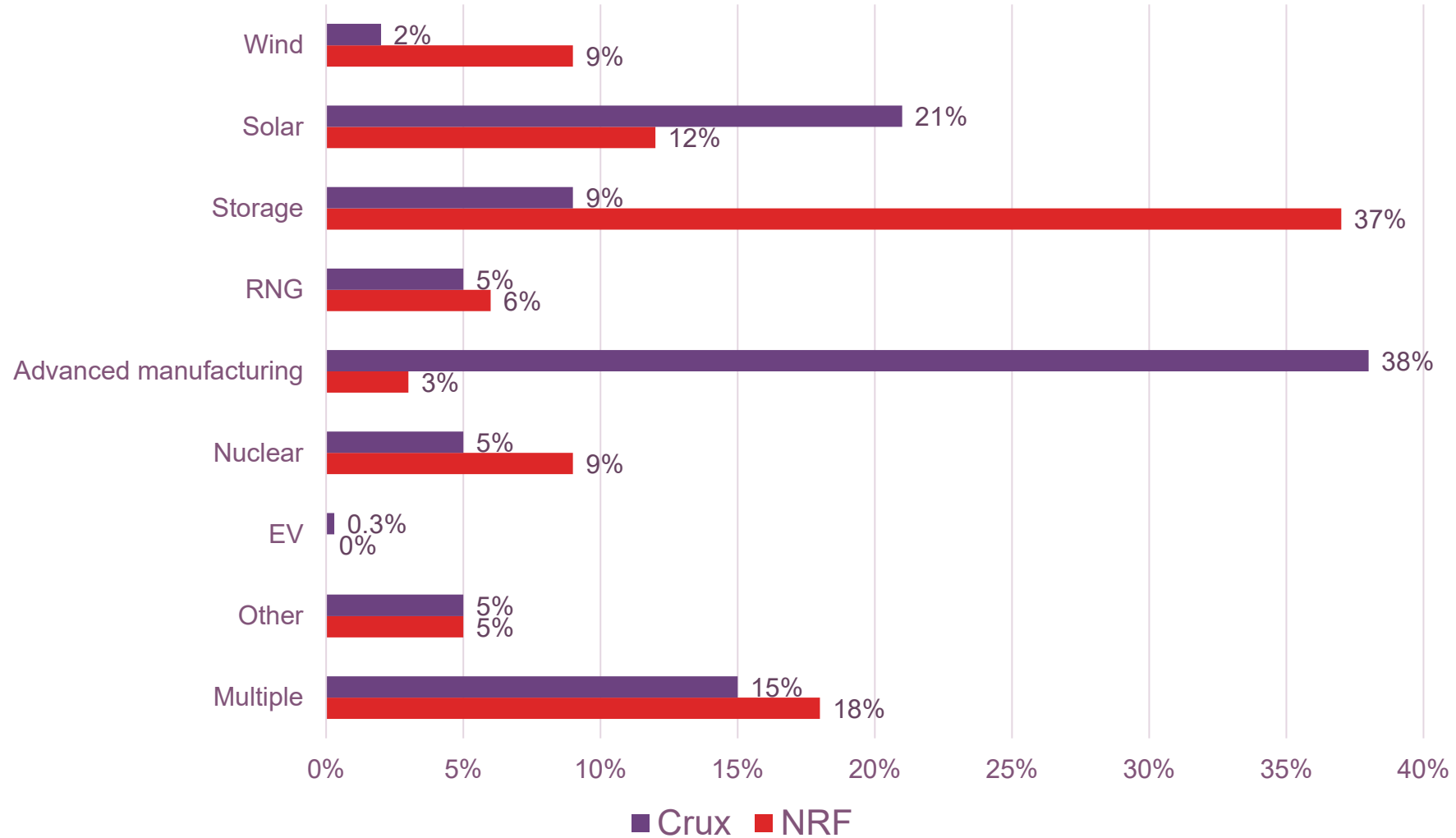
- According to Crux, PTCs sell at a ~2.5c premium to ITCs in the tax credit transfer market with the average being ~95c for PTC and ~92.5c for ITC.
- We are seeing the highest average price for nuclear PTCs at 95.4c per dollar of credit purchased.

