School of Labor and Employment Relations
Climate Jobs Institute

Policy brief
September 2025

FEDERAL CLEAN ENERGY TAX CREDIT ROLLBACKS

Implications for Illinois' Solar Workforce, Businesses, and Equity Eligible Contractors

WHAT'S HAPPENING

The recently passed One Big Beautiful Bill Act (H.R.1) significantly shortens the timeline for federal renewable energy tax credits, creating uncertainty for Illinois' solar workforce and businesses.

- **Residential Tax Credits:** Federal credits for customer-owned solar systems, battery storage, geothermal heat pumps, and home energy efficiency measures end December 31, 2025. Credits for third-party owned systems (solar leases and power purchase agreements, or PPAs) remain available until 2027.
- **Investment and Production Tax Credits:** The Clean Electricity Investment Tax Credit (48E) and the Clean Electricity Production Tax Credit (45Y) will only be available to solar and wind projects that begin construction by July 2026 or are completed by 2027.
- **Foreign Entity of Concern (FEOC)** restrictions further complicate access to sunsetting credits.

The expiring tax credits have been central to lowering project costs and rewarding projects that pay prevailing wages and provide apprenticeship opportunities.

WORKFORCE IMPACT

The Climate Jobs Institute is conducting interviews, surveys, and listening sessions to understand the impact of these tax credit rollbacks on Illinois' clean energy workforce. While early results will be shared in October, the picture emerging from this ongoing research is stark.

Illinois' solar industry employs approximately 7,000 workers and supports hundreds of companies. Nearly 60% of these workers and businesses are in the residential solar sector, which will see the most immediate impacts of the tax credit rollbacks. According to Energy Innovation, the rollback of federal credits could result in 21,000 fewer jobs in Illinois by 2030, many in the solar industry.

The impacts in Illinois are already being felt:

- Residential solar companies report layoffs are underway or anticipated, particularly for small businesses and Equity Eligible Contractors.
- Many companies have stopped accepting new residential customers for 2025 to finish existing projects before credits expire.
- Companies working larger-scale solar projects are ramping up to meet construction deadlines, but they are concerned that permitting, interconnection, and application delays will make accessing the sunsetting credits more difficult.
- Companies report concern about navigating new FEOC requirements for expiring credits.
- Future project development is at risk as project costs increase when tax credits expire.
- Workforce reductions will likely fall hardest on recently hired workers, including graduates of CEJA training programs.
- Large, more diversified companies are more confident in their ability to weather the changes, while small contractors and Equity Eligible Contractors are more vulnerable.

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EMERGING RISKS FOR EQUITY ELIGIBLE CONTRACTORS

Equity Eligible Contractors (EECs) are small, often locally owned businesses that are critical to building an inclusive clean energy economy in Illinois and achieving CEJA's equity goals. Most of them work in residential or community solar, helping to lower energy costs for communities most impacted by climate change and pollution. EECs expand access to solar jobs for women, people of color, and workers from communities historically excluded from the energy sector. However, EECs are also among the most vulnerable to federal tax credit rollbacks.

- **Disproportionate Layoffs:** EECs and small firms are more likely to anticipate downsizing in early 2026 or when the tax credits expire. Recently hired workers, including CEJA program graduates, are most at risk.
- **Business Diversification Pressure:** EECs and small businesses report needing to shift into other services (e.g., roofing, weatherization, landscaping) to stay afloat.
- **Administrative Barriers:** EECs face greater challenges navigating permitting, interconnection, FEOC rules, and grant applications, which could cause them to miss deadlines for remaining federal incentives.
- **Unequal Resilience:** National firms and large contractors can access more capital and resources, leaving EECs at heightened risk of closure.

