

The Good, The Bad, & The Ugly: A Discussion of Federal & State Budget Impacts on Development in the Commonwealth

VIRTUAL BRIEFING

OVERVIEW OF NEW FEDERAL TAX LAW

- On July 4th, President Trump signed federal “reconciliation” budget bill that includes various proposals in taxes policy and funding for existing federal programs
- It is officially called the “[One Big Beautiful Bill Act](#)”



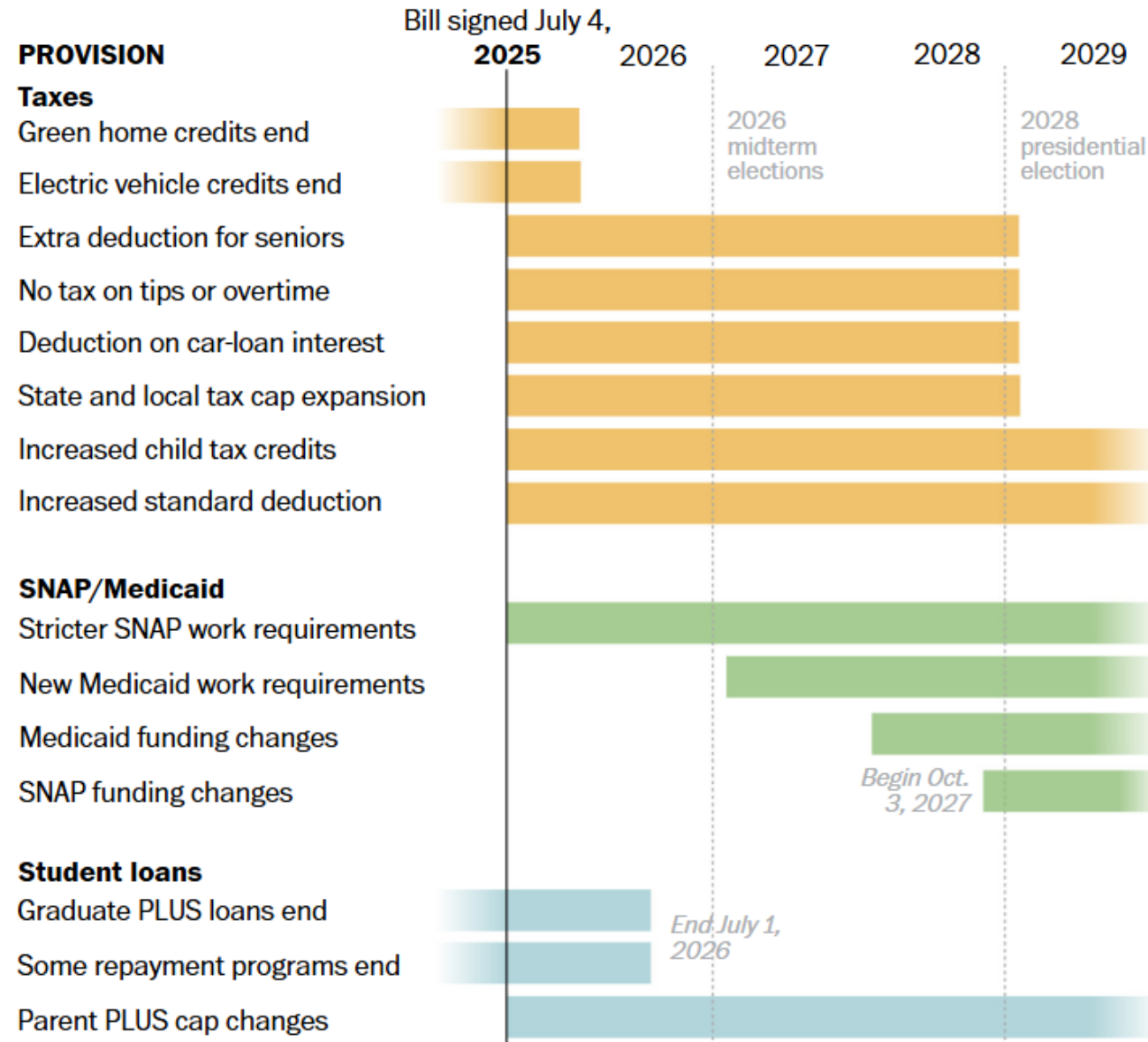
Photo from [Washington Post](#)

WHEN DOES IT TAKE EFFECT?