Deal size

Size also largely determines pricing.

- Crux sees the top end of ITC deals at ~\$150mn pricing at 94-95c and deals <\$20mn pricing at 86-90c.
- At NRF, the top end of ITC deals between ~\$100mn and ~\$270mn generate prices in the 92-96c range, and deals <\$20mn prices at 91-93c. The lowest price seen was 83c for a \$33mn deal (solar).

Technology breakdown, NRF vs. Crux data (by deal count)



Republican trifecta implications for renewable energy

Implications of the Republican trifecta

- If the Republicans are unified, then by using the budget reconciliation procedure to avoid the filibuster (i.e., the 60-vote requirement) they can pass any tax or spending changes they want
 - There can be three reconciliation bills a fiscal year (ending Sept. 30): taxes, spending & raising the deficit ceiling
- The House is the weak link
 - 218/215 split (i.e., the GOP can lose only 2 votes)

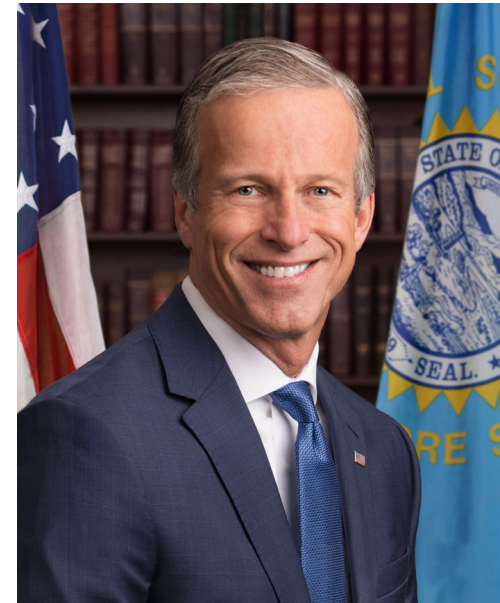


Reconciliation bill

- House Speaker Johnson wanted a single reconciliation bill that covers everything from border security to tax policy – One Big Beautiful Bill
 - The House passed its blueprint for the One Big Beautiful reconciliation bill on February 25, which is the easiest step in the process
 - The vote was 217 to 215
 - It looked like Johnson lacked the votes to pass the blueprint and it would be scrapped, but Trump called three members and flipped their votes
- The Senate passed a “two-track” reconciliation bill by 52-48 vote on February 21
 - Energy, defense and border security provisions into one reconciliation bill
 - Expiring tax cuts in a second bill later
 - Work on the second bill would not begin until October 2025, giving more time for safe harbor projects, so they are grandfathered under the Senate’s approach



Speaker of the House – Mike Johnson



Senate Majority Leader – John Thune

Next reconciliation step: Senate needs to pass the House's blueprint for *One Big Beautiful Bill*

- Next step is to see if the Senate will fall in line and pass the House budget resolution (blueprint) for One Big Beautiful reconciliation bill
 - “Short answer is likely no. Long answer is, hell no,’ Sen. John Kennedy, R-LA, said when asked if the Senate should take up the House’s budget plan unchanged” – [msn.com \(Feb. 27, 2025\)](#)
- “I’ve articulated that over and over, because, as demonstrated last night, we have a very small needle to thread here,’ Johnson told reporters after the White House meeting, pointing to the narrow Republican majority. ‘And we have sort of an equilibrium point amongst people with competing priorities. And we deviate from that too much, we have a problem. So the Senate understands that.’” Speaker Johnson as quoted by [msn.com \(Feb. 27, 2025\)](#)

Does the House's blueprint allow for permanency of the 2017 tax cuts?

