



The Production Tax Credit: Calculation, 2026 Values, and Phaseout Timeline

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In June 2026, the Internal Revenue Service (IRS) published a [notice](#) specifying the 2026 values for the Production Tax Credit (PTC). The PTC is a tax credit available for wind, solar, and certain other forms of renewable electricity production. Measured in terms of budgetary impact, the PTC has historically been one of the two largest clean energy tax credits; the other is the Investment Tax Credit (ITC), which is generally equal to 30% of the capital investment costs for renewable energy facilities. (The same facility cannot be used to claim both the PTC and the ITC.) The value of the PTC is proportional to each energy facility's electrical output and is also influenced by other factors. This publication discusses how the PTC is calculated and lists 2026 PTC values for different types of facilities.

The PTC was enacted in the Energy Policy Act of 1992 (P.L. 102-486) and last underwent substantial reforms as part of the Inflation Reduction Act of 2022 (IRA; P.L. 117-169). The IRA

- added solar as an eligible energy source;
- allowed hydropower facilities and marine and hydrokinetic facilities to qualify for full tax credits (rather than half-credits);
- instituted prevailing wage and apprenticeship (PWA) requirements for construction of most qualifying facilities;
- modified the tax treatment of facilities partially financed by tax-exempt bonds;
- made the PTC eligible for [direct payments and credit transfers](#); and
- created two 10% bonus credits for PTC recipients.

The IRA also extended credit eligibility by three years, allowing facilities to qualify for the PTC if they began construction before 2025; prior law required construction to begin before 2022.

Under current law, the PTC is in the process of being phased out and replaced by the Clean Electricity Production Tax Credit (CEPTC).

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Production Tax Credit Calculation and 2026 Values

For facilities placed in service in 2022 or later, the PTC starts with a “base credit” of 0.3 cents per kilowatt-hour (kWh) of electricity production. This amount, expressed in 1992 dollars, is adjusted annually for inflation and then rounded to the nearest 0.05 cents. The base credit is then adjusted according to four additional factors:

- **Technology:** Wind, solar, geothermal, and closed-loop biomass facilities are eligible for full tax credits, while open-loop biomass and municipal solid waste facilities (referred to as “landfill gas and trash facilities” in IRS regulations) receive half-credits (50% of the full credit value).
- **Placed-in-service date:** The term “placed in service” refers to the date when a facility begins producing electricity. Hydropower facilities and marine and hydrokinetic facilities receive full credits if they are placed in service in 2023 or later years and receive half-credits if they were placed in service in 2022.
- **PWA requirements:** Base credit values are multiplied by five for facilities that pay their workers prevailing wages and employ certain numbers of apprentices during the facility’s construction phase. Facilities may also qualify for this five-times multiplier without meeting the [PWA requirements](#) if they have a maximum net output of less than 1 megawatt or if they began construction before January 29, 2023.
- **Financing from tax-exempt bonds:** Credit amounts are reduced in proportion to the share of capital financing coming from [tax-exempt bonds](#), up to a maximum reduction of 15%.

After the base credit has been adjusted as described above, taxpayers may layer on two additional bonus credits. Taxpayers may receive a [10% domestic content bonus credit](#) if certain shares of the iron, steel, and manufactured products used to construct the facility were produced in the United States. Taxpayers are also eligible for a [10% energy communities bonus credit](#) if the facility used to claim the credit is located in a [designated energy community](#).

For 2026, the [inflation adjustment factor](#)—the amount by which 1992 values are multiplied to account for inflation—is 2.0570. Multiplying this factor by the 1992 credit of 0.3 cents yields a 2026 PTC of 0.6171 cents; this amount is in turn rounded down to 0.6 cents. Per kWh, the 2026 PTC has a full value of 0.6 cents and a half-value of 0.3 cents for taxpayers not meeting the PWA requirements; it has a full value of 3.0 cents and a half-value of 1.5 cents for taxpayers meeting the requirements. Prior to consideration of any reductions for financing from tax-exempt bonds and/or any bonus credit amounts, the PTC has the following values for 2026 (shown in [Table 1](#)).

