

Treasury guidance extends investment tax credit timeframe, protects small and mid-sized solar, notes Solect Energy

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Hopkinton Marathon School's 318 kW rooftop solar system; a project developed by Solect Energy in Hopkinton, MA.

Boston, MA The U.S. Treasury released new guidance on August 15, 2025 that tightens rules around the federal Investment Tax Credit (ITC) for solar projects, raising new hurdles for developers nationwide. However, for businesses, schools, and municipalities in the Northeast, there is a silver lining — the new rules extend by 10 months the timeframe to capture both federal and state incentives. This creates valuable opportunities for organizations that begin planning now.

The Treasury's rules eliminate the Safe Harbor 5% Spend Test for projects larger than 1.5 MW AC

and impose stricter equipment sourcing rules starting in 2026 tied to “Foreign Entities of Concern” (FEOC).

Importantly, small- and mid-sized projects (under 1.5 MW AC) can still rely on the Safe Harbor 5% Spend Test. This provision preserves a clear path to secure the ITC for most commercial, municipal, and campus-scale rooftop and canopy solar projects, provided development starts soon.

Key Opportunities:

- Bonus depreciation is back: 100% first-year depreciation is available.
- State incentives remain strong: Programs include Massachusetts’ SMART 3.0, Rhode Island’s REG Program, and New York’s NY-Sun.

“The 10-month extension provides organizations with some additional runway, but it is not open-ended,” said Matt Shortsleeve, senior vice president of policy & marketing at Solect Energy. “Commercial rooftop projects can take months to design, permit, and install, so the time to act is now. At Solect, we’re helping organizations capture the ITC, pair it with state incentives, and benefit from bonus depreciation — making solar a compelling investment in the Northeast.”

With nearly 1,000 projects completed and a team of more than 100, Solect Energy is proactively purchasing compliant equipment and guiding organizations through policy and technical details to help them maximize value.

For more detail on what the Treasury guidance means and how to prepare, Solect has published an updated blog: [Solar Proves Its Mettle](#).

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