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SMART 3.0 and Federal Incentives: What to know - by Matt Shortsleeve

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Massachusetts just rebooted its solar policy – creating new financial opportunities for commercial property owners through stronger incentives and long-overdue interconnection reforms.

On June 20th, 2025, the Massachusetts Department of Energy Resources (DOER) filed emergency regulations launching SMART 3.0 (20 M.G.L. 28.00). This next phase of the state's solar incentive program arrives at a critical time: Massachusetts has slipped from a top-five solar state to 26th in new installations, and nearly 400 megawatts (MW) of projects are stalled due to permitting, interconnection, and market uncertainty. Set against the backdrop of the federal government's actions to eliminate the Investment Tax Credit (ITC) for renewable technologies including solar, DOER issued emergency regulations to stimulate new projects with higher incentives.

If you are considering solar for your Massachusetts properties, here's what you need to know.

Program Details and Key Dates
SMART 3.0 improves the state's existing solar incentive program, using an annual cost analysis to administratively set incentive levels, and prioritizes rooftop, canopy, and brownfield development. Bonus compensation is available for rooftop systems over 1 MW and projects that include battery storage.

Incentives under SMART 3.0 are performance-based, meaning payments are calculated based on the actual kilowatt-hours (kWh) your system generates. This structure creates a predictable, production-tied revenue stream for system owners for a 20-year period.

SMART 3.0 Application periods:
• October 15th, 2025: Application window opens for Program Year 2025; and

• January 2nd, 2026: Annual two-week window opens for Program Year 2026 and establishes the ongoing SMART 3.0 cycle.

Program Year 2025 offers capacity allocations up to 450 megawatts (MW) statewide. Once capacity is reached, projects will be placed on a waitlist, a new feature designed to encourage timely applications and prioritize project readiness.

SMART 3.0 + Federal ITC: Timing Is Key
The federal ITC remains one of the most valuable incentives available, but it is being eliminated under the One Big Beautiful Bill Act (federal legislation that begins phasing out clean energy tax credits) was signed into law on July 4th, 2025.

• Solar projects that start construction before July 4th, 2026 still qualify for the 30% ITC (or 40% in Energy Communities), as long as they are placed into service within four years.

• Projects that begin construction after July 4, 2026 must be placed in service by December 31, 2027 to remain eligible.

If you're considering a project, locking in both SMART 3.0 and the ITC requires moving quickly to secure a powerful stack of incentives that reduce upfront costs and provide an exceptional return on investment.

To do that, now is the time to engage a qualified solar development company, conduct feasibility assessments at your properties, determine priority projects and contract for installation. Reaching a construction-ready stage soon ensures you don't miss out on the window to benefit from both programs before SMART 3.0 capacity is allocated and ITC deadlines take effect.

In addition to state incentives and federal ITC, 100% bonus depreciation is back. Businesses can deduct the full depreciable basis – typically 85% of the project cost after accounting for the ITC – in the first year, significantly improving cash flow and shortening the payback period.

Taken together, these state and federal incentives create a compelling near-term opportunity for commercial property owners – whether they plan to own the system outright or lease building rooftops or parking lots to a solar developer.

Grid Interconnection Is Improving

Alongside SMART 3.0, Massachusetts is implementing long-overdue interconnection reforms to ease grid access and reduce project delays. The Capital Improvement Projects (CIPs) and the Interconnection Implementation Review Group (IIRG) are key initiatives to help utilities process interconnection applications more efficiently and transparently. For developers and hosts alike, these reforms reduce risk and improve the predictability of project timelines – two long-standing barriers to investment.

These changes could unlock more than 1 gigawatt (GW) of stalled solar projects and create new opportunities in areas of the state that were previously considered too grid-constrained for development.

Two Paths to Financial Value: Own the System or Lease the Space

Whether you choose to invest in a solar array or lease rooftop or parking area to a third-party developer, SMART 3.0 is structured to deliver financial value.

Direct Ownership

Property owners who buy a solar system directly capture the available financial benefits:

• SMART 3.0 performance-based payments, tied to kilowatt-hours produced by the system

• The federal Investment Tax Credit (ITC) – 30%, or 40% in Energy Communities

• 100% bonus depreciation, typically applied to 85% of the system cost in year one.

This model often generates double-digit internal rates of return and accelerated payback periods. It’s a good fit for property owners who want to maximize tax efficiency, asset performance and long-term value.

Third-Party Ownership (Lease Model)
For those who prefer not to invest capital, a solar developer – such as Solect – installs, owns, and maintains the system. This model requires no solar project capital from the property owner. The property owner receives an ongoing lease payment, turning underutilized space into predictable income. This structure is especially attractive for triple-net leased properties.

In both models, solar can increase net operating income (NOI), enhance long-term asset value, and support sustainability goals.

Why It Matters Now: Mass. has revamped its policies to support commercial solar adoption, streamline interconnection, and strengthen financial returns for property owners. With SMART 3.0, the ITC, bonus depreciation, and electricity cost inflation, the case for solar has become both urgent and extremely attractive.

Whether you pursue ownership or lease your space, this is a timely opportunity to lock in incentives, improve asset performance, and hedge against rising utility costs.

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