

How Trump's megalaw ravages rooftop solar

Companies that install solar panels on homes are bracing for a major drop in business as federal tax credits go away.



BY: **CHRISTA MARSHALL** | 07/11/2025 07:00 AM EDT



Two workers install solar panels on a roof in Palmetto Bay, Florida. | Joe Raedle/AFP via Getty Images

ENERGYWIRE | One of the biggest casualties of Republicans' megalaw may be rooftop solar, setting up a downturn that could change the makeup of the grid in multiple states.

The package signed by President Donald Trump on July 4 broadly hits Inflation Reduction Act incentives, but the effect on rooftop solar could be more severe than on many other renewables.

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That's because tax credits that built the industry over the past two decades are being phased out by the end of the year, faster than other parts of the solar sector, according to analysts. The residential solar industry also was already under strain because of factors such as lingering high interest rates and recent pullbacks on incentives in California and other states.

"It is going to be devastating," said Emily Walker, director of content and insights at EnergySage, an online marketplace for clean energy, about the effects on rooftop solar. "It's a scary time."

By January, the law phases out tax credits allowing homeowners to cut the cost of putting up a rooftop system by 30 percent — a termination that is almost a decade faster than originally planned. Under the IRA, which then-President Joe Biden signed into law in 2022, the 25D rooftop solar credit would have been in place until 2034.

More than half of rooftop solar installations last year were eligible for the credit, which allows users to cut the cost of a system by about \$10,000, according to Walker.

With the incentive phasing out, "some companies will go out of business," said Zoë Gaston, a solar analyst at Wood Mackenzie. The research firm estimates that rooftop solar installations through 2029 could decline 26 percent to 42 percent from business as usual with the loss of tax credits.

Approximately 84,000 U.S. jobs also could be lost by the end of next year, the Solar Energy Industries Association estimates. Many of the jobs are in red states, according to clean energy business group E2.

It's a sharp turnaround for an industry where annual installations have grown more than 1,800 percent since 2010, according to SEIA data. The tax credit for residential solar has been in place for two decades, although the IRA extended it.

Among the beneficiaries was Brooklyn SolarWorks, one of the largest solar installers in New York City. More than 85 percent of the company's sales are tied to the tax credit, which is known as 25D for its place in the tax code, said Gaelen McKee, president and founder of the company in an interview.

There likely would be layoffs from the 80-person staff next year, he said, when industry installations would fall off a cliff.

"The little guy gets squeezed again," said McKee about the effects of the law.

When asked about warnings of job losses because of the effect on rooftop solar, White House spokesperson Taylor Rogers said in a statement that the megalaw "will turbocharge energy production by streamlining operations for maximum efficiency and expanding domestic production capacity, which will deliver further relief to American families and businesses."

But the rooftop industry's obstacles could be exacerbated by [Trump's recent executive order](#) calling for the Treasury Department to set guidelines within 45 days on receiving wind and solar tax credits under the law.

The order signals that there could be restrictions on how "beginning of construction" is defined for projects.

That could matter for a separate credit — known as 48E for its place in the tax code — that was viewed as a glimmer of hope for the rooftop solar industry after compromises in the Senate. Unlike 25D, which helps homeowners own systems, 48E is harnessed by larger companies like Sunrun that own rooftop panels and lease to others.

The final language from Congress allowed 48E projects commencing construction by July 4 of next year to qualify for credits for several years. Otherwise, companies have until 2027 for projects to be placed in service — a much longer timeline that what is allowed under 25D.

As a result, Sunrun's stock price jumped more than 20 percent from its closing price July 2 — the day before the megalaw passed Congress — to its closing price Thursday. The company declined to comment on the megalaw.

But the executive order, depending on how it is implemented, could undercut the timeline for leased projects, forcing developers to commence construction faster than a year or adding requirements that are burdensome for companies.

"There's a lot more uncertainty over whether third party owned projects will qualify" for credits after the executive order, said Gaston with Wood Mackenzie.

Currently, projects are considered having commenced construction if they spend 5 percent of the project cost or do “significant” physical work. After that, the project must show “continuous” progress annually if not operational within four years.

