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New Keystone Research Center Report: Pennsylvania Can Still Capture Billions in Federal Solar Tax Credits — But the Window Is Closing Fast

"Use It Or Lose It" lays out an action plan to accelerate solar projects before Inflation Reduction Act deadlines expire, and to sustain Pennsylvania's solar momentum as electricity prices climb

HARRISBURG, PA — The Keystone Research Center (KRC) today released a new report, [Use It Or Lose It: Why Pennsylvania Should Accelerate Solar Projects to Capture Federal Tax Credits](#), that documents the six-fold growth of solar energy in Pennsylvania since 2019 and lays out a roadmap for Pennsylvania to capture billions of dollars in remaining federal Inflation Reduction Act (IRA) tax credits before shortened deadlines under the "One Big Beautiful Bill Act" (OBBBA) take them off the table.

Authored by KRC Economist Stephen Herzenberg and KRC Research Analyst Avery Spicka, the report finds that Pennsylvania solar electricity projects have already drawn down over half a **billion dollars** in IRA tax credits through the end of 2025 — and that significant additional credits remain within reach for projects already in the pipeline and new projects that move quickly.

The report lands at a moment of sharply rising electricity costs in Pennsylvania. Industrial electricity rates are up nearly 50% since early 2020 after adjusting for inflation, and residential rates are up roughly 25% over the same period. KRC's analysis finds that if just half of the PA solar capacity in the PJM and smaller utility interconnection queues is built and captures a 30% Investment Tax Credit, the Commonwealth's solar capacity would quadruple.

"Despite recent legislative changes that curtailed the Inflation Reduction Act timelines, it is not too late — significant federal tax credit money is still on the table, and Pennsylvania needs to pursue it," said **Stephen Herzenberg, Economist and Executive Director Emeritus of the Keystone Research Center**. "Pennsylvanians have an urgent demand for more energy to bring down their utility bills, and this is the moment to meet that demand. Every project that gets

under the wire means lower energy costs for a school, a municipality, a business, or a nonprofit — and more electrons on a grid that is under growing strain."

Key Findings

- **Pennsylvania's solar capacity is more than six times larger than in 2019 and three times larger than** in 2022, reaching 2.24 gigawatts (GW) of installed capacity by the end of 2025 across grid-scale, commercial, and residential projects.
- **Electricity rates have climbed sharply over the same period.** Industrial rates in Pennsylvania are up nearly 50% since early 2020 after adjusting for inflation, and residential rates are up roughly 25% — underscoring the urgency of bringing more low-cost solar generation online.
- **Pennsylvania solar projects have already drawn down over half a billion** in IRA Investment Tax Credits through 2025.
- If half the gig-scale (> 3 MW) and commercial scale (< 3 MW) projects in the PJM and utility queues gets built with a 30% tax credit, it would **boost the Pennsylvania economy with over \$8 billion in total (private plus tax credit) investment, add 6.5GW of solar, three times more than the 2.2 GW of total solar capacity Pennsylvania had as of 2025.**
- **Case studies of recent projects show payback periods of eight years or less** with a 30% IRA tax credit, including school district, municipal, commercial, and utility-scale projects across the Commonwealth.

A Closing Window

The baseline IRA Investment Tax Credit equals 30% of project cost and can rise to 70% when bonuses for domestic content, energy communities, and low-income communities are included. Under the IRA's "elective pay" provision, tax-exempt entities — including school districts, municipalities, nonprofits, and religious institutions — can receive the value of the credit as a direct payment from the federal government.

The OBBBA, however, shortened the deadlines for accessing these credits. The residential solar credit expired December 31, 2025. Commercial or utility-scale projects can still qualify by beginning construction by December 31, 2025, or July 4, 2026, and becoming operational by the end of the fourth year after construction began, or by becoming operational by December 31, 2027.

The report identifies five categories of projects that still have a realistic path to capture the credits, with commercial customer-generator projects below 3 MW and grid-scale projects already in the PJM queue representing the largest remaining opportunities.

"These tax credits hit at exactly the right moment to match our energy supply with soaring demand, which is why repealing them is, frankly, just absolutely disastrous energy policy," said

Jesse Lee, Senior Advisor for Climate Power and former Senior Communications Advisor at the National Economic Council. "Household electricity costs in Pennsylvania have gone up by more than 14 percent since President Trump took office, and 84 percent of Americans are deeply concerned about their utility bills going up. Solar is the fastest energy source you can bring online — one to two years, compared to much longer timelines for nuclear and other sources. Wind, solar, and batteries account for about 95 percent of new energy capacity in 2025 and 2026, and the overwhelming majority of that is solar. The American people feel the urgency every time they pay their electricity bill, and we need to see that same urgency from policymakers, from PJM, and from utilities to bring as much of this new energy online as fast as we possibly can."

"The case studies in this report show that Pennsylvania school districts, municipalities, and commercial property owners are already completing solar projects with payback periods of eight years or less — and in some cases as little as one to two years when federal tax credits are paired with energy savings," said **Avery Spicka, Research Analyst at the Keystone Research Center.** "Because of the elective pay provision, a school district, township, or nonprofit does not need any tax liability to benefit. They can receive the credit amount as a direct payment from the federal government. The projects that break ground on time will deliver lower energy costs for Pennsylvania taxpayers and ratepayers for decades to come."

Policy Recommendations

The report outlines a two-track strategy: maximize the drawdown of remaining IRA credits in the short term, and enact state policies to sustain solar growth after the credits phase out.

To maximize IRA tax credit drawdown, the report recommends:

1. **PJM should give priority approval** to projects in its queue that met the December 31, 2025, deadline or that will meet the July 4, 2026, deadline.
2. **Pennsylvania lawmakers should require utilities** to expedite interconnection and operational permits for solar projects eligible for the Investment Tax Credit. Pennsylvania currently ranks 32nd among states on interconnection policy.
3. **Owners and developers** considering new projects below grid scale should move forward quickly and take advantage of technical assistance from Pennsylvania and national nonprofits, including the PA Solar Center, Lawyers for Good Government's Elective Pay Sprint Hub, Generation 180, The Reinvestment Fund, and the Philadelphia Green Capital Corp.
4. **Governor Shapiro should create a "Governor's Action Team to Maximize IRA Tax Credits,"** building on existing permitting reforms and the Governor's Office of Critical Investments. The state should fund technical assistance and low-cost bridge loans to help Pennsylvania Solar for Schools awardees and other projects meet the July 4, 2026, construction deadline.
5. **Congress should restore the original IRA tax credit deadlines.**

To sustain solar growth beyond the tax credits, the report recommends:

- **Updating Pennsylvania's Alternative Energy Portfolio Standard** to require that "tier 1" sources, including solar, generate 35% of electricity by 2035, up from 8% today.
- **Legalizing community solar** (House Bill 504) so residents, small businesses, and nonprofits unable to install solar onsite can access the cost savings of commercial-scale solar.
- **Enacting solar on warehouses legislation** (House Bill 1260) requiring new large warehouses to be solar-ready on 40% of their roof space, paired with net metering reforms that preserve favorable rates for solar on warehouses, brownfields, and other preferred sites.
- **Legalizing balcony (plug-in) solar** (House Bill 1971) to make solar accessible to renters and Pennsylvanians in homes unsuitable for rooftop arrays.

"In many ways, the worst impact of OBBBA has been the misinformation and misperception of risk that it created — but the tax credits are still available, and the IRS is issuing checks," said **Edward Yim, Director of Clean Energy, Climate Change, and Environmental Justice at Lawyers for Good Government**. "At Lawyers for Good Government, we think of ourselves as pro bono lawyers for community-driven clean energy projects, helping communities from start to finish — site control, permitting, financing, utility issues, and tax credits. Our Sprint Hub alone has nearly 200 projects in the pipeline, representing about \$25 million in tax credits and 82 megawatts of mostly small solar. A successful clean energy future must be built on many small projects that directly touch many lives — relying solely on large-scale projects will not be durable."

[You can view a recording of a report release webinar here.](#) Speakers included Stephen Herzenberg and Avery Spicka of KRC, Jesse Lee of Climate Power, and Edward Yim of Lawyers for Good Government.

[The full report is available on the KRC website here.](#)

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