- Nine Republican Senate Finance Committee members in a February 13 letter to Trump vowed to not to support a tax package that does not make the expiring 2017 Tax Cuts and Jobs Acts provisions permanent
 - Permanency makes the bill cost much more and runs into Republican deficit hawks in the House and does not appear to fit into the House's blueprint



Revenue scoring: current law v current policy

- The Congressional Budget Office is presently required to use **current law** in scoring, so extending the 2017 tax cuts is costly
- Some Republican want to use **current policy** (i.e., assume expiring tax provisions are already permanent, so passing a law to make them permanent costs nothing)
 - Senate Majority Leader Thune (R-SD) and Treasury Secretary Bessent favor current policy
 - Means extending expiring tax cuts cost nothing
- The House is wedded to use **current law**
 - Rep. Schweikert (R-AZ) of the Ways & Means Committee called current policy an “intellectual fraud”
 - To mitigate the cost of 2017 tax cut extensions, the House would make the extensions temporary
- The two chambers must resolve this difference to pass a bill extending the 2017 tax cuts (with an IRA repeal as a pay for)
 - Could paralysis due to this disagreement save the IRA?



Deficit Implications

- The House has given up on a reconciliation bill that does not increase the deficit
 - It is prepared to raise the debt ceiling by \$4 trillion
 - It would cut spending between \$1.5 to \$2 trillion over 10-years
 - Cut taxes by a net amount of \$4.5 trillion net of “pay fors” (e.g., repealing the IRA)
- The blueprint for the Senate’s skinny bill would cost only \$342 billion but has taken a back seat to the blueprint for the House’s big beautiful bill



Once a budget resolution is passed that includes tax policy, the first draft of the tax bill is likely to include a full repeal of the IRA

- Speaker Johnson has said his approach will be to start with a full repeal of the IRA and then add back provisions as necessary to get enough votes
- The Republicans can only have two House members abstain, so it is 216 (i.e., 218 less 2) to 215
 - [Eight House Republicans testified in support, as a general matter, of the IRA tax credits on January 22, 2025](#)
 - “I think you’re going to see a scalpel approach, not a sledgehammer approach” – Rep. Bob Latta (R-OH), member of the Committee on Energy and Commerce, said to [Politico on February 25, 2025](#)
- “There is Republican support to some degree for almost everything in the Inflation Reduction Act. The question is how much. I would encourage you to think as this process moves forward in non-binary terms. Much of the debate is binary. A provision is either in or it is out. I don’t think it will necessarily be that simple.

“The other levers that can be pulled as part of this debate are reducing the amount of the credits or deductions and reducing the length of time that a particular provision is available.”

[David Kautter, Former Assistant Treasury Secretary for Tax Policy, 1st Trump Admin](#)

Grandfathering projects from tax changes



Whenever Congress has revoked incentives in the past, it has grandfathered taxpayers who committed to investments based on existing incentives. The deadline has historically been the date of first House Ways & Means committee action.



Three former Republican tax officials speaking on NRF webinars said that they expect the grandfathering would be based on beginning of construction date (AKA the “safe harbor” date).



How many projects can **begin construction** for tax purposes (AKA be “safe harbored”) before the House committee action?

The House blueprint gives Ways & Means until March 27 to pass a tax bill. If that is going to happen, the bill would need to be introduced soon; however, the Senate has to pass the same blueprint first



Economic benefits of the IRA are significant

\$3 trillion of investment

Goldman Sachs has estimated the IRA will drive \$3 trillion of investment in US infrastructure and manufacturing. Investments are fundamentally supported by tax credits.

