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PWA Compliance Playbook for Clean Energy Tax Credits

April 7, 2026



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Session CPE Requirements

- You need to attend 50 minutes to receive the full 1 CPE credit.
- There will be 4 polling questions throughout the presentation. You must respond to a minimum of 3 to receive the full 1 CPE credit.
- ****Both requirements must be met to receive CPE credit.****



Learning Objectives

- Identify when PWA requirements apply to clean energy projects under IRC Sections 45Y, 48E, and 45Z, including key applicability thresholds and exceptions
- Identify construction contracts and subcontractor flow down provisions to determine whether PWA obligations are appropriately addressed for owners, general contractors, and subcontractors
- Recall how to apply prevailing wage and apprenticeship rules to common project scenarios by assessing certified payroll practices, apprenticeship participation, and labor hour requirements
- Distinguish between compliant and noncompliant documentation and recordkeeping practices that may affect eligibility for enhanced clean energy tax credits
- Recognize available correction and cure mechanisms under IRS guidance and assess when remediation steps may be required to preserve credit eligibility





Prevailing Wage and Apprenticeship Overview



What Is PWA (Prevailing Wage and Apprenticeship)?

- Increases energy credits and 179D deduction by factor of five
- Applies to all project owners and contractors/subs who employ laborers and mechanics
- Significant penalties if claim enhanced credit but fail PWA requirements
- Not the same as the Davis-Bacon Act



What Are PWA Requirements?

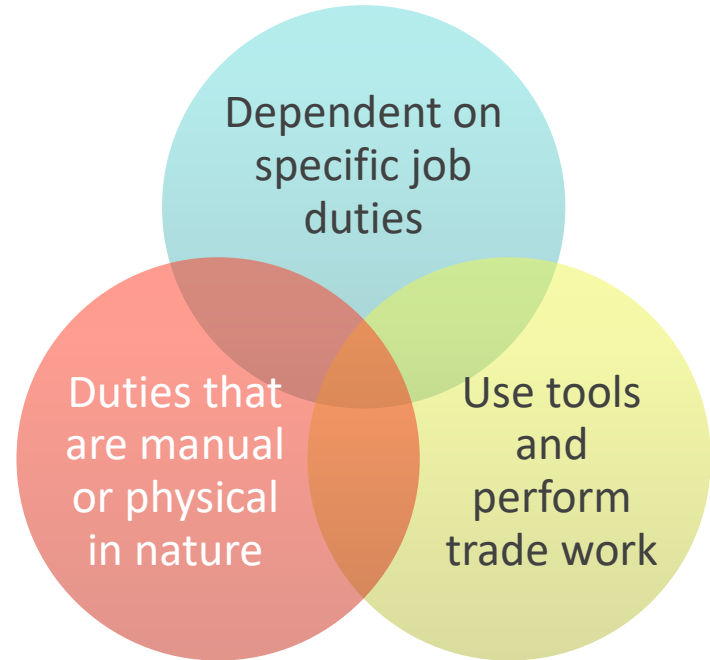
Requirements:

Pay applicable prevailing wage

Employ qualified apprentices

Recordkeeping/reporting

Who is a laborer/mechanic?



Applicability



Prevailing wage requirements apply to:

Construction of a facility, and
Alteration or repair of a facility



Apprenticeship requirements apply to:

Construction of a facility, and
Alteration or repair work **during** construction

PWA Maintenance Versus Repair Work



Maintenance work

- Routinely scheduled
- Continuous or recurring
- Keeping facility in its current condition



Repair work

- Correction of problems or defects
- Not continuous nor recurring
- Fixing what is not functioning
- Improving the condition of



Maintenance work during construction

- Must follow PWA requirements



Exceptions to PWA Requirements

Types of Exceptions

One megawatt exception

Beginning of Construction
(BOC) exception

IRC §§ 45L, 45U, 45Z, and 48C:

No BOC exception

No one megawatt exception

Only need to comply with PWA on or
after January 29, 2023



Polling Question

Which scenario generally exempts a clean energy project from PWA requirements to claim the increased credit?

