

Section 45Y — Pre-Construction Compliance Checklist

What zero-emission energy projects need in place before construction starts — to protect the 5x multiplier on the Clean Electricity Production Credit

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For: Renewable developers, owners, and EPCs targeting the 45Y enhanced creditTime to complete: ~20 min

WHY THIS MOMENT MATTERS

The Section 45Y Clean Electricity Production Credit pays \$3 per MWh at the base rate — or \$15 per MWh if prevailing-wage and apprenticeship (PWA) requirements are met for ten years from the placed-in-service date. The 5x multiplier is not earned at the modeling stage or at tax-filing. It is earned in the field, every pay period, with audit-defensible evidence — and most of the work to make it audit-defensible has to be set up before the first paycheck is cut. This checklist is the pre-construction posture review we recommend running on every facility chasing the enhanced rate.

Introduction

SkillSmart has spent the past two years working with partners and clients across IRA and state energy tax credit programs as they've come online. This checklist captures what we've consistently seen matter most — both in planning and pre-con of new tax credit projects and as projects get underway — to help teams strengthen their compliance posture and protect credit eligibility. Ideally, you're using during pre-con phase of the project before construction starts. Practically, things move quickly and that's not always realistic. Either way, the checklist is designed to help.

How to Use This Checklist

- Work through each section. Check items you can honestly say are done; leave open items that aren't.
- Mark items "N/A" in the right column if they genuinely don't apply (e.g., your project is not in a state with an additional layer).
- Use the scoring guide at the end to get a quick read on your overall posture.
- Treat this as a working document. The earlier in pre-construction you run it, the cheaper any gap is to close.

Questions about your compliance posture? Let's talk.

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A NOTE ON SCOPE

This checklist covers the pre-construction setup of PWA compliance — the foundation that earns the 5x multiplier at the start of the facility’s life. PWA obligations continue throughout the 10-year §45Y credit period whenever alteration or repair work is performed on the facility (inverter swaps, module replacements, blade repairs, transformer changes, repowering events, casualty repairs). That operations-period compliance is covered in our companion 45Y Operations-Period Compliance Checklist. This document also does not cover the separate Domestic Content or Energy Communities bonus adders, the §6418 transfer mechanics, the §48E ITC analogue, or the §45Q/§45V/§45U credits. Each of those has its own setup work.

Section A. Prevailing-Wage Foundation

Goal: ensure the project has the right wage determinations on file and that coverage scope is unambiguous before any worker is on the clock.

<input type="checkbox"/>	Project address(es) and scope finalized. DOL prevailing-wage determinations obtained for each location (via SAM.gov Wage Determinations) and confirmed against the correct schedule (typically Heavy Construction, but verify).
<input type="checkbox"/>	Wage determinations dated within 90 days of construction start. Plan in place to re-verify annually for multi-year projects.
<input type="checkbox"/>	All construction trades on the project mapped to the correct wage determination crafts (electricians, laborers, operating engineers, ironworkers, etc.). Catch-all classifications avoided.
<input type="checkbox"/>	Coverage scope confirmed in writing: prevailing wage applies to all laborers and mechanics employed by the taxpayer, any contractor, and any subcontractor on construction, alteration, or repair of the qualified facility.
<input type="checkbox"/>	Ten-year horizon planned. PWA applies not just to initial construction but to alteration and repair work for the full ten years of the §45Y credit. Operations-period repair work is in scope and must be tracked.
<input type="checkbox"/>	Site location reviewed for split jurisdictions. If the facility spans counties or wage areas, separate determinations applied where required.

Section B. Apprenticeship Setup

Goal: meet the labor-hour percentage, the daily ratio, and the participation requirement, with documented Good Faith Effort if apprentices aren’t available.

<input type="checkbox"/>	Applicable apprenticeship labor-hour percentage confirmed: 12.5% for facilities that began construction in 2023; 15% for those beginning construction in 2024 or later.
<input type="checkbox"/>	Apprentice-to-journeyworker ratio understood as a daily standard, not a project-wide average. Tracking system built around daily compliance per trade.

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<input type="checkbox"/>	Registered Apprenticeship Programs (RAPs) identified in the project’s geographic area via the DOL Apprenticeship Finder. Initial outreach made.
<input type="checkbox"/>	Apprenticeship participation requirement met for every contractor and subcontractor with 4 or more employees performing covered work.
<input type="checkbox"/>	Good Faith Effort process documented and dated: written request to RAP(s) at least 45 days before need, plus retention of the program response (or non-response).
<input type="checkbox"/>	Backup plan defined for trades where apprentices cannot be sourced: GFE exception documentation, alternative RAP outreach, schedule contingencies.
<input type="checkbox"/>	Apprenticeship hours tracking integrated with the same timekeeping system that captures total project labor hours — not in a separate spreadsheet.

Section C. Contractor & Subcontractor Onboarding

Goal: every contractor and sub at every tier knows they are on a PWA project, has the right contract language, and is delivering the right records.

<input type="checkbox"/>	Master contractor and subcontractor list maintained and refreshed at least monthly. Includes lower-tier subs, not just first-tier.
<input type="checkbox"/>	PWA flow-down clauses included in every contract and subcontract. Template language reviewed by counsel; contains wage-rate obligations, apprenticeship obligations, recordkeeping obligations, and cure-payment obligations.
<input type="checkbox"/>	Each contractor and sub formally notified of PWA requirements in writing before mobilizing to site.
<input type="checkbox"/>	Process in place to collect weekly certified payrolls (Form WH-347 or equivalent) from every covered contractor at every tier — not just the GC.
<input type="checkbox"/>	Compliance review cadence set for contractor records: recommend a quarterly self-audit during construction (at minimum) plus pre-payment checks for each pay application.
<input type="checkbox"/>	Onboarding includes a brief PWA orientation for contractors that have not previously worked under Davis-Bacon or IRA PWA rules — the most common failures are from contractors who simply don’t know the standard.

Section D. Recordkeeping Infrastructure

Goal: produce audit-ready records, held in the taxpayer’s name, in a form that can be retrieved quickly and traced from a single hour of labor to the credit claim.

<input type="checkbox"/>	Records retention plan: minimum 6 years from placed-in-service date for PWA records. Recommended: full credit period (10 years) plus 3 years, to cover the longest plausible audit window.
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<input type="checkbox"/>	Records maintained in the taxpayer's own name and possession — not solely held by contractors. If a contractor folds or refuses to produce records at audit, the taxpayer is still on the hook for the credit.
<input type="checkbox"/>	Certified payroll process defined: weekly WH-347 (or equivalent) from every covered contractor and sub, including hours by classification, gross wages, fringe paid, and statement of compliance.
<input type="checkbox"/>	Fringe benefit documentation: distinguish between cash payments and bona fide plan contributions; retain plan documents if claiming bona fide plan credit toward the prevailing wage.
<input type="checkbox"/>	Daily journey-to-apprentice ratio records maintained per trade, not just monthly or weekly summaries.
<input type="checkbox"/>	Timekeeping system meets DOL recordkeeping standards: hours worked by individual, by classification, by day, by project. Time spent in multiple classifications recorded separately.
<input type="checkbox"/>	Records organized for audit retrieval: indexed by project, contractor, pay period, and trade. Goal: any specific record retrievable in under 15 minutes.

Section E. Cure & Correction Process

Goal: catch underpayments and ratio shortfalls early, cure them within the regulatory window, and document the cure so an auditor sees a working program rather than a failure.

<input type="checkbox"/>	Internal self-review process scheduled at least quarterly during construction to identify potential underpayments, classification errors, or apprenticeship-ratio shortfalls.
<input type="checkbox"/>	Correction-payment workflow documented: who calculates the shortfall, who approves the cure payment, how it is paid to the worker, and how the documentation is retained.
<input type="checkbox"/>	Awareness in place of the 30-day cure window: underpayments must be cured within 30 days of becoming aware of them to qualify as timely cure.
<input type="checkbox"/>	Process for paying IRS penalties separately when cure is required: \$5,000 per worker for prevailing-wage failures (or \$10,000 per worker for intentional disregard); \$50 per labor hour for apprenticeship shortfalls (or \$500 if intentional).
<input type="checkbox"/>	Cure documentation linked back to the original records so the audit trail shows the failure, the discovery, the cure, and the date — not a discontinuity.

Section F. State Stack on Top of Federal

Goal: identify state-level prevailing-wage and apprenticeship layers that operate independently of the IRA, and make sure the project is paying and reporting to whichever standard is higher.

<input type="checkbox"/>	State-level prevailing-wage law identified for each project location (state DOL, DIR, or equivalent agency rules in addition to federal Davis-Bacon).
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<input type="checkbox"/>	State-specific apprenticeship requirements identified — some states impose ratios or participation rules beyond federal IRA.
<input type="checkbox"/>	State certified-payroll reporting cadence and form requirements confirmed (state-specific forms vary; some require online submission).
<input type="checkbox"/>	High-impact state checks completed where applicable: California (DIR / DLSE) — extensive PW framework, online certified-payroll filing, separate apprenticeship rules. Illinois (CEJA) — prevailing wage and PLAs required on all new renewable projects. New York (CLCPA) — prevailing wage on clean-energy projects of \$100K+. New Jersey, Massachusetts (SMART), Connecticut, Maryland, Minnesota, Oregon, Washington, Colorado — combinations of state PW and incentive rules vary.
<input type="checkbox"/>	Reconciliation rule applied: pay whichever standard is higher (federal IRA, state PW, or local), and report under whichever standards apply. Document the determination of which rule controls.

Section G. Documentation for the Tax Filing

Goal: when the credit is claimed, the labor evidence ties cleanly to the qualified facility, and the certification withstands review.