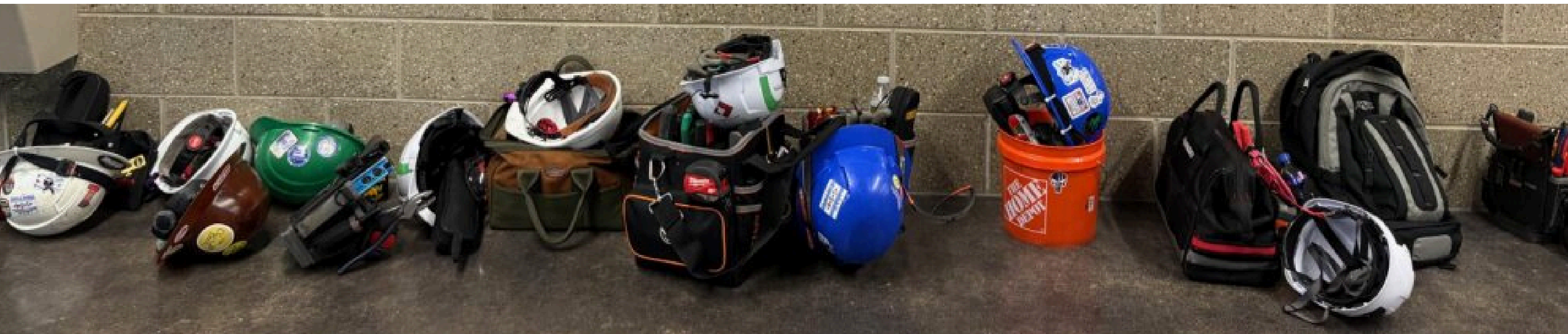
POLICY CONSIDERATIONS FOR ILLINOIS

Streamline & Accelerate Processes to Meet Deadlines

- **Standardize and simplify permitting** statewide, perhaps through an app.
- **Simplify applications and review processes** for IPA solar projects and CEJA Equitable Energy Future grants, particularly for EEC-led projects.
- Pressure RTOs and utilities to **expedite interconnection procedures.**
- **Prioritize projects** that can meet construction or energization deadlines for approval.
- **Provide technical support** to help businesses navigate FEOC requirements to access expiring credits.

Strengthen Incentives & Financing

- Consider **increasing Renewable Energy Credit** (REC) values for customer-owned and small DG solar projects, particularly those submitted by EECs.
- **Identify at-risk projects** — especially EEC-led projects — and support them with innovative financing, cash advance processes, grants, and low-interest loans.
- **Expand access to CEJA equity grant programs and financing tools** through the Illinois Climate Bank and Clean Energy Jobs & Justice Fund to reduce barriers to capital and project development.



POLICY CONSIDERATIONS CONTINUED

Support Workers & Contractors

- **Provide technical assistance through the CEJA Contractor Programs and IPA services** to help small businesses and EECs adapt as tax credits disappear. This may include helping businesses pivot toward solar leases and PPAs, diversify service offerings, or apply for other grant funding.
- **Align CEJA workforce training with actual hiring demand** to avoid preparing workers for shrinking markets.
- **Focus CEJA workforce training on cross-cutting skills** necessary for a variety of clean energy careers to protect workers against disruptions in a single sector.
- **Continue to invest in the Climate Works Pre-apprenticeship Program** to help workers build family-sustaining careers in the building trades, which generally provide more stability in volatile markets.
- **Provide retraining and placement support** for laid-off workers to transition into other clean energy sectors.

CONCLUSION

Federal tax credit rollbacks threaten solar development in Illinois, putting hundreds of businesses and thousands of workers at risk. Especially vulnerable are small businesses and Equity Eligible Contractors. By simplifying processes, strengthening incentives, and targeting support where it is most needed, Illinois can mitigate these impacts, preserve solar industry momentum, and keep equity at the center of its clean energy transition.

ABOUT THE CLIMATE JOBS INSTITUTE

The Climate Jobs Institute at the University of Illinois at Urbana-Champaign was established in 2022 to inform Illinois' clean energy transition through research that foregrounds workers and their communities. We guide state policy to reduce emissions and promote high-quality job creation through research rooted in climate and economic justice.

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