- A. Began construction before January 29, 2023
- B. Involves only repair work performed after placed in service
- C. Max. net output less than 1 MW
- D. Both A and C



Important Items To Note

Cannot simply rely on statements from contractors/subs that they are compliant

Must verify that appropriate recordkeeping processes are in place

Correction and penalty provisions available in certain situations for taxpayers that have initially failed to satisfy the PWA requirements



Form 7220 – Reporting PWA Compliance

Newer requirement

Attached to return claiming credit

Separate form for each qualified facility

Report ongoing compliance in subsequent years

Five parts

Report by contractor and subcontractor

Form 7220 (December 2025) Department of the Treasury Internal Revenue Service	Prevailing Wage and Apprenticeship (PWA) Verification and Corrections Attach to your tax return. Go to www.irs.gov/Form7220 for instructions and the latest information.	OMB No. 1545-0123 Attachment Sequence No. 220
Name(s) shown on return _____		Identifying number _____
Part I Facility/Project Information (see instructions)		
1 If making an elective payment election or transfer election, enter the IRS-issued registration number for the facility/project: _____		
2a Description of facility/project: _____		
b Address of the facility/project (if applicable): _____		
c Coordinates: (i) Latitude: <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> (ii) Longitude: <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <p style="font-size: small;">Enter a "+" (plus) or "-" (minus) sign in the first box. Enter a "+" (plus) or "-" (minus) sign in the first box.</p>		
3 Date construction began (MM/DD/YYYY): _____		
4 Date placed in service (MM/DD/YYYY): _____		
5 Did you place the facility/project in service during the current tax year? <input type="checkbox"/> Yes. Continue to line 6, and complete Parts II and III of this form. Do not complete Part III if you are claiming increased amounts for meeting certain PWA requirements on Form 8908 or Form 7213, Part II. <input type="checkbox"/> No. Skip lines 6 and 9.		
6 Check the box for the form on which you are claiming increased amounts for meeting certain PWA requirements: <input type="checkbox"/> Form 3468, Part III <input type="checkbox"/> Form 3468, Part V <input type="checkbox"/> Form 3468, Part VI <input type="checkbox"/> Form 7205 <input type="checkbox"/> Form 7210 <input type="checkbox"/> Form 7211 <input type="checkbox"/> Form 7213, Part II <input type="checkbox"/> Form 7218 <input type="checkbox"/> Form 8835 <input type="checkbox"/> Form 8908 <input type="checkbox"/> Schedule A (Form 8911), Part II <input type="checkbox"/> Form 8933		
7 Was the construction, alteration, or repair work of the qualified facility/project done under a qualifying project labor agreement (PLA)? <input type="checkbox"/> Yes. <input type="checkbox"/> No.		
8 Did you make correction payments related to the underpayment of prevailing wages? <input type="checkbox"/> Yes. Complete Part IV. <input type="checkbox"/> No.		
9 Are you relying on the Good Faith Effort Exception of section 45(b)(8)(D)(ii)? <input type="checkbox"/> Yes. Complete Part V. <input type="checkbox"/> No. <input type="checkbox"/> Not applicable. Check only if you are claiming increased amounts for meeting certain PWA requirements on Form 8908 or Form 7213, Part II.		



Plan For Success

It starts with the contract...

