Prevailing Wage & Registered Apprenticeship Overview

The information in this document may be subject to change as guidance is issued or finalized. For all IRA clean energy tax credits, please see **IRS.gov/CleanEnergy** for further details and eligibility requirements.

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 are paid no less than applicable prevailing wage rates and to employ apprentices from registered apprenticeship programs for a certain number of hours. By meeting the necessary Inflation Reduction Act (IRA) prevailing wage and apprenticeship requirements, taxpayers can increase the base amounts of many clean energy tax incentives by 5 times. There are limited exceptions, for certain small facilities that produce clean energy under one megawatt and for facilities beginning construction before January 29, 2023, where taxpayers may be eligible to claim the 5 times increase without meeting the prevailing wage and apprenticeship requirements.

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, taxpayers claiming an increased credit or deduction amount must ensure that laborers and mechanics employed by the taxpayer or its contractors or subcontractors are paid the prevailing wage, which includes the basic hourly wage rate and any fringe benefits rate, established by the Secretary of Labor when performing construction, alteration, or repair of a qualified facility, project, property, or equipment (hereafter a facility). These wage rates are found in general wage determinations on sam.gov/content/wage-determinations. A general wage determination reflects wage rates determined by DOL to be prevailing in a specific geographic area, typically a county, for a particular type of construction. In the absence of an applicable general wage determination, taxpayers may request a supplemental wage determination from 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.

IRA Registered Apprenticeships:

Each taxpayer (or contractor or subcontractor) who employs four or more workers to perform construction, alteration, or repair work on a facility must employ one or more qualified apprentices when the apprenticeship requirements apply. In addition, a minimum percentage of the total labor hours of the construction, alteration, or repair work must be performed by qualified apprentices from a registered apprenticeship program. This percentage is 12.5 percent for facilities beginning construction in 2023 and it rises to 15 percent for facilities beginning construction in 2024 or after. Taxpayers (or contractors or subcontractors) must also ensure that any applicable ratios of apprentices to journey workers established by the registered apprenticeship program are met. An exception may apply when a taxpayer (or contractor or subcontractor) has requested qualified apprentices from a registered apprenticeship program and no apprentices are available. For more information or to learn about finding apprentices, see **Inflation Reduction Act Apprenticeship Resources**.

Recordkeeping Requirements:

Taxpayers claiming an increased amount for a particular tax incentive by meeting the prevailing wage and apprenticeship requirements are subject to specific recordkeeping requirements. Taxpayers must maintain and preserve records related to the employment of laborers, mechanics, and apprentices, including the records of any contractor or subcontractor. Examples include each laborer or mechanic's hourly rates, hours worked, deductions from wages, and actual wages paid, among other records.

Corrections and Penalties:

Taxpayers who fail to meet the prevailing wage and apprenticeship requirements may still be able to claim the increased tax incentive amounts by making certain correction and penalty payments. For failures of the prevailing wage requirements, taxpayers must make correction payments for any underpaid or missing wages, plus interest, to the affected laborers and mechanics, and taxpayers may also owe a penalty payment to the IRS. For the apprenticeship requirements, 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 prevailing wage and apprenticeship requirements may not apply to taxpayers employing laborers, mechanics, and apprentices under a qualifying project labor agreement that meets certain requirements.

IRA Prevailing Wage and Registered Apprenticeship Energy Credits

The Inflation Reduction Act of 2022 ("IRA") expanded several clean energy tax incentives and added additional incentives to include increased amounts for meeting prevailing wage and apprenticeship standards. By paying prevailing wages and using registered apprentices when they apply, taxpayers can increase the base amounts of many clean energy tax incentives by 5 times. 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, *pre-2025*)	**For production of electricity from qualified renewable sources**, including wind, biomass, geothermal, solar, small irrigation, landfill, gas, and trash, hydropower, marine and hydrokinetic energy. **Credit Amount (for 2022):** 0.55 cents/kilowatt (kW) (1/2 rate for electricity produced from open loop biomass, small irrigation, landfill gas, and trash); 2.75 cents/kW if Prevailing Wage and Apprenticeship (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.** Replaces § 45 for facilities that begin construction and are placed in service after 2024. **Credit Amount:** Starts in 2025, consistent with credit amounts under § 45.[1,2,3,6,7]
Energy Generation & Carbon Capture	**Investment Tax Credit for Energy Property** (§ 48, *pre-2025*)	**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. Generally, replaces § 48 for facilities that begin construction and 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** coupled with permitted end uses in the United States. **Credit Amount:** $12-36 per metric ton of qualified carbon oxide captured and sequestered, used as a tertiary injectant, or utilized, 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	**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 fuels include electricity, ethanol, natural 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 producing clean hydrogen** at a qualified, U.S.-based clean hydrogen production facility. **Credit Amount:** $0.60/kg multiplied by the applicable percentage (20% to 100%, depending on lifecycle greenhouse gas emissions); 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:** $0.20/gallon ($0.35/gal for aviation fuel) multiplied by CO2 "emissions factor"; $1.00/gallon ($1.75/gal for aviation fuel) multiplied by CO2 "emissions factor" if PWA requirements are met. [1,7]
Energy Efficiency	**New Energy Efficient Homes Credit** (§ 45L)	**Provides a tax credit for construction of energy efficient homes and multifamily homes.** **Credit Amount:** For multifamily buildings eligible to participate in the Energy Star Multifamily New Construction (MFNC) Program, base amounts are $500 per unit for units meeting certain MFNC National and regional requirements and $1000 per unit for units certified as a zero energy ready home under the applicable Zero Energy Ready Home (ZERH) Program. If prevailing wage requirements are met for multifamily buildings, $2,500 per unit for units meeting certain Energy Star MFNC National and Regional requirements and $5,000 per unit for units certified as a zero energy ready home under the applicable ZERH Program. Apprenticeship requirements do not apply.
Energy Efficiency	**Energy Efficient Commercial Buildings Deduction** (§ 179D)	**Provides a tax deduction for energy efficient commercial buildings,** such as installation of interior lighting systems; heating, cooling, ventilation, and hot water systems; and 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. Inflation adjusted. An alternative deduction is available for building retrofit projects that are expected to reduce a building's energy usage intensity by 25% or more.[9]

[1] Credit is increased by 5 times for projects that pay prevailing wages and use registered apprentices. Apprenticeship requirements do not apply for §§ 45L and 45U. Prevailing wage and apprenticeship requirements do not apply to certain projects, including those that began construction (or installation under § 179D) prior to January 29, 2023, or certain projects 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. These facilities or property will be treated as a 5-year property for purposes of cost recovery, leaving them with lower taxable income in the earlier years of a clean energy investment.

[7] Credit rate 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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