INFLATION REDUCTION ACT

Prevailing Wage & Registered Apprenticeship Overview

For all IRA clean energy tax incentives, please see IRS.gov/CleanEnergy for further details.

Overview:

To qualify for increased credit or deduction amounts of certain clean energy tax incentives, taxpayers generally need to ensure that laborers and mechanics employed in the construction, alteration, or repair work are paid not less than applicable prevailing wage rates and to employ apprentices from registered apprenticeship programs for a certain number of hours. By meeting the necessary prevailing wage and apprenticeship (PWA) requirements, taxpayers can generally increase the base amounts of certain clean energy tax incentives by 5 times. There are limited exceptions, for certain small facilities and projects that produce or store clean energy under one megawatt, and for certain facilities, property, projects, or equipment that began construction before January 29, 2023, where taxpayers may be eligible to claim the 5 times increase without meeting the PWA requirements. Taxpayers are solely responsible for ensuring the PWA requirements are satisfied.

Prevailing Wage:

The Department of Labor (DOL) determines the prevailing wage rates for each classification of laborers and mechanics ("labor classification") in a predetermined geographic area for a particular type of construction. In general, under the prevailing wage requirements, a taxpayer claiming an increased credit or deduction amount must ensure that laborers and mechanics employed by the taxpayer, contractor, or subcontractor are paid wages at rates not less than the prevailing wage rate for work performed with respect to a qualified facility (or property, project, or equipment, as applicable) for the particular tax incentive. The prevailing wage rate includes both the basic hourly wage rate and any fringe benefits rate as determined by the DOL. These prevailing wage rates are found in general wage determinations on **sam.gov/content/wage-determinations**. A general wage determination reflects wage rates determined by the DOL to be prevailing for a particular type of construction in a specific geographic area, typically a county.

In the absence of an applicable general wage determination or if an applicable general wage determination is missing a labor classification, taxpayers, contractors, or subcontractors may request a supplemental wage determination or an additional classification and wage rate from the DOL.

More Information

For more details please also see **irs.gov/pwa** and **Inflation Reduction Act Department of Labor**. See page 2 for a list of which tax incentives can be increased by meeting the prevailing wage and apprenticeship requirements.

Registered Apprenticeships:

For the clean energy tax incentives that are subject to the apprenticeship requirements, each taxpayer, contractor, subcontractor who employs four or more individuals to perform work with respect to a qualified facility (or property, project, or equipment, as applicable) must employ one or more qualified apprentices. In addition, a minimum percentage of the total labor hours of the construction, alteration, or repair work on the facility must be performed by qualified apprentices from a registered apprenticeship program. This percentage is 10 percent for construction beginning before 2023, 12.5 percent for construction beginning in 2023, and 15 percent for construction beginning in 2024 or after.

Taxpayers, contractors, or subcontractors must also meet any applicable ratios of apprentices to journeyworkers established by the registered apprenticeship program. A good faith effort exception may apply when a taxpayer, contractor, subcontractor has requested qualified apprentices from a registered apprenticeship program and no qualified apprentices are available. To learn more about finding qualified apprentices from a registered apprenticeship program, see **Inflation Reduction Act Apprenticeship Resources**.

Recordkeeping Requirements:

Taxpayers claiming the increased amount for a particular clean energy tax incentive by meeting the PWA requirements are subject to specific recordkeeping requirements. Taxpayers must maintain and preserve records necessary to demonstrate compliance with the applicable PWA requirements. Examples include each laborer or mechanic's hourly rates, hours worked, labor classification, deductions from wages, and actual wages paid, among other records.

Corrections and Penalties:

Taxpayers who initially fail to meet the PWA requirements may still be able to claim the increased tax incentive amounts by making certain correction and penalty payments. In general, for failures of the prevailing wage requirements, taxpayers must make correction payments for any underpaid wages, plus interest, to the affected laborers and mechanics, and make a penalty payment to the IRS. For the apprenticeship requirements, unless they qualify for the good faith effort exception, taxpayers must make a penalty payment to the IRS. Enhanced correction and penalty amounts apply when the taxpayer's failure is due to intentional disregard.

Project Labor Agreements:

Penalties for failures to meet the PWA requirements do not apply to taxpayers employing laborers, mechanics, and apprentices under a qualifying project labor agreement that meets certain requirements.

Applicable PWA Clean Energy Tax Incentives

The Inflation Reduction Act of 2022 ("IRA") expanded several clean energy tax incentives and added additional incentives to include increased amounts for meeting the prevailing wage and apprenticeship (PWA) requirements. By paying prevailing wages and using qualified apprentices, taxpayers can increase the base amounts of many clean energy tax incentives, in general, by 5 times. There are limited exceptions available where taxpayers may be eligible to claim the 5 times increase on a particular clean energy tax incentive without meeting the PWA requirements. For more information, please see the table below and **irs.gov/CleanEnergy**.

	Tax Provision	Description
Energy Generation & Carbon Capture	**Production Tax Credit for Electricity from Renewables** (§ 45)	**For production of electricity from qualified renewable sources,** including wind, biomass, geothermal, solar, landfill gas, and trash, hydropower, marine and hydrokinetic energy. **Credit Amount:** 0.3 cents/kilowatt (kW) (1/2 rate for electricity produced from open-loop biomass, landfill gas, and trash); 1.5 cents/kW if PWA requirements are met. [1,2,3,7]
Energy Generation & Carbon Capture	**Clean Electricity Production Tax Credit** (§ 45Y, *2025 onwards*)	**Technology-neutral tax credit for production of clean electricity** for facilities that are placed in service after 2024. **Credit Amount:** 0.3 cents/kilowatt (kW); 1.5 cents/kW if PWA requirements are met. [1,2,3,6,7]
Energy Generation & Carbon Capture	**Investment Tax Credit for Energy Property** (§ 48)	**For investment in renewable energy projects** including fuel cell, solar, geothermal, small wind, energy storage, biogas, microgrid controllers, and combined heat and power system property. **Credit Amount:** 6% of qualified investment (basis); 30% if PWA requirements are met. [1,4,5,6,8]
Energy Generation & Carbon Capture	**Clean Electricity Investment Tax Credit** (§ 48E, *2025 onwards*)	**Technology-neutral tax credit for investment in facilities that generate clean electricity** and qualified energy storage technologies that are placed in service after 2024. **Credit Amount:** 6% of qualified investment (basis); 30% if PWA requirements are met. [1,4,5,6]
Energy Generation & Carbon Capture	**Credit for Carbon Oxide Sequestration** (§ 45Q)	**Credit for carbon dioxide sequestration** for carbon oxide captured and either permanently disposed of, used as a tertiary injectant for enhanced oil or natural gas recovery, or utilized. **Credit Amount:** $12-36 per metric ton depending on the specified end-use; $60-$180 per metric ton if PWA requirements are met. [1,7]
Energy Generation & Carbon Capture	**Zero-Emission Nuclear Power Production Credit** (§ 45U)	**For electricity from existing nuclear power facilities** in operation prior to August 16, 2022. **Credit Amount (for 2023):** 0.3 cents/kWh (reduced rate that goes to zero for facilities whose gross receipts exceed a certain amount); 1.5 cent/kWh if prevailing wage requirements are met.1,7 Apprenticeship requirements do not apply.
Manu-facturing	**Qualifying Advanced Energy Project Credit** (§ 48C) **Application required**	**For investments in advanced energy projects.** A total of $10 billion will be allocated, not less than $4 billion of which will be allocated to projects in certain energy communities. **Credit Amount:** 6% of taxpayer's qualified investment; 30% if PWA requirements are met. [1]
Fuels	**Alternative Fuel Vehicle Refueling Property Credit** (§ 30C)	**For alternative fuel vehicle refueling and charging property** located in low-income and non-urban areas. Qualified alternative fuels include electricity, ethanol, natural gas, liquefied petroleum gas, hydrogen, and biodiesel. **Credit Amount:** 6% of basis for businesses; 30% if PWA requirements are met. [1]
