

Interim IRS Guidance Released on “Material Assistance”

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The One, Big, Beautiful Bill Act of 2025 introduced restrictions on the involvement of “foreign entities of concern” (FEOC) in clean-energy projects. The FEOC restrictions fall broadly into three categories: ownership restrictions by a “prohibited foreign entity” (PFE), which includes both a “specified foreign entity” (SFE) and a “foreign influenced entity” (FIE), effective control by an SFE, and material assistance from a PFE. The Internal Revenue Service (IRS) recently released guidance ([IRS Notice 2026-15](#)) focusing on the third category. Guidance on other FEOC issues is expected, although the timing is uncertain.

For projects that begin construction on or after January 1, 2026, taxpayers are restricted from claiming tax credits for manufacturing clean energy components and building or operating zero-emission energy projects if the project receives “material assistance” from a PFE. PFEs are entities with ties to China, Iran, North Korea, and Russia.

In order to determine whether a project or component, as applicable, has received material assistance from a PFE, the material assistance cost ratio (MACR) (meaning the percentage of the project or product costs that is not

attributable to PFE-supplied equipment, material and parts) must be calculated.¹ The MACR must exceed an applicable threshold percentage (i.e., the portion of a project’s materials not sourced from a PFE must exceed a certain percentage), which varies based on the type of facility, technology, or component and the year construction begins. For energy **generating** projects, the threshold percentage starts at 40% in 2026 and increases by 5 percentage points each year until 2030, when it becomes 60%. For energy storage projects, the threshold percentage starts at 55% in 2026 and increases by 5 percentage points each year until 2030, when it becomes 75%. For eligible components, specific percentages apply to the various types of components, such as 50% for solar energy components sold in 2026 (and increasing between 5 and 10 percentage points each year until 2030, when it becomes 85%).

IRS Notice 2026-15 provides guidance on how to calculate the MACR and includes interim safe harbors for purposes of determining whether there was material assistance from a PFE. The “identification safe harbor” and the “cost percentage safe harbor” repurpose the existing domestic content safe harbor tables (i.e., the tables in [IRS Notice 2025-08](#), [IRS Notice 2024-41](#), and [IRS Notice 2023-38](#)), relying on the manufactured products, manufactured product components and constituent materials identified in those notices as the exclusive and exhaustive lists both for purposes of identifying relevant components and assigning cost percentages used in the MACR calculation. The cost percentage safe harbor is in lieu of being required to track actual costs. Technology types with no specified safe harbor tables, such as nuclear, fuel cells and geothermal facilities, cannot use these safe harbors.

IRS Notice 2026-15 also provides a “certification safe harbor” that taxpayers may rely on to determine whether a product was produced by a PFE or to establish costs. In order to be valid, the certification from the supplier must include the supplier’s EIN and be signed under penalties of perjury. Importantly, a taxpayer may rely on a certification unless the taxpayer knows or has reason to know it is inaccurate.

While IRS Notice 2026-15 focuses primarily on the material assistance restriction, it clarifies that the Treasury and IRS intend to issue proposed regulations providing that the grant of a right to use intellectual property belonging to an SFE, or modifying an existing right, on or after July 4, 2025, is automatically considered to give the SFE effective control.

Comments on IRS Notice 2026-15 are due March 30, 2026. Taxpayers may rely on the guidance for calculating the MACR provided in the notice until 60 days after publication of further guidance.

¹ MACR is calculated as the sum of the taxpayer’s direct costs attributable to the identified manufactured products (MPs) or manufactured product components (MPCs) (Total Direct Cost), *minus* the sum of the taxpayer’s direct costs attributable to the identified MPs or MPCs that were mined, manufactured, or produced by a PFE and *divided by* the Total Direct Cost.

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