According to a research note Wednesday from financial firm Jefferies, Treasury could change those thresholds in various ways to further restrict wind and solar, including by changing the 5 percent threshold.

The law also poses challenges for rooftop solar 48E recipients and other industries by requiring developers to not receive a percentage of components from “foreign entities” of concern like China and North Korea.

The executive order came after a promise from Trump to the House Freedom Caucus prior to the vote that there would be additional action against wind and solar from the executive branch. Conservative House lawmakers had supported a stricter phaseout requiring construction for wind and solar to occur within 60 days of the bill’s passage to claim credits, rather than a year later.

For many Republicans, wind and solar credits were too generous to begin with.

Among the critics: Energy Secretary Chris Wright, who has said they are too expensive for the resulting amount of power. [In an opinion piece](#) in the New York Post before the bill’s final passage, Wright said “more than 75% of US electricity comes from natural gas, nuclear and coal — and they supply it 24/7, independent of the weather.”

Industry backers say solar is providing the majority of new installations to the grid this year, and is critical for ensuring that the U.S. can meet surging electricity demand because of artificial intelligence, particularly as natural gas and nuclear plants take time to develop.

The megalaw will “set back America’s global competitiveness, destabilize our energy future, and weaken the very industries that power our economy and strengthen our national security — while surrendering the 21st-century tech race to China,” Abigail Ross Hopper, CEO of the Solar Energy Industries Association, said in a statement last week.

Bright spot?

Despite exponential growth in the past decade, rooftop solar was struggling before Trump signed the law last week.

The industry experienced [its first decline](#) in six years in 2024, with new capacity falling 19 percent partly because of high interest rates and state pullbacks on net metering, BloombergNEF said in a research note. Rooftop solar projects typically cost more than

utility-scale ones per unit of power, making them more vulnerable to sways with interest rates and subsidies. Net metering gives solar owners credit for electricity they add to the grid.

The shift affected companies like rooftop solar leader Sunnova, which filed for bankruptcy last month.

Regardless, there could be some bright spots, or at least factors that may make any downturn less severe, for the industry.

David Burton, a partner at the Norton Rose Fulbright law firm, said House conservatives weren't focused on the 5 percent threshold for projects to begin construction in order to receive credits in their public comments — suggesting that language may be less of a target of the administration.

Sen. Lisa Murkowski (R-Alaska), who supports renewable energy development but voted for Trump's megawatt, criticized the executive order at a congressional hearing Wednesday, saying "it really guts the effort for a compromise."

"Trump is truly caught between what the House Freedom Caucus wants and the more moderate Republicans like Murkowski," said Burton about the coming Treasury guidance.



Sen. Lisa Murkowski speaks with reporters at the U.S. Capitol earlier this year. | Francis Chung/POLITICO

In the meantime, there could be a “surge in sales” this year as installers rush to deploy systems before the tax credit phaseout, Gaston said. The foreign entity restrictions are less of an issue for rooftop solar than some other industries, such as batteries, she said.

Larger rooftop companies “will be able to navigate” those rules, she said.

Walker with EnergySage said some installers may find new life by going into operations and maintenance, including for homeowners with abandoned systems because of companies going out of business. In some locations with high electricity prices, rooftop solar may make sense even without tax credits, she said.

Brooklyn Solarworks is among the companies that may fare better than others, considering the wealth in New York City and support from local and state governments, according to McKee of Brooklyn SolarWorks. New York City has a property tax abatement for solar users, he said.

“We’ll see if states step up, figure out programs to help subsidize,” he said.

A major factor also could be ongoing electricity demand because of AI, and pressures on natural gas, coal and nuclear to meet the supply. That could help bolster solar and wind projects.

Jason Finkelstein, a partner at McKinsey & Co., said in an email that the fundamentals of rooftop solar remain “largely intact” over the longer term.

“Electricity rates continue to rise, consumer interest remains at an all-time high and the value proposition of residential batteries continues to improve,” he said. “Declining interest rates could also support the longer term prospects.”

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