

Prevailing Wage and Apprenticeship (PWA) Payments – Interest Computation for Filing Season 2026



The IRS is aware of issues affecting certain Prevailing Wage and Apprenticeship (PWA) correction payments under Internal Revenue Code (IRC) Sections 45(b)(6) and 45(b)(7).

Under those provisions, taxpayers claiming certain energy-related credits at the increased credit rate must satisfy prevailing wage and apprenticeship requirements. If those requirements are not satisfied, taxpayers may make a correction payment to the Secretary in order to retain the increased credit amount. The statute provides that these amounts are treated as a penalty.

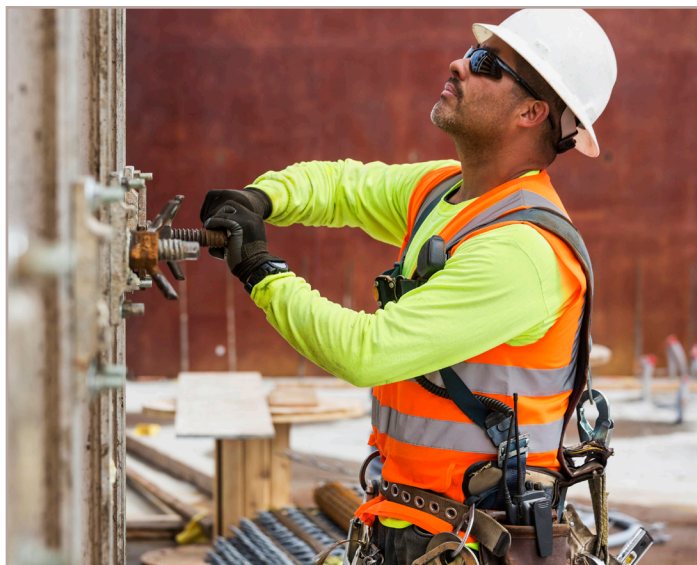
Current filing season processing issue

During filing season 2026, the IRS has identified instances in which interest under IRC § 6601 and failure to pay penalty under IRC Section 6651(a)(2) are being systemically computed from the original (unextended) due date of the return when a PWA correction payment is self-assessed and reported on a return filed after that date.

The IRS is aware that this treatment may not align with how certain PWA payments are intended to be processed in circumstances where the liability is first determined and reported at the time of filing.

This issue may affect:

- Partnerships filing Form 1065
- Corporations filing Forms 1120 (including 1120-S and other corporate variants)
- Trusts and estates filing Form 1041
- Individuals filing Form 1040 (including amended returns)
- Tax-exempt entities filing Form 990-T



What taxpayers should know for filing season 2026

For filing season 2026:

- Taxpayers who self-assess PWA correction payments after the original (unextended) due date of the return may receive notices reflecting interest calculated from that original due date.
- The IRS is aware of this situation and is reviewing the interest computation and related systemic treatment.
- Standard notice and abatement procedures remain available to taxpayers who believe interest has been improperly assessed.

Taxpayers should retain documentation supporting:

- The computation of the PWA correction amount, and
- The date the liability was determined and reported.

Looking ahead to filing season 2027

The IRS is actively evaluating system updates and administrative solutions to address the interest computation issue for future filing seasons. The IRS anticipates implementing corrective processing changes for filing season 2027.

Additional guidance will be provided as appropriate.