Table 1. Production Tax Credit (PTC) Values for 2026

Per kilowatt-hour of electricity, facilities placed in service in 2022 or later

Energy Technology	Year Placed in Service	PWA Compliance ^a	Tax Credit Value
Wind, solar, geothermal, and closed-loop biomass	2022 or later years	Meets requirements	3.0 cents
		Does not meet requirements	0.6 cents
Open-loop biomass and municipal solid waste	2022 or later years	Meets requirements	1.5 cents
		Does not meet requirements	0.3 cents
Hydropower, and marine and hydrokinetic	2023 or later years	Meets requirements	3.0 cents
		Does not meet requirements	0.6 cents

Energy Technology	Year Placed in Service	PWA Compliance ^a	Tax Credit Value
	2022	Meets requirements	1.5 cents
		Does not meet requirements	0.3 cents

Source: 26 U.S.C. §45 and Internal Revenue Service, “Credit for Renewable Electricity Production and Publication of Inflation Adjustment Factor and Reference Price for Calendar Year 2026,” 91 *Federal Register* 32511-32512, June 1, 2026.

Notes: The table describes facilities placed in service after 2021. It does not account for bonus credit amounts or for reductions due to capital financing from tax-exempt bonds.

- a. PWA = prevailing wage and apprenticeship. Facilities not meeting PWA requirements may receive PWA-enhanced tax credits if they have a maximum net output of less than 1 megawatt or began construction before January 29, 2023.

Facilities placed in service before 2022 have a base credit of 1.5 cents (in 1992 dollars) and are not subject to PWA requirements. For wind, geothermal, and closed-loop biomass facilities placed in service before 2022, the PTC has a 2026 value of 3.1 cents per kWh; this is slightly higher than the maximum values displayed above because of the rounding rules for inflation-adjusted amounts. For open-loop biomass, municipal solid waste, hydropower, and marine and hydrokinetic facilities placed in service before 2022, the PTC holds a 2026 value of 1.5 cents per kWh. Solar facilities placed in service between 2006 and 2021 are not eligible for the PTC (though they are eligible for the ITC).

Production Tax Credit Timeline and CEPTC Transition

Taxpayers may receive the PTC for 10 years, starting with the date the facility is placed in service. PTC amounts are calculated separately for each year of the facility’s operations. For example, for a wind facility that met the PWA requirements and was placed in service in 2024, the facility’s owner would claim a PTC of 2.9 cents per kWh of electricity produced in 2024, 3.0 cents per kWh produced in 2025 and 2026, and different amounts from 2027 to 2033 based on changes in the inflation adjustment factor.

The PTC is an [expiring tax provision](#), meaning it is not a permanent feature of the tax code. Taxpayers may claim the PTC only for renewable electricity facilities that began construction before 2025. Facilities placed in service in 2025 or later years may instead claim the Clean Electricity Production Tax Credit (CEPTC), which was enacted in the IRA. Because some facilities that began construction before 2025 will be placed in service in 2025 or later years, they will be eligible for either the PTC or the CEPTC; legal restrictions prevent taxpayers from claiming both credits.

The CEPTC is structured similarly to the PTC: It also has a base credit of 0.3 cents per kWh in 1992 dollars, is adjusted annually for inflation, can be received for 10 years, can be multiplied by five for taxpayers meeting PWA requirements, is subject to a maximum 15% reduction proportional to financing from tax-exempt bonds, and has 10% bonus credits for domestic content and energy communities. However, whereas the PTC allows full credits or half-credits for certain enumerated renewable energy technologies, the CEPTC gives full credits to all energy sources with zero greenhouse gas emissions. This was meant to create a “technology-neutral” framework that would prevent legislators from picking and choosing eligible technologies and their PTC amounts; it was also meant to encourage innovