


## U.S. Department of the Treasury, IRS Release Guidance on Inflation Reduction Act Provision to Ensure Good-Paying Clean Energy Jobs, Expand Clean Energy Workforce

August 29, 2023

*Guidance completes Phase 1 of Treasury Department Inflation Reduction Act Implementation, advances President Biden's Investing in America agenda*

WASHINGTON — As part of the Biden-Harris Administration's Investing in America agenda, the U.S. Department of the Treasury and the Internal Revenue Service (IRS) today released [proposed rules](#)  and [FAQs](#) on key provisions in the Inflation Reduction Act to ensure clean energy jobs are good-paying jobs and that we are building a robust, diverse pipeline of workers to take on the opportunities created by the Inflation Reduction Act's investments.

The Inflation Reduction Act's prevailing wage and registered apprenticeship requirements apply to many of the clean energy deployment tax incentives under the law, including for the clean energy investment and production tax credits that help finance utility-scale wind, solar, and battery storage projects as well as for the credits for carbon capture, utilization, and storage and clean hydrogen projects. If the prevailing wage and registered apprenticeship requirements are satisfied, a taxpayer can claim an enhanced credit or deduction equal to up to five times the value of the regular credit or deduction.

While prevailing wage and apprenticeship requirements have existed for more than 100 years and have long applied to projects supported by federal contracts, the Inflation Reduction Act applied these requirements to clean energy tax incentives for the first time. The requirements have been in effect since January 29, 2023—60 days after Treasury and the IRS released initial guidance—but the proposed rules in the Notice of Proposed Rulemaking (NPRM) released today would provide employers and workers with more clarity and direction on proposed IRS guardrails, incentivize employers to adopt worker-centric practices, and ensure compliance is streamlined. Importantly, the Treasury Department's guidance, which was developed in consultation with the U.S. Department of Labor, contains new proposed rules regarding how to correct failures to meet the requirements and substantiate compliance to ensure workers are well-paid and expand the clean energy workforce. The proposed rules would also provide incentives for taxpayers to use qualifying Project Labor Agreements that meet certain criteria to meet the prevailing wage and

apprenticeship requirements, enabling this well-established tool to be used more extensively in the clean energy industry.

This guidance marks the end of [the first phase](#) of the Treasury Department’s implementation of the Inflation Reduction Act’s clean energy provisions, along with proposed rules and other guidance on the consumer clean vehicle credit, the energy communities bonus, the domestic content bonus, the low-income communities allocated bonus, and direct pay and transferability. These provisions represent the core elements needed to accelerate significant economic and climate benefits and to provide clarity and certainty to companies and other entities planning investments and projects.

“President Biden’s Investing in America agenda is focused on ensuring that we’re creating jobs with good pay and expanded opportunities, and that American workers have the skills they need to get ahead,” said **Secretary of the Treasury Janet L. Yellen**. “The Inflation Reduction Act is spurring historic investments in clean energy across the country, and today’s announcement will make sure we have skilled workers ready to take advantage of the jobs being created.”

“Today, we’re proud to announce that the Biden-Harris administration’s focus on putting workers squarely at the center of its economic agenda extends to incentivizing good jobs for workers in our tax system,” said **Acting Secretary of Labor Julie Su**. “These policies will increase apprenticeship in the clean energy economy, and the prevailing wage requirements will ensure that more people doing this work are getting the fair wages they deserve. This will create opportunities for workers to thrive in a critical industry while also meeting the President’s climate goals and securing our energy future.”

“Making sure clean energy jobs are good jobs is core to the President’s Bidenomics vision to grow the economy from the middle out and the bottom up,” said **White House Senior Advisor for Clean Energy Innovation and Implementation John Podesta**. “Today’s proposed rules show how we can build the clean energy economy and combat the climate crisis in a way that is good for workers, for communities, and for the planet.”

For most Inflation Reduction Act incentives, including the Production Tax Credit, the Investment Tax Credit, and the credits for Carbon Oxide Sequestration and Clean Hydrogen, taxpayers will need to meet both prevailing wage and registered apprenticeship requirements to receive the increased credit or deduction amount.

## **INFLATION REDUCTION ACT PREVAILING WAGE**

The Inflation Reduction Act’s prevailing wage provision incentivizes taxpayers to pay prevailing wages to the construction workers building clean energy projects. To maximize the value of the

Inflation Reduction Act's clean energy tax credits, taxpayers must ensure that laborers and mechanics employed in the construction, alteration, or repair of a qualified facility be paid at least the prevailing wage based on the geographic area and the type of work performed, as determined under Department of Labor rules.

The proposed rules in the NPRM would provide detail on statutory cure and penalty provisions which would help ensure timely correction of any issues and incentivize the use of Project Labor Agreements when building clean energy projects. These provisions would provide additional detail on the statutory rules that require taxpayers to cure failures to satisfy prevailing wage requirements by making correction payments (including back pay and interest) to workers and paying penalties to the IRS in order to receive the full incentive amounts.

The proposed rule would waive penalties under (1) a de minimis exception, if the correction payment is made by the earlier of 30 days after the taxpayer became aware of the error, or the date on which the increased credit or deduction is claimed; and (2) a groundbreaking new Project Labor Agreement exception, which would apply to work done under a "Qualifying Project Labor Agreement" and where the correction payment is made by the time the increased credit or deduction is claimed.