Many Tax Proposals Start Right Away

- Existing Corporate and Income Tax Rates (set in 2017) made permanent
- State & Local Tax Deduction (“SALT cap”) increased
- Standard Deduction increased
- Child Tax Credit increased by \$200 per child
- No Taxes on Tips (up to \$25k)
- New Work Requirements for Food Assistance Programs
- Some Infrastructure Grants rescinded
- **Clean Energy Programs Phased Out**
- **Electric Vehicles Tax Credits Ending Soon**

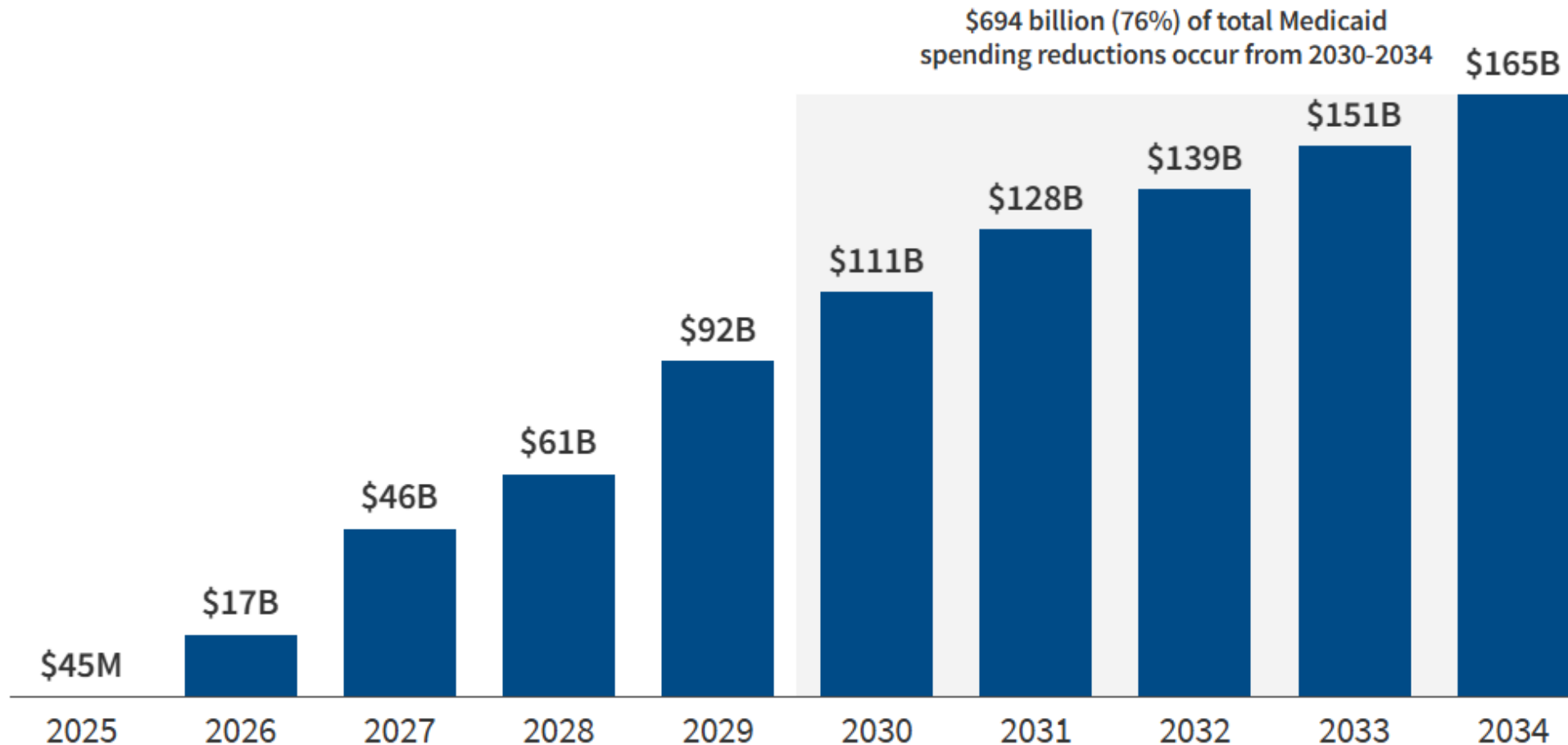
When aspects of Trump's 'One Big Beautiful Bill' begin, expire or both



Source:
Washington Post,
“[When Will
Trump’s Big Tax
Law Take Effect?
Here’s What To
Expect.](#)” July 14,
2025

FEDERAL MEDICAID CUTS

Federal Medicaid Cuts in the Enacted Reconciliation Package, By Year



Source: KFF
“[Allocating CBO’s Estimates of Federal Medicaid Spending Reductions Across the States](#)” July 23, 2025

WHAT DOES FEDERAL FUNDING DO IN MASSACHUSETTS?