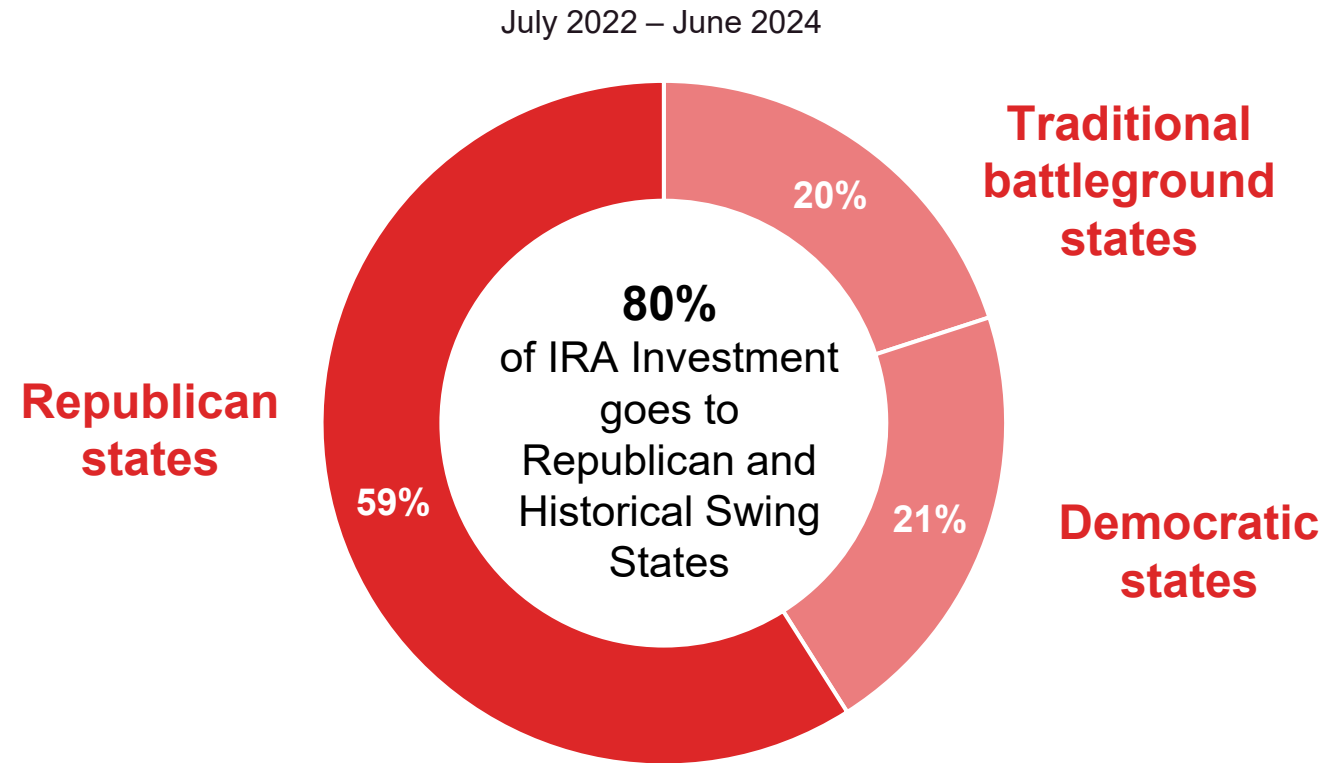
\$250 billion of GDP benefit

Electric power and construction GDP grow by hundreds of billions each by 2030 in impact models.

1.5 million jobs

Government and external estimates forecast millions of net additional engineering, construction, manufacturing and mining jobs, which are broadly distributed across the country. Union labor disproportionately benefits from the law.