Energy Efficiency	**Clean Hydrogen Production Tax Credit** (§ 45V)	**For qualified clean hydrogen** produced at a qualified clean hydrogen production facility. **Credit Amount:** $0.60/kg of qualified clean hydrogen multiplied by the applicable percentage (20% to 100%, depending on lifecycle greenhouse gas emissions rate); amount increases if PWA requirements are met. [1,7]
Energy Efficiency	**Clean Fuel Production Credit** (§ 45Z, *2025 onwards*)	**Technology-neutral tax credit for domestic production of clean transportation fuels**, including sustainable aviation fuels, beginning in 2025. **Credit Amount:** For transportation fuel which is not sustainable aviation fuel, $0.20/gallon ($1.00/gallon if PWA requirements are met) multiplied by the "emissions factor"; for sustainable aviation fuel, $0.35/gallon ($1.75/gallon if PWA requirements are met) multiplied by the "emissions factor". [1,7]
Energy Efficiency	**New Energy Efficient Homes Credit** (§ 45L)	**Provides a tax credit for construction and sale or lease of qualified new energy efficient homes (including certain multifamily homes).** **Credit Amount:** For a building eligible to participate in the Energy Star Multifamily New Construction (MFNC) Program (qualifying building), the base amount is $500 per dwelling unit for a unit meeting certain MFNC national and regional program requirements and $1,000 per dwelling unit for a unit certified as a zero energy ready home (ZERH) under the applicable ZERH program. If prevailing wage requirements are met for a qualifying building, $2,500 per unit for a unit meeting certain MFNC national and regional program requirements and $5,000 per unit for a unit certified as a ZERH under the applicable ZERH program. Apprenticeship requirements do not apply.[1]
Energy Efficiency	**Energy Efficient Commercial Buildings Deduction** (§ 179D)	**Provides a tax deduction for installing certain energy efficient property in a commercial building,** as part of its interior lighting systems; heating, cooling, ventilation, and hot water systems; or building envelope. **Deduction Amount:** $0.50-$1 per square foot, depending on increase in efficiency (a minimum of 25% energy and power cost savings must be achieved in order to qualify). Caps based on deduction taken in preceding years and capped at $1 per square foot. $2.50-$5 per square foot if PWA requirements are met. An alternative deduction is available for building retrofit projects that are expected to reduce a building's energy use intensity by 25% or more.[1,7,9]

[1] Credit or deduction is increased, in general, by 5 times if the taxpayer meets the PWA requirements. Apprenticeship requirements do not apply for §§ 45L and 45U. The PWA requirements do not apply to certain clean energy tax incentives, including those that began construction (or installation under § 179D) prior to January 29, 2023, or for certain facilities, energy projects, or energy storage technology of less than 1 megawatt when claiming §§ 45, 45Y, 48, and 48E.

[2] Credit is increased by 10% if the project meets certain domestic content requirements for steel or iron, and manufactured products.

[3] Credit is increased by 10% if located in an energy community.

[4] Credit is increased by up to 10 percentage points for projects meeting certain domestic content requirements for steel or iron, and manufactured products.

[5] Credit is increased by up to 10 percentage points if located in an energy community.

[6] Section 168(e) provides favorable depreciation treatment for facilities or property qualifying for this tax credit, and will be treated as a 5-year property for purposes of cost recovery. Taxpayers may have lower taxable income in the earlier years of a clean energy investment.

[7] Base credit or deduction amount is adjusted annually for inflation.

[8] See § 48 for more detail and applicable exceptions to the credit rate.

[9] Buildings must be placed in service more than 5 years before the establishment of the qualified retrofit plan in order to qualify.

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