Be clear with responsibilities



Wage determination

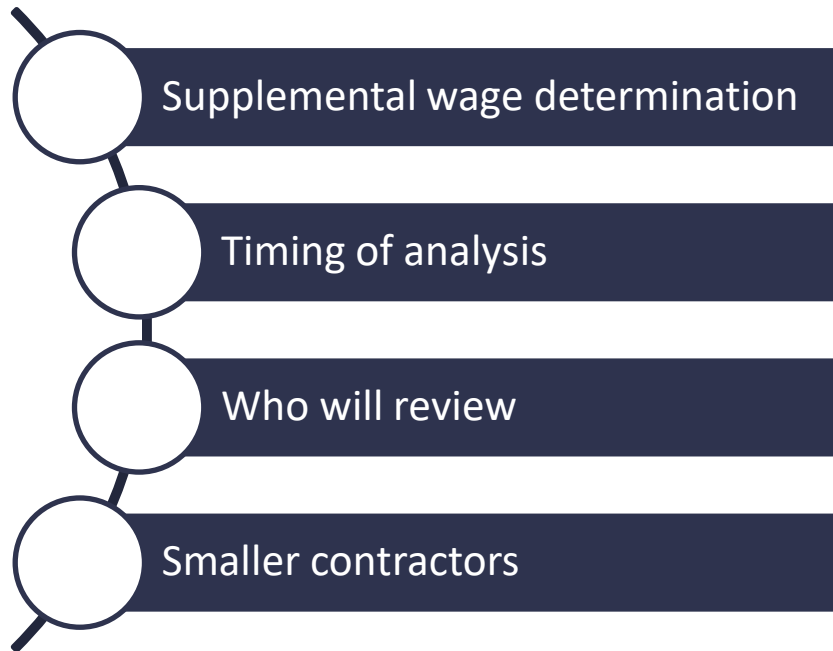


Recordkeeping expectation



Positions on unclear worker classification

Other considerations...



45Z and PWA Requirements

Placed-in - Service Date	Beginning of Construction	Construction: Prevailing Wage Compliance Start Date	Construction: Apprenticeship Compliance Start Date	Repairs/ Alterations: Prevailing Wage Start Date	Repairs/ Alterations: Apprenticeship Compliance Start Date
Before 6/26/2024	After 1/28/2023 and before 6/26/2024	Not applicable	Not applicable	For tax years beginning after 12/31/2024	Not applicable
After 6/25/2024 and Before 1/1/2025	After 1/28/2023 and before 6/26/2024	Not applicable	For work that occurs 90 days after 6/25/2024*	For tax years beginning after 12/31/2024	Not applicable
After 6/25/2024 and Before 1/1/2025	After 6/25/2024	Not applicable	For work that occurs 90 days after 6/25/2024	For tax years beginning after 12/31/2024	Not applicable
After 12/31/2024	Before 6/26/2024	From beginning of construction (for all work that starts after 1/28/2023)*	From beginning of construction (for all work that starts after 1/28/2023)*	For any taxable year	Not applicable
After 12/31/2024	After 6/25/2024	From beginning of construction	From beginning of construction	For any taxable year	Not applicable





Prevailing Wages



Prevailing Wages - Introduction

Requirement:

Confirm any laborers and mechanics are paid at rates not less than the applicable prevailing wage rates (DBA)

Applies to employees of project owner, contractor(s), and sub(s)

The Davis-Bacon Act (DBA)

- Rules based on Davis-Bacon Act (Department of Labor)
- Determined by Secretary of Labor
- Does not adopt all DBA rules



Where To Find the Prevailing Wage Rate

- Wage determination
- Sam.gov
- Contract execution date
- Geographical location
- Construction type
- Worker classification

9/16/25, 2:57 PM

SAM.gov

"General Decision Number: MN20250081 02/07/2025

State: Minnesota

Construction Type: Building

County: Olmsted County in Minnesota.

BUILDING CONSTRUCTION PROJECTS (does not include single family homes or apartments up to and including 4 stories).

Modification Number
0

Publication Date
02/07/2025

SAMN2024-065 12/23/2024

	Rates	Fringes
ARTICULATED HAULER.....	\$ 33.00	7.50
ASBESTOS ABATEMENT WORKER.....	\$ 41.23	25.99
BOILERMAKER.....	\$ 46.00	31.93



Timing of Wage Determination - Construction

- Based on wage determination in effect at the time contract is executed with project owner
- Applies to all subcontractors of that contractor
- Prevailing wage rates remain for the duration of the work performed
- If the contract is substantially modified, a new general wage determination is needed



Polling Question

Under PWA, how is the prevailing wage rate determined for construction work?