<input type="checkbox"/>	PWA certification statement drafted: taxpayer’s attestation language prepared in advance of return preparation, signed by an authorized officer.
<input type="checkbox"/>	Records linkage maintained: labor evidence traceable from individual worker-hours to the specific qualified facility for which the credit is claimed.
<input type="checkbox"/>	Tax filing forms identified and prepared (currently Form 7205 for §179D; §45Y filings via Form 3800 and applicable schedules — confirm with tax advisor).
<input type="checkbox"/>	Working relationship with tax preparer or advisor established early, with a documented hand-off package: certified payrolls summary, apprenticeship records, GFE documentation, cure documentation, and any state-stack records.

Section H. Tax Equity, Transfer, and Risk-Shifting

Goal: align your compliance posture with what investors, transferees, or insurers will require — and decide deliberately whether to keep monitoring in-house, hire a third party, or carry tax-credit insurance.

<input type="checkbox"/>	Tax-equity investor diligence requirements identified early. Most institutional tax-equity investors now treat third-party compliance monitoring as a standard underwriting condition.
<input type="checkbox"/>	If credits will be transferred under §6418: tax-credit insurance considered. Insurers typically require evidence of a compliance program before binding.
<input type="checkbox"/>	Decision documented on monitoring model: in-house only (lowest cost, highest internal demand), third-party monitor (highest cost, easiest investor underwriting), or hybrid (in-house operations with third-party audit support).

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<input type="checkbox"/>	Audit defense plan documented: who responds to an IRS or DOL inquiry, where evidence lives, who is authorized to certify, and target response time for record production.
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Section I. Bridge to Operations (Year-One Handoff)

Goal: when the facility is placed in service, the compliance program survives intact and is positioned to keep the 5x multiplier across every alteration and repair for the next ten years. PWA obligations do not end at COD — they reset to a different cadence.

<input type="checkbox"/>	Compliance program formally transitioned from the construction team to the O&M / asset-management team at placed-in-service. Roles, owners, and escalation paths documented.
<input type="checkbox"/>	O&M provider(s) onboarded with PWA orientation before the first scheduled service visit. Same standard applied to OEM and warranty service teams.
<input type="checkbox"/>	O&M, warranty, and service contracts contain PWA flow-down language covering wage rates, apprenticeship, recordkeeping, and cure obligations for alteration/repair work.
<input type="checkbox"/>	Records system handed over to the asset-management team with a documented continuity plan. Storage, indexing, and retrieval standards from construction preserved.
<input type="checkbox"/>	Annual compliance review cadence established (recommend Q1 each year) for the full 10-year credit period. First annual review on the calendar.
<input type="checkbox"/>	Operations-period checklist queued for first quarter post-PIS. See the companion 45Y Operations-Period Compliance Checklist for the full ongoing program.


IF YOU'RE ALREADY IN CONSTRUCTION

If you're reading this with mobilization already complete, focus first on records remediation: pull the last 90 days of certified payrolls and apprenticeship records, identify gaps, and cure underpayments retroactively. Underpayments can still be cured up to the point the credit is claimed — and a documented self-discovery cure is materially better evidence than an auditor-discovered failure. Then turn back to this checklist and address structural items (Sections C, D, E) so the next 90 days are clean.

Self-Assessment Score

Tally the items you checked across all sections (about 40 in total). Use the bands below as a directional read — they are not a substitute for legal or tax advice.

<input type="checkbox"/>	90%+ checked: Audit-ready posture. Tighten any open state-stack or tax-equity items.
<input type="checkbox"/>	75–89%: Strong posture. Identify the lowest-scoring section and close gaps in the next 30 days.

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<input type="checkbox"/>	50–74%: Moderate exposure. Compliance program is partially in place but has structural gaps. Prioritize Sections A, B, and D.
<input type="checkbox"/>	Below 50%: High risk. The 5x multiplier is materially exposed. Treat as a near-term remediation project before further construction milestones.

Next Steps

If this surfaced items you weren't sure how to score — or you'd like a second pair of eyes on the gaps — we'd be happy to offer a brief 30-minute review with one of our compliance leads at no cost. We'll walk through the checklist with you and flag what we've seen become a problem on other projects.

Book a 30-minute review: <https://calendly.com/mknapp-skillsmart/30min>

Or email Michael directly: mknapp@skillsmart.us

ABOUT SKILLSMART

SkillsSmart is a wage-compliance system of record purpose-built for prevailing-wage and Davis-Bacon work, federal and state, and built simply enough that you don't need to hire a consultant to run it. For specialty consulting firms running their own monitoring practices, SkillsSmart is the operating system they can run their practice on.

Disclaimer

This checklist is intended as an educational and operational tool for project teams scoping pre-construction compliance posture for the Section 45Y Clean Electricity Production Credit. It is not legal, tax, or accounting advice. Specific compliance obligations depend on facility location, scope, construction-start date, contractual structure, and other facts that should be reviewed with qualified counsel and a qualified tax advisor. Regulations and guidance under the Inflation Reduction Act, the One Big Beautiful Bill Act of 2025, and state-level frameworks continue to evolve; verify current rules before relying on any item in this document.

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