Massachusetts received \$22.9B in federal funding last year

OPERATING

\$16.1B

\$41.9B

CAPITAL

\$1.5B

\$4.4B

OTHER GRANTS

\$5.3B

 **FEDERAL**
 **STATE**



**\$12.5 BILLION OF
INFRASTRUCTURE
PROJECTS**

scheduled in the next 5 years



**1 IN 4 HOUSEHOLDS
RELY ON SNAP**

to afford nutritious food for
their family.



115 MILLION SCHOOL MEALS

for low-income students across Massachusetts.



**28% OF MA
RESIDENTS
ARE ENROLLED
IN MassHealth**

including low- and
moderate-income
families, older adults,
and people with
disabilities.



**140,000
HOUSEHOLDS**

are housed with the
support of federal rental
assistance.



**11,000 CHILDREN
ATTEND PRESCHOOL**

with federal HeadStart
programs.

Source: Mass.gov
“[Impact of federal funding cuts on Massachusetts](#)”

OVERVIEW OF THE STATE BUDGET

- On July 4th, Gov. Healey signed the FY26 State Budget, that **raises spending by 5%** vs last year.
- However, the final budget is approximately \$1 billion smaller than her initial proposal from January.
- The final budget also takes initial steps to reduce spending on MassHealth, likely to adjust to federal funding plans



Photo from [MA Gov Press Office](#)

OVERVIEW OF THE STATE BUDGET

Healey is also asking for additional budget-cutting authority from Legislature:

1. To shift funding within Executive Branch agencies
2. To pay for some MassDOT employees with capital dollars - instead of operating dollars
3. To unilaterally cut mid-year spending throughout parts of the state budget, if revenue falls below projections.



Photo from [MA Gov Press Office](#)

FAIR SHARE & THE STATE BUDGET

- In June, the Governor signed a “Fair Share” supplemental budget - funded only with money collected through the 4% millionaire’s surtax on state income
- **Transportation received 60%** of Fair Share funds in this bill
- \$535 million to the MBTA to help the operating budget needs

FAIR SHARE & THE STATE BUDGET

- In July, through the State Budget, **70%** of Fair Share funds when to Education programs
- There is still approximately **\$1.3 billion** of Fair Share funding currently unspent (but already collected in FY24 - FY25)
- We expect there will be another “Fair Share” supplemental budget proposed by Gov. Healey in the next few months

FUNDING CANCELLED FOR ALLSTON

The law rescinded a \$327 million grant for the **I-90 Allston Multimodal Project**

It represents **17% of the project finance plan**, but we are still confident that are multiple other ways to fund this project



ELECTRIC VEHICLES – SEPT 30TH

Major Changes to EV Tax Credit Programs

The federal tax credits on EV's ends on Sept 30 – instead of 2032

- \$7,500 on new EV's
- \$4,000 on used EV's

EV home charger tax credits end on June 30, 2026

EV sales soar as Trump axes \$7,500 tax credit: 'People are rushing out' to buy, analyst says

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SHARE

KEY POINTS

- President Donald Trump's so-called "big beautiful bill" ends a \$7,500 EV tax credit after Sept. 30.
- Consumers are acting quickly to claim the tax credit before it disappears, according to analysts and sales data.

Source: CNBC

<https://www.cnbc.com/2025/08/08/ev-sales-trump-tax-credit.html>

RESIDENTIAL SOLAR – DEC 31ST

The **residential clean energy tax credit** (Section 25D) will end on Dec 31, 2025 — nearly a decade ahead of schedule

- 30% credit on solar panel installation
- (Section 25D)

Commercial solar projects and third-party-owned residential systems, such as leases and power purchase agreements – continue until 2028

- (Section 48E)



<https://www.energysage.com/news/congress-passes-bill-ending-residential-solar-tax-credit/>

RESIDENTIAL ENERGY – DEC 31ST

The **Energy Efficient Home Improvement Credit** will end on Dec 31, 2025

- 30% credit on certain expenses (doors, windows, insulation, heat pumps, biomass boilers, furnaces, home energy audits.)
- Unlike the residential solar tax credit, there are limits to certain expenses in this program



<https://www.washingtonpost.com/climate-solutions/2025/07/04/ev-home-tax-credit-ending/>

Photo from "[Wonder Window](#)" ad

ELECTRIC APPLIANCES – NO CHANGE

No changes to the “Home Electrification and Appliance Rebate” Program (HEAR)

- The House of Representatives had proposed ending this program, but that did not happen in final bill

Rebates are still available for heat pumps (HVAC systems, water heaters, clothes dryers), electric stoves, and upgrades to ventilation and insulation.

In Massachusetts, these rebates are run through
[Masssave.com](https://masssave.com)



WHAT IS NEXT?

Mark Bacon will talk about the Commercial Real Estate Programs

COMMERCIAL REAL ESTATE INCENTIVES



Commercial Real Estate Incentives

MOST LIKELY APPLICABLE FOR A BETTER CITY MEMBERS

Incentive	Tax Code Reference	Gov Website Reference	Audience
Energy Efficient Homes Credit	§45L	Link	Single and multifamily home builders
Energy Efficient Commercial Buildings Deduction	§179D	Link	Owners of commercial buildings, designers of buildings for not-for-profit owners
Investment Tax Credit	§48 / §48E	Link	Anyone installing qualifying clean energy property
Alternative Fuel Vehicle Credit	§30C	Link	Properties with alternative fuel sources like electric chargers
Production Tax Credits	§45	Link	Primarily utility grade renewable energy

COMMERCIAL REAL ESTATE & ENERGY EFFICIENCY

OUR SERVICES



§45L TAX CREDIT

Residential Energy Efficiency

- A “per dwelling unit” credit based on energy efficiency implementations.
- For Residential builds, both Single Family Homes and Multi Family Homes.
- Pre-Inflation Reduction Act (IRA) (2023) – can credit \$2,000 per unit.
- Post IRA – can credit up to \$5,000 per unit for EE program compliance like Energy Star and Zero Energy Ready Homes (ZERH).



§179D DEDUCTION

Commercial Energy Efficiency

- §179D is a deduction for renovations or construction costs of energy efficient commercial buildings.
- Upwards of \$5.81/sq. ft. can be added back to the budget to help fund updates/upgrades.



COST SEGREGATION

Accelerated Depreciation

- A “building agnostic” study that can accelerate depreciation on 15-30% of costs to acquire or build.
- A study on an existing building pulls cash out of that building to help fund green upgrades and portfolio expansion.
- A study on a renovation could accelerate 30-90% of that cost making much of the cost of potential rehabilitations and updates tax deductible.



§48E - ENERGY CREDIT

Clean Energy Investment

- Provides a dollar-for-dollar tax credit for businesses, and direct cash payments for state, local, and Tribal governments, non-profits, and other tax-exempt entities, ranging from 30% to 70% of the eligible project cost basis.
- Available for various technologies including solar and battery, wind, and geothermal energy systems.
- Offers an option to sell or monetize the credit

IRA INCENTIVES AND CHANGES

ENERGY GENERATION AND CARBON CAPTURE (DATA UPDATED AS OF 8/13)

ENERGY GENERATION AND CARBON CAPTURE

TAX PROVISION		DESCRIPTION	CHANGES
Production Tax Credit for Electricity from Renewables (§45, pre-2025)	✗	<ul style="list-style-type: none"> Eligible Sources: Wind, biomass, geothermal, solar, etc. Credit: <ul style="list-style-type: none"> 0.55 or 0.03 cents/kWh (PIS after 12/31/21) 2.8 or 1.4 cents/kWh (PIS before 1/1/22) 0.55 cents/kWh for marine & hydrokinetic (PIS after 12/31/22) 	Becomes 45Y, which is sunsetting.
Clean Electricity Production Tax Credit (§45Y, 2025 onward)	✗	<ul style="list-style-type: none"> Replaces § 45. Credit: 0.3 cents/kWh; 1.5 cents/kWh if prevailing wage/apprenticeship (PWA) met 	Sunsetting. Similar to 48E.
Investment Tax Credit for Energy Property (§ 48, pre-2025)	±	<ul style="list-style-type: none"> Eligible Projects: Fuel cells, solar, geothermal, wind, storage, biogas, CHP, etc. Credit: 6% of qualified investment; 30% if PWA met 	Sunsetting. Specifications added around foreign-influenced entity. Some changes to transferability. EXCEPTION: Geothermal
Clean Electricity Investment Tax Credit (§ 48E, 2025 onward)	✗	<ul style="list-style-type: none"> Replaces § 48. Credit: 6% of qualified investment; 30% if PWA met 	Sunsetting. Added FEOC restrictions. Start construction prior to July 4, 2026 to be exempt. Otherwise, complete construction by end of 2027.
Credit for Carbon Oxide Sequestration (§45Q)	✓	<ul style="list-style-type: none"> Credit: \$12–\$36/metric ton; \$60–\$180/metric ton if PWA met (varies by use) 	Retained and increased value. Added FEOC restrictions.
Zero-Emission Nuclear Power Production Credit (§45U)	✓	<ul style="list-style-type: none"> For nuclear facilities in operation before 8/16/2022 Credit: 0.3 cents/kWh; 1.5 cents/kWh if PW requirements met 	Adds energy community bonus.

IRA INCENTIVES AND CHANGES

CLEAN VEHICLES, MANUFACTURING, COMMERCIAL ENERGY (DATA UPDATED AS OF 8/13)

CLEAN VEHICLES

TAX PROVISION	DESCRIPTION	CHANGES
Credit for Qualified Commercial Clean Vehicles (§45W) ✕	<ul style="list-style-type: none"> For purchases of commercial clean vehicles Credit: Up to \$40,000 (max \$7,500 for vehicles <14,000 lbs.) 	Sunset for vehicles acquired after Sept 30, 2025.
Alternative Fuel Vehicle Credit (§30C) ✕	<ul style="list-style-type: none"> Credit: 6% or 30% of qualified investment if PWA met – limit of \$100k 	Sunset for property placed in service after June 30, 2026.

MANUFACTURING

TAX PROVISION	DESCRIPTION	CHANGES
Advanced Energy Project Credit (§48C) ±	<ul style="list-style-type: none"> Allocated via application (\$10B total; \$4B for energy communities) Credit: 6% or 30% of qualified investment if PWA met 	Existing projects are not changed but no new allocations to be provided.
Advanced Manufacturing Production Credit (§45X) ±	<ul style="list-style-type: none"> For U.S. manufacturing of clean energy components Credit: Varies by component type 	Phasing out. Adding eligibility for metallurgical coal and expanding eligible battery technology.

COMMERCIAL ENERGY

TAX PROVISION	DESCRIPTION	CHANGES
New Energy Efficient Homes Credit (§45L) ✕	<ul style="list-style-type: none"> Credit: \$2,500/home meeting Energy Star \$5,000/home for zero-energy ready Multifamily: \$500–\$1,000/unit 	Sunsetting. Home must be sold or rented by June 30, 2026.
Energy Efficient Commercial Buildings Deduction (§179D) ✕	<ul style="list-style-type: none"> Credit: \$0.50–\$1/sq ft (based on energy savings); capped at \$1/sq ft over 3–4 years New alternative deduction available for retrofits 	Sunsetting (wasn't in earlier provisions). Construction must start before June 30, 2026.

IRA INCENTIVES AND CHANGES

FUELS (DATA UPDATED AS OF 8/13)

FUELS		
TAX PROVISION	DESCRIPTION	CHANGES
Clean Hydrogen Production Tax Credit (\$45V) ✗	<ul style="list-style-type: none">• Credit: \$0.60/kg × applicable % (20–100%, depending on lifecycle GHG emissions)• Increased if PWA met	Sunsetting, but the sunset date was extended 2 years.
Clean Fuel Production Credit (\$45Z, from 2025) ✓	<ul style="list-style-type: none">• Fuels including sustainable aviation fuel• Credit:<ul style="list-style-type: none">• \$0.20/gal (\$0.35 for aviation) × CO₂ factor• \$1.00/gal (\$1.75 for aviation) if PWA met	Extended through 2029. Added FEOC restrictions. Will require domestic feedstocks. Some changes to LCA.
Sustainable Aviation Fuel Credit (\$40B) ✓	<ul style="list-style-type: none">• Provides a tax credit for the sale or use of sustainable aviation fuel (SAF)• Credit: \$1.25/gal; up to \$0.50/gal bonus based on GHG reduction	See 45Z.



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