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Scalpels Out: Implications for Energy from the First Reconciliation Bill Committee Releases

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Both the House Energy and Commerce Committee and the House Ways and Means Committee released their portions of the reconciliation bill over the last week. While not as far-reaching as some feared, these initial revisions would result in significant impacts to the clean energy programs and policies enacted through the Inflation Reduction Act (IRA). This only begins the more public phase of a process that will likely stretch over weeks and months as House Republicans shape a bill that can satisfy a diverse party of deficit hawks and moderates from Democratic-leaning districts. With a slim seven-vote majority, Republicans have little room for maneuvering. Getting agreement from a Republican Senate majority could prove equally challenging. This initial bid, then, will likely end up being a worst-case floor for the process ahead.

House Energy and Committee Release

The House Energy and Commerce Committee released their portion of the reconciliation bill on Monday, May 12, and then approved the **communications**, **energy**, and **environment** subtitles as presented on Tuesday night. These portions would claw back $6.5 billion in unspent Inflation Reduction Act funds as well as unobligated dollars from the Environment Protection Agency's (EPA) Greenhouse Gas Reduction Fund and the Department of Energy's (DOE) offices and programs. Republicans have not released information on how much they expect to claw back from each of these programs. The GOP bill would also delay implementation of the IRA's methane fee for oil and gas companies by 10 years and repeal two Biden administration rules aimed at speeding adoption of electric vehicles.

During the markup on Tuesday, Committee Republicans defeated three amendments proposed by Democrats to the energy subtitle that would have ordered a study on the bill's impact on energy costs, required the Energy Department's inspector general to certify that the permitting provisions would not increase corruption, and force the Secretary of Energy to certify that tariffs on energy imports were lower than they were before the Trump administration took office in January 2025. On the environment subtitle, Republicans defeated Democrat amendments aiming to protect funds for environmental and climate justice block grants, the Greenhouse Gas Reduction Fund, and air pollution reductions at schools.

After a marathon of protests and contentious debate over proposed changes to Medicaid, on Wednesday, May 14, the Committee passed the **health** subtitle out of committee by a party-line vote of 30-24.

Ways and Means Release

The House Ways and Means Committee also released their bill text on Monday, May 12, and then passed the **text** along a party-line 26-19 vote on Tuesday night. Regarding the IRA tax credits, the text would repeal the $7,500 consumer tax credit for electric vehicles at the end of 2025, except for manufacturers that have sold fewer than 200,000 EVs since 2009, which would be allowed to continue claiming it through the end of 2026. The legislation also terminates the hydrogen fuel production credit (45V) by the end of the year and would phase out the nuclear power credit (45J) by 2031. The advanced manufacturing production tax credit (45X) would be maintained, though wind energy components would no longer be eligible after 2027. The bill also eliminates transferability for 45X after 2027 and adds a new prohibition on foreign entities of concern (from China, Russia, North Korea, and Iran) claiming the credit. There is also a provision targeting the tax-exempt status of terrorist-supporting organizations, which environmental groups have feared Trump might attempt to use to target them. Democrats offered a host of amendments to preserve the tax credits; all were voted down.

On the positive side, the bill maintains the credit supporting carbon capture (45U), while extending subsidies benefiting biofuels that are backed by the fossil fuel and agriculture industries.

Where We Go from Here

The House Budget Committee is scheduled to vote on Friday, May 16, on the legislation combining the reconciliation texts of all committees. A group of 12 Republicans have already written a letter urging changes to the IRA tax credit provisions. The group's three suggestions include revising the foreign entity of concern provision to give companies more time to reorganize their supply chains, tweaking standards for when companies qualify for credits, and keeping the practice of "transferability" through 2031, when certain incentives would sunset. Industry associations continue to meet with congressional offices this week asking them to preserve the credits.

The House is looking to push the bill through the entire chamber next week before Memorial Day, with Senate action to follow. However, even if House GOP leaders manage to pull the mega bill together, the Senate is poised to revise many of the policies. Already, Sen. Kevin Cramer (R-ND) warned that Ways and Means' proposal to phase out technology-neutral clean electricity tax credits beginning in 2029 would kneecap newer technologies that Republicans favor, like advanced nuclear reactors and geothermal, that are not ready to be deployed at large scale. Sen. Shelly Moore Capito (R-WV) said she expects the House GOP's "blanket approach" to the IRA tax credits to change and that "there has been a lot of job creation around these credits." Sen. John Hoeven (R-ND) agreed there will be "some change" to the tax credits and called the House GOP pitch a "starting point" to negotiations with Senate Republicans. Some Senate Republicans are also pushing back against the proposed changes to Medicaid and are unhappy with state and local tax (SALT) provisions.

Tuesday's markups represent a significant step in the reconciliation process, but they are unlikely to reflect the final contours of the legislation. With major policy disagreements still looming, the bill is expected to evolve substantially as it moves through both chambers of Congress.

For a more detailed discussion of the tax implications from the Ways and Means release, please see **the analysis** from our colleagues within the Mintz Tax Practice.

Authors

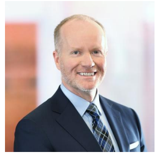
John Lushetsky, Senior Vice President

John Lushetsky draws on over 30 years of experience in government and industry to help clients identify strategic opportunities, secure federal funding, and position innovative technologies for success within evolving energy and infrastructure policy landscapes. He has successfully helped clients navigate complex issues through a variety of federal agencies.

Gregg M. Benson

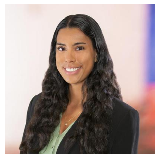
Gregg M. Benson is a Member at Mintz with a multifaceted tax law practice. He advises US and international clients, including companies and individuals, on a wide range of tax issues related to transactions, estate tax planning, and renewable energy projects.

R. Neal Martin, Senior Director of Government Relations



Neal Martin brings more than two decades of experience in government and federal relations to his work, helping clients navigate a wide range of issues. He provides strategic guidance to organizations seeking to advance their legislative priorities and enhance their visibility before Congress and federal agencies.

Myria Garcia, Manager of Legislative and Regulatory Affairs



Myria Garcia supports clients in achieving their policy objectives through legislative and regulatory engagement. She utilizes her experience working with congressional offices, government affairs teams, and advocacy organizations to pursue effective engagement strategies and has experience advising clients on federal financing applications.