At the same time, taxpayers must pay greater penalties if they intentionally disregard prevailing wage requirements and try to claim increased incentive amounts.

## **INFLATION REDUCTION ACT APPRENTICESHIP**


Taxpayers must ensure that qualified apprentices—workers participating in a registered apprenticeship program—perform a certain number of labor hours in the construction, alteration, or repair of their qualified project or facility. The labor hours requirement provides that a minimum percentage—12.5 percent for facilities beginning construction in 2023, 15 percent for facilities beginning construction in 2024 and after—of the total labor hours for a project must be performed by qualified apprentices.

There is also a ratio requirement, which ensures that there are sufficient experienced workers to oversee apprentices, and a participation requirement, which encourages taxpayers, contractors, and subcontractors to utilize apprentices across the full range of work performed, rather than limiting them to one type of work. Taxpayers, contractors, and subcontractors that employ four or more individuals to perform construction, alteration, or repair work on a facility must employ at least one apprentice.

Treasury and the IRS will carefully consider public feedback before issuing final rules. For more information on Treasury's work to implement the Inflation Reduction Act see below:

[August 16, 2022: Treasury Releases Initial Information on Electric Vehicle Tax Credit Under Newly Enacted Inflation Reduction Act](#)

[October 5, 2022: Treasury Seeks Public Input on Implementing the Inflation Reduction Act's Clean Energy Tax Incentives](#)

[FACT SHEET: Treasury, IRS Open Public Comment on Implementing the Inflation Reduction Act's Clean Energy Tax Incentives](#) 

[October 26, 2022: READOUT: Stakeholder Roundtable on Clean Power Generation and the Inflation Reduction Act](#)

[October 27, 2022: READOUT: Stakeholder Roundtable on Climate Impact, Equity, and the Inflation Reduction Act](#)

[FACT SHEET: Four ways the Inflation Reduction Act's Tax Incentives Will Support Building an Equitable Clean Energy Economy](#) 

[October 31, 2022: READOUT: Stakeholder Roundtable on Investor Perspectives on Climate Change, Clean Energy, and the Inflation Reduction Act](#)

[November 3, 2022: Treasury Seeks Public Input on Additional Clean Energy Tax Provisions of the Inflation Reduction Act](#)

[November 4, 2022: READOUT: Stakeholder Roundtable on Clean Vehicles and the Inflation Reduction Act](#)

[November 29, 2022: Treasury Announces Guidance on Inflation Reduction Act's Strong Labor Protections](#)

[December 12, 2022: Treasury and IRS set out procedures for manufacturers, sellers of clean vehicles](#)

[December 19, 2022: Treasury, IRS issue guidance on new Sustainable Aviation Fuel Credit](#)

[December 22, 2022: IRS releases frequently asked questions about energy efficient home improvements and residential clean energy property credits](#)

[January 17, 2023: Remarks by Deputy Secretary of the Treasury Wally Adeyemo at White House event "Lowering Costs: Inflation Reduction Act Briefing"](#)

January 29, 2023: Statement from Deputy Secretary of the Treasury Wally Adeyemo on Implementation of Strong Inflation Reduction Act Worker Protections

February 3, 2023: Treasury Updates Vehicle Classification Standard for Clean Vehicle Tax Credits Under Inflation Reduction Act

February 13, 2023: Treasury, Energy Release Guidance on Inflation Reduction Act Programs to Incentivize Investments in Underserved Communities, Hard-Hit Coal Communities

March 22, 2023: Remarks by Assistant Secretary for Tax Policy Lily Batchelder on Implementation of the Inflation Reduction Act's Clean Energy Provisions

March 31, 2023: Treasury Releases Proposed Guidance on New Clean Vehicle Credit to Lower Costs for Consumers, Build U.S. Industrial Base, Strengthen Supply Chains

April 4, 2023: Treasury Releases Guidance to Drive Investment to Coal Communities

April 14, 2023: READOUT: Treasury Convenes Roundtable Discussion on Inflation Reduction Act Incentives for Underserved Communities

April 27, 2023: READOUT: Treasury Department Convenes Roundtable Discussion on Inflation Reduction Act Incentives for Underserved Communities

May 12, 2023: Treasury Department Releases Guidance to Boost American Clean Energy Manufacturing

May 31, 2023: U.S. Departments of Treasury and Energy Release Additional Guidance on Inflation Reduction Act Programs to Incentivize Manufacturing and Clean Energy Investments in Hard-Hit Coal Communities

June 14, 2023: U.S. Department of the Treasury, IRS Release Guidance on Provisions to Expand Reach of Clean Energy Tax Credits Through President Biden's Investing in America Agenda

June 15, 2023: U.S. Department of the Treasury, IRS Release Updated Guidance to Drive Additional Investment to Energy Communities

August 4, 2023: Home energy audits may qualify for an Energy Efficient Home Improvement Credit

August 7, 2023: IRS: Builders of qualified new energy efficient homes might qualify for an expanded tax credit under Section 45L

August 10, 2023: U.S. Department of the Treasury, IRS Release Final Rules and Guidance on Investing in America Program to Spur Clean Energy Investments in Underserved Communities

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