- A. Annually based on most current DOL wage determination
- B. Based on wage determination in effect when placed in service
- C. Based on wage determination in effect when construction contract executed
- D. May be freely updated by taxpayer if market wages increase



Curing a Failure – the Prevailing Wage Requirements

Waivers

- Depending on timing of correction payment and metrics of error
- Qualifying project labor agreement

Can make correction and penalty payments

Correction payment

- Difference in wages (what was paid and what should have been paid)
- Interest - Federal short-term AFR plus 6%

Penalty payment

- \$5,000 per laborer and mechanic paid (**per tax year**)
- Increased if intentional



Common Prevailing Wage Issues

Is it labor or mechanic duties?

Wrong prevailing wage source used

Work pre-apprenticeship program registration

Worker classification not on wage determination

Missing fringe benefit

Apprenticeship ratio requirement failures

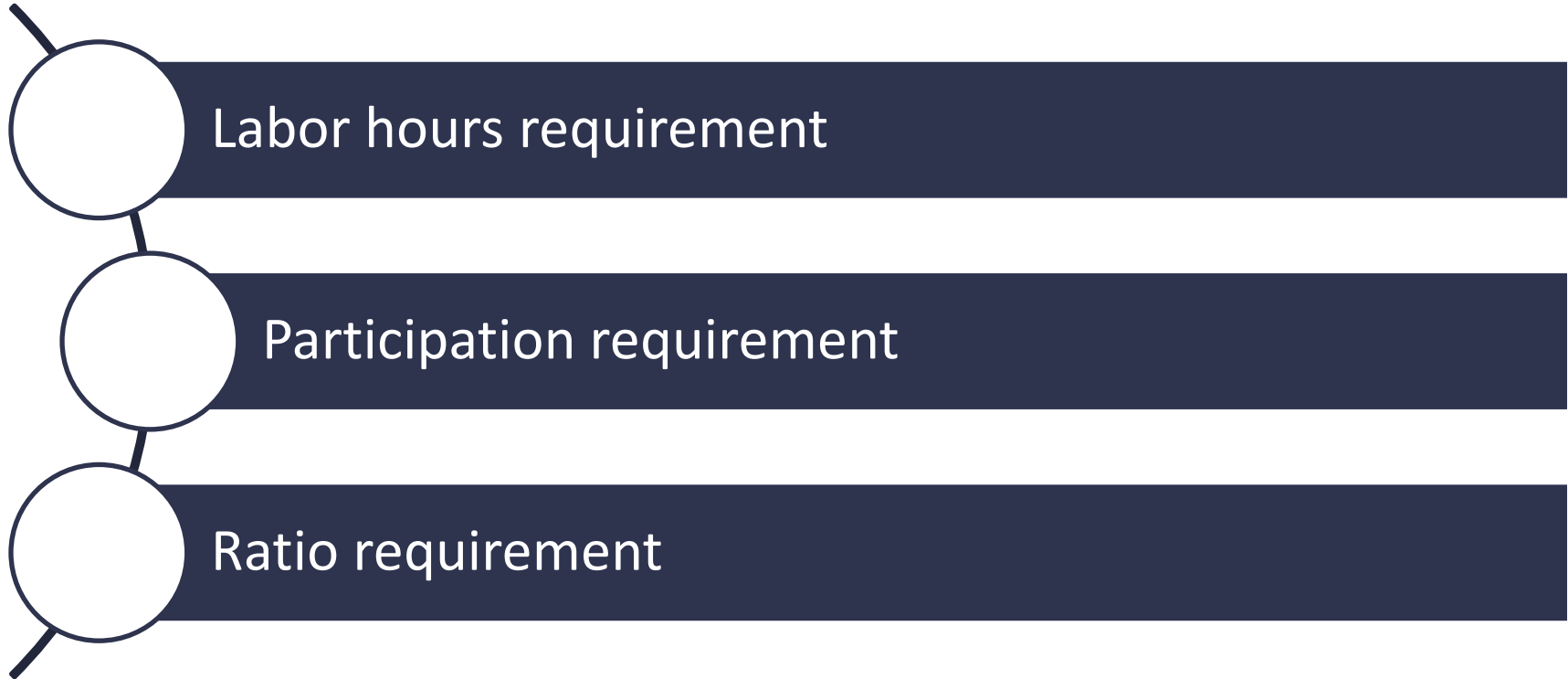




Apprenticeship Requirements



Apprenticeship Requirements



Labor Hours Requirement

Apprentices must be at least a certain percentage of total labor hours

Percentages depends on construction start dates

- Before 1/1/2023 = 10%
- 1/1/2023 – 12/31/2023 = 12.5%
- After 12/31/2023 = 15%

Requirement project based

Reporting by contractor/subcontractor



Ratio Requirement



- Must follow applicable apprentice-to-journey worker ratios
- Daily requirement
- By hours and not by headcount



Failure To Meet Ratio Requirement

Excess apprentice hours must be paid prevailing wage

Disqualified hours removed from labor hour numerator

Disqualified hours still included in labor hour denominator



Polling Question

If a contractor exceeds the apprentice-to-journey worker ratio on a given day, how are excess apprentice hours treated?

- A. Excluded entirely from total labor hour calculations
- B. Count toward both apprentice labor hour numerator and total labor hour denominator
- C. Counted toward total labor hours but not toward apprentice labor hours
- D. Automatically trigger disqualification of increased credit



Participation Requirement

- Applies to each project owner, contractor, and subcontractor who employs 4+ laborers/mechanics
- Must employ at least 1 qualified apprentice
- Applies over the entire course of project, regardless of whether they are employed at the same location or at the same time



Good Faith Effort Exception

Deemed met apprenticeship requirement if:

- Request apprentices from a registered apprenticeship program, and
- Request was denied, or
- No response

Written request

- To at least one program
- Need to include such items as number, worker classification, date, hours needed, location, etc.
