

IRS Interim Prohibited Foreign Entity Guidance Under OBBBA

The One Big, Beautiful Bill Act (OBBBA) created new Prohibited Foreign Entity (PFE) rules for 48E/45Y projects starting construction, and 45X components sold, after 12/31/25. [Notice 2026-15](#) provides taxpayers **two pathways for demonstrating compliance** with OBBBA’s “Material Assistance” rules.

<p>OPTION 1 Identification + Cost Percentage Safe Harbors</p>	<ul style="list-style-type: none"> • ID Safe Harbor: Taxpayers can use Notice 2025-08’s Domestic Content Bonus Credit safe harbor tables (Tables) to identify their project/component and associated inputs needed for their Material Assistance Cost Ratio (MACR) calculation. • Cost % Safe Harbor: Taxpayers can then use the Tables’ assigned cost percentage for each input to calculate PFE/non-PFE direct costs and complete the MACR. • Any off-Table item or cost, structural steel/iron, and interconnection property are ignored. • Taxpayers can blend PFE and non-PFE inputs.
<p>OPTION 2 Taxpayer-Determined Costs + Certification Safe Harbor</p>	<ul style="list-style-type: none"> • ID: Taxpayers can identify their own project/component and associated inputs or use the <i>ID Safe Harbor</i>. • Costs: Taxpayers can then <i>do their own cost analysis</i> to determine PFE/non-PFE direct costs for each, and utilize the <i>Certification Safe Harbor</i> by relying on accurate certifications from their direct suppliers attesting either: <ul style="list-style-type: none"> ◦ The input is non-PFE throughout its supply chain, or ◦ The input’s direct costs that are not produced by a PFE. • Batteries <1 MW and 45X can average the costs of certain inputs, as well as any input(s) below 10% of total cost. • Interconnection property must have a separate MACR analysis. • Structural steel/iron is ignored. • Taxpayers can blend PFE and non-PFE inputs.

48E/45Y taxpayers can use these methodologies up to 60 days after future guidance is published. **45X taxpayers** can use interim safe harbors up until publication, while non-safe harbor methods can be used up to 60 days after publication.

Notice 2016-15 does not include much-needed guidance on entity-level PFE definitions and parameters. Further guidance on PFE debt thresholds, contracts with PFE “effective control,” and anti-circumvention is expected later in 2026.