\$439 billion in actual investment in technologies eligible for IRA tax credits

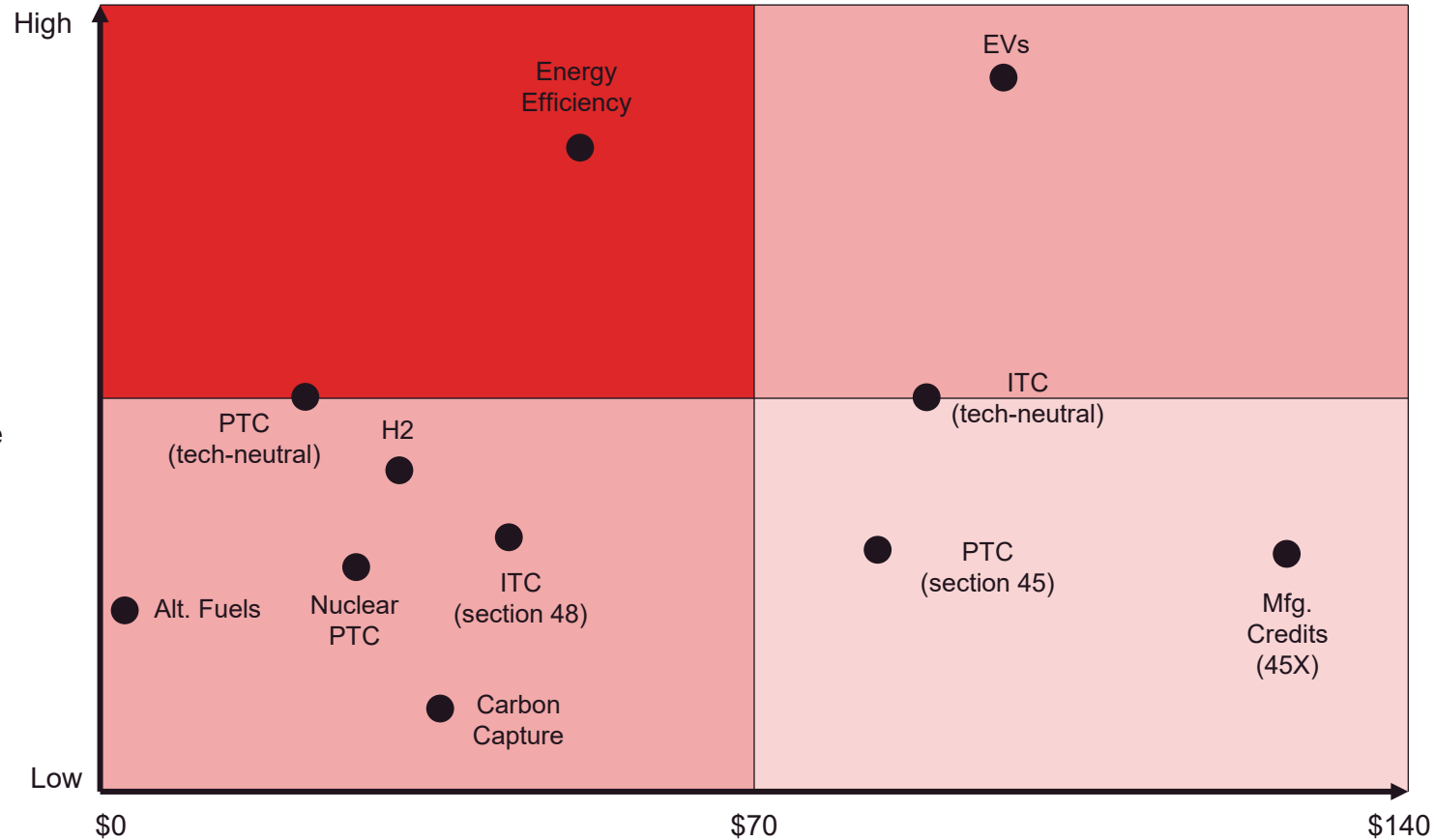


Each IRA tax credit has its own risk profile

Credits are likely to be handled differently ultimately

Political risk with Republicans

Based upon public statements and proposed legislative efforts from Republican policymakers



Cost savings from repeal or modification to extend TCJA

In billions; JTC analysis from May 2023 (modified to focus on costs in 2025-2033)

Is transferability safe?

- In a traditional political environment, transferability should be safe
 - Transferability was previously scored at close to zero revenue cost because if the credits aren't transferred, they would be claimed on the project owners' tax returns
 - Transferability is an example of the market doing something better than the government, so Republicans should be supportive
 - Transferability is viewed by the industry as tremendously successful, while there has been little interest in direct pay
 - Project owners that qualify for both transferability and direct pay, like carbon capture and manufacturing tax credits, have consistently opted for direct pay
- But if Speaker Johnson in fact manages to repeal the wholesale IRA, transferability would be collateral damage
 - But as would tax credits for carbon capture, sustainable fuels and nuclear power

What about the IRA tax credit transferability portal?

- Tax credit transfers must be registered on an IRS portal
- According to the regulations, a transfer cannot be consummated without a registration number
- There was a rumor that the registration portal had stopped issuing registration numbers
- But in the third week of February, project owners started receiving registration numbers
- The clean energy trade associations are ready to litigate if the portal is shut down





David Burton

Partner

New York

+1 212 318 3311

david.burton@nortonrosefulbright.com

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