- Timing requirements

Limitations

- Good for one year
- Applies only for specific contractor or subcontractor



Apprenticeship Cure Provision

Related to participation and labor hour requirements

Deemed to satisfy apprenticeship requirements by making penalty payment

Penalty

- Penalty payment = $\$50 \times$ labor hours
- Intentional disregard = $\$500 \times$ labor hours

Hours double counted if fail to meet both requirements



Apprenticeship Misunderstandings and Myths

Doesn't apply since not a union contractor

Ratio requirement:

- Determined by overall project not day
- Union doesn't enforce or audit
- Supervised but at another site

Participation requirement:

- Only matters if more than 3 employees in 1 week

Labor hours requirement:

- Less than 4 workers per sub and thus, exempted





Recordkeeping Requirements



Recordkeeping Overview

Taxpayer claiming/transferring credit is responsible for all relevant records

Cannot rely upon certifications from contractors and subcontractors

Records needed for each qualified facility or project

Encouraged to inform employees of their rights to report noncompliance



Three Alternatives for Recordkeeping

- 1 Taxpayer collect and physically retain redacted records from every contractor and subcontractor
- 2 Taxpayer uses a third-party vendor to retain records
- 3 Taxpayer, contractors, and subcontractors physically retain unredacted records for their own employees



Documentation Examples – Prevailing Wage

Form(s) WH-347

Identifying info for each laborer and mechanic

Copies of contracts

The location and type of construction

Labor classifications and hourly rates for each classification

Bona fide fringe benefit support

Hours worked by each laborer and mechanic per pay period

Wages paid to each laborer and mechanic per pay period

Qualified apprentice wage information

Correction and penalty payments

Actions to prevent, mitigate or remedy failure

Complaints received about failure to pay prevailing wages



Documentation Examples – Apprenticeship

Any written requests for qualified apprentices

Registered apprenticeship programs agreements

Apprentice registration date

Standards and requirements of programs

Records reflecting the daily ratio of apprentices to journey workers

Good faith effort exception support

Penalty payments



Polling Question

I would like someone from CLA to contact me to discuss support with the following PWA-related needs (select all that apply):

- A. PWA applicability assessment
- B. Construction contract / subcontract flow-down support
- C. PW compliance program
- D. Apprenticeship planning and documentation
- E. Recordkeeping and audit readiness
- F. Nothing at this time



Thank you!

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