

# INFLATION REDUCTION ACT CLEAN ENERGY TAX CREDITS

## Prevailing Wage and Apprenticeship Requirements

The Inflation Reduction Act (IRA) introduced important new clean energy tax credits to the Internal Revenue Code (IRC) and expanded incentives under existing provisions of the Code. However, taxpayers must comply with new prevailing wage and apprenticeship (PWA) requirements to maximize the benefits from the new tax credits.

### I. Clean Energy Provisions and PWA Requirements

For the prevailing wage requirement, any mechanic or laborer employed in the construction, alteration, or repair of a qualified facility must be paid the prevailing wage rates for those working on a similar facility, for each specified role in the locality. The rates are determined by the Department of Labor (DOL). The prevailing wage must be paid to ANY laborer or mechanic employed (including by subcontractors).

When applicable, the taxpayer must also comply with the apprenticeship requirement, containing three elements:

- i. **Apprenticeship Labor Hour Requirement:** A minimum percentage of the total labor hours devoted to the construction or alteration of a facility must be performed by qualified apprentices. The percentage depends on the date when construction begins (*Chart 1*):

Date	Percentage
Before 2023	10%
During 2023	12.5%
After 2023	15%

Chart 1

- ii. **Apprenticeship Ratio Requirement:** Requirements for apprentice-to-journeyworker ratios of the DOL or the applicable state apprenticeship agency.

- iii. **Apprenticeship Participation Requirement:** Each taxpayer, contractor, or subcontractor who employs 4 or more individuals to perform construction, alteration, or repair work with respect to the construction of a qualified facility must employ 1 or more qualified apprentices to perform such work.

A summary of the credits and deductions carrying the applicable PWA requirements (*Chart 2*):

IRC Section	Credit / Deduction	Prevailing Wage Requirement	Apprenticeship Requirement	Credit Amount w/o PWA	Credit Amount w/ PWA
§ 30C	Alternative fuel vehicle refueling property credit	☑	☑	6% of basis	30% of basis
§ 45 (pre-2025)	Renewable electricity production credit	☑	☑	0.55 cents/kW	2.75 cents/kW
§ 45L	New energy efficient home credit	☑	☒	\$500/MFH \$2,500/SFH	\$5,000/MFH/SFH
§ 45Q	Credit for carbon oxide sequestration	☑	☑	\$12 - \$36/metric ton	\$60 - \$180/metric ton
§ 45U	Zero-emission nuclear power production credit	☑	☒	0.3 cents/kWh	1.5 cents/kWh
§ 45V	Clean hydrogen production credit	☑	☑	\$0.60/kg X Applicable %	Multiplied by 5
§ 45Y (2025 onwards)	Clean electricity production credit	☑	☑	\$0.55/kW	\$2.75/kW
§ 45Z (2025 onwards)	Clean fuel production credit	☑	☑	\$0.20/gallon (\$0.35 for aviation) X CO2 emissions factor	\$1.00/gallon (\$1.75 for aviation) X CO2 emissions factor
§ 48 (pre-2025)	Energy credit	☑	☑	6% of basis	30% of basis
§ 48C	Qualifying advanced energy project credit	☑	☑	6% of basis	30% of basis
§ 48E (2025 onwards)	Clean electricity investment credit	☑	☑	6% of basis	30% of basis
§ 179D	Energy efficient commercial buildings deduction	☑	☑	\$0.50 - \$1.00/sq. ft.	\$2.50 - \$5.00/sq. ft.

Chart 2

## II. Taxpayer's PWA Responsibilities

Taxpayers are responsible for maintaining proper records to substantiate the PWA requirements. The Treasury Department has [issued proposed regulations that address specific recordkeeping and reporting requirements](#). The proposed regulations describe certain penalty provisions related to non-compliance with PWA requirements as well as exceptions from penalties in limited circumstances.

## III. Possible consequences of non-compliance

1. **Credit disallowance or reduced credit.**
2. **Payments to affected workers to make them whole, plus interest.**
3. **Penalties.**

## How We Can Help

Satisfying the PWA requirements is crucial for a taxpayer's ability to access the full credit amounts available, but the steps required to ensure compliance can be daunting.

Our Clean Energy Tax Practice can take the uncertainty away and advise you on how to best maximize your credit potential through the service offerings below:

### **Phase I:** Conducted prior to breaking ground on your qualified facility project

We conduct a preliminary analysis to determine whether certain contractors or subcontractors working on a project meet the prevailing wage requirements. Any required adjustments for compliance with the PWA requirements are provided to you. You can confirm compliance before it's too late.

### **Phase II:** Conducted upon completion of the project

Our team compares each individual laborer or mechanic's wages to the applicable prevailing wage rate for his or her role. This analysis of prevailing wage as well as the apprenticeship requirements is made for all contractors and subcontractors. We then certify that the wage and apprenticeship requirements are satisfied for each project based upon the information provided. Phase II is your final answer.

### **Deliverable:** Letter of certification to accompany the detailed analysis.

You have the option to do both Phase I and Phase II or choose only Phase II. Those that engage in a Phase I analysis can take any necessary corrective action early in the process, which may yield additional tax credits and avoids interest payments to employees and costly penalties.

All information you provide goes through our secure portal and all information is stored on our secure servers.



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