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Prohibited Foreign Entity Rules for Energy Storage Tax Credits (United States)

Regulatory Signals · October 2026

A Regulatory watch on the US prohibited foreign entity rules that decide whether energy storage projects and battery components qualify for the Section 48E investment credit and the Section 45X manufacturing credit: IRS notices, cost-ratio thresholds and the coming safe harbor tables. Read for a North American maker of modules, packs and containerized storage systems that buys LFP cells. Three signals from one cycle.

#	SIGNAL	CONFIDENCE	HORIZON	STATUS
1	Treasury must publish material-assistance safe harbor tables by December 31, 2026, and storage projects can rely on the interim rules in Notice 2026-15 until 60 days after they appear	High	Short-term (3–12 months)	Verified
2	Notice 2026-15 sets interim rules for 2026 storage projects and 45X component sales, with each supplier certifying its status and the records kept six years	High	Immediate (0–3 months)	Verified
3	The storage credit threshold is 55% for projects that begin construction in 2026 and rises 5 points a year, while the 45X battery component threshold is 60% for 2026 sales	Medium	Immediate (0–3 months)	Verified

Every signal rests on two or more dated events. Confidence is published as a band. Where a signal sits below High, the reasoning names the evidence that is missing. Status says where the evidence stands: Verified, Review, or Inconclusive — we looked, and the evidence does not yet support a firmer call.

SIGNAL 1 OF 3

Treasury must publish material-assistance safe harbor tables by December 31, 2026, and storage projects can rely on the interim rules in Notice 2026-15 until 60 days after they appear

HIGH Short-term (3–12 months) · Regulatory Agency Actions · **Verified**

Notice 2026-15 says Treasury must issue safe harbor tables no later than December 31, 2026. Taxpayers may use the interim rules in the notice for construction that begins on or before 60 days after the tables are issued. The tables are the numbers that will replace the interim method for working out how much of a system's cost comes from prohibited foreign entities.

REASONING

The deadline and the 60-day window come from the notice itself. McDermott describes the same two points. The date the clock starts is not yet known, because the tables are not out. The IRS provisions page, last updated October 2, 2026, still lists Notice 2026-15 as the guidance, and no Treasury press release title through October 15, 2026 mentions the tables. The band is held at High because the date is fixed in the notice and every storage project that begins construction in 2026 depends on it.

PATTERN

February 12, 2026: Treasury and the IRS release Notice 2026-15 with interim safe harbors. March 9, 2026: the notice is published in Internal Revenue Bulletin 2026-11 at page 658. December 31, 2026: the notice's deadline for the safe harbor tables. Sixty days after the tables are issued: the end of interim reliance for construction that begins after that date. The IRS release and law-firm summaries word the reliance end for 45X components differently, so confirm the exact end date with counsel.

IMPLICATION

Cost-ratio work you finish this year uses the interim method. When the tables publish, that work may need to be redone with the table figures. Customers and their tax-equity investors will ask what you assumed. If you give a customer a credit-support letter in the meantime, it should say it rests on Notice 2026-15.

RECOMMENDED ACTION

This quarter, ask each cell supplier for a signed certification that includes its tax ID, keep each one for six years, and plan to recheck cost ratios when the tables publish. With counsel, add wording to credit-support letters that lets you update them after the tables appear.

SOURCES & WHAT THEY SIGNAL

- [IRS — Notice 2026-15 \(full text\)](#) — Safe harbor tables due "no later than December 31, 2026"; reliance on the interim rules for construction beginning within 60 days after issuance.
- [IRS — IR-2026-23, Treasury and IRS provide guidance on material assistance](#) — February 12, 2026 release; reliance on the notice for storage projects until 60 days after the tables are published.
- [IRS — Internal Revenue Bulletin 2026-11](#) — March 9, 2026 bulletin; Notice 2026-15 at page 658.
- [McDermott — Navigating clean energy tax credits in a new era](#) — Treasury to issue safe harbor tables by December 31, 2026; 60-day window for facilities and storage systems that begin construction.

SIGNAL 2 OF 3

Notice 2026-15 sets interim rules for 2026 storage projects and 45X component sales, with each supplier certifying its status and the records kept six years

HIGH Immediate (0–3 months) · Regulatory Agency Actions · **Verified**

Notice 2026-15, released February 12, 2026, gives interim safe harbors for working out how much of a credit-eligible product's cost comes from prohibited foreign entities. It applies to storage projects that begin construction after December 31, 2025 and to 45X components sold in tax years beginning after July 4, 2025. A supplier certification can support the claim if it meets set conditions.

REASONING

The notice is a primary IRS document, and the IRS issued a release on the same day. Both give the same two start points. White & Case lists the certification conditions, and they match the notice text. The notice does not say how effective control is determined, so that part of the rules is still open. The band is held at High because the rules already apply to current sales and construction starts.

PATTERN

July 4, 2025: 45X components sold in tax years beginning after this date fall within the notice. February 12, 2026: Treasury and the IRS release Notice 2026-15 and IR-2026-23. March 9, 2026: the notice is published in Internal Revenue Bulletin 2026-11. July 21, 2026: Energy-Storage.News reports the rules apply to any project that begins construction after December 31, 2025, and that the notice gives no guidance on effective control.

IMPLICATION

Your Asian and US cell suppliers sit inside this test, for your own 45X claim on modules and for your customers' storage credit. A US assembly plant does not remove the cell supplier from the analysis. Projects that began construction by December 31, 2025 fall outside these cost-ratio rules, but the effective-control questions are still open.

RECOMMENDED ACTION

Within 60 days, confirm with counsel what a supplier certification must contain, then send the request to every LFP cell supplier. The notice says a certification must carry the supplier's employer identification number or a foreign equivalent, be signed under penalties of perjury, and be kept by both the supplier and you for at least six years.

SOURCES & WHAT THEY SIGNAL

- [IRS — Notice 2026-15 \(full text\)](#) — Certification conditions on pages 16–17: tax ID, penalties of perjury, six-year retention.
- [IRS — IR-2026-23, Treasury and IRS provide guidance on material assistance](#) — February 12, 2026 release; start points for 45X, 45Y and 48E.
- [White & Case — Notice 2026-15, guidance regarding prohibited foreign entity rules](#) — February 20, 2026 alert; certification safe harbor and reliance periods.
- [Energy-Storage.News — FEOC compliance for BESS is a decade-long obligation](#) — July 21, 2026; rules apply to projects beginning construction after December 31, 2025; effective control not addressed.

SIGNAL 3 OF 3

The storage credit threshold is 55% for projects that begin construction in 2026 and rises 5 points a year, while the 45X battery component threshold is 60% for 2026 sales

MEDIUM Immediate (0–3 months) · Regulatory Agency Actions · **Verified**

Notice 2026-15 uses a 55% threshold for an energy storage project that begins construction in 2026, and its worked example finds a cost ratio of 68.7% that clears it. White & Case lists 55% rising to 75% after 2029, by construction-start year. Troutman Pepper reports a separate 60% threshold for battery components sold in 2026 under 45X, rising 5 points a year through 2029.

REASONING

The 55% figure and the 68.7% example come from the notice. The yearly table for storage comes from White & Case and Energy-Storage.News, which agree. The 45X figure comes from Troutman Pepper alone. The band is held at Medium because the two credits use different thresholds, and the test only becomes a problem if your supply chain moves toward the line.

PATTERN

February 12, 2026: Notice 2026-15 is released, and its worked example applies a 55% threshold to a 2026 construction start. February 20, 2026: White & Case publishes the storage table of 55%, 60%, 65%, 70% and 75% for construction starts in 2026, 2027, 2028, 2029 and after 2029. February 20, 2026: Troutman Pepper reports 60% for battery components sold in 2026. July 21, 2026: Energy-Storage.News reports 55% for 2026 starts, rising 5 points a year to 75% in 2030 and later.

IMPLICATION

You need two separate checks. Your 45X claim on modules is tested by the year of sale. Your customers' storage credit is tested by the year their project begins construction. A cell supplier that works for one test may not work for the other, and both get harder each year.

RECOMMENDED ACTION

By the end of November 2026, build two simple models, one for 45X by sale year and one for storage projects by construction-start year, and load each with the threshold for the year. Run your current cell bill of materials through both before you quote 2027 projects.

SOURCES & WHAT THEY SIGNAL

- [IRS — Notice 2026-15 \(full text\)](#) — Worked example on pages 37 and 41: 55% threshold, 68.7% cost ratio.
- [White & Case — Notice 2026-15, guidance regarding prohibited foreign entity rules](#) — February 20, 2026 alert; storage thresholds by construction-start year, 55% to 75%.
- [Troutman Pepper — Treasury and IRS issue FEOC material assistance guidance](#) — February 20, 2026 alert; 60% for battery components sold in 2026, rising 5 points a year through 2029.
- [Energy-Storage.News — FEOC compliance for BESS is a decade-long obligation](#) — July 21, 2026; 55% for 2026 starts, rising 5 points a year to 75%.

SET UP A SIGNAL ON YOUR QUESTION

A watch on your question runs every cycle.

These signals came from one cycle of a standing watch. Name a company, a market or a regulation, and the watch keeps running whether or not anyone opens the platform. Every signal arrives rated for confidence and horizon, with the dated events behind it and the sources that carry the weight.

See all the samples and tell us your question at ezassi.com/ezassi-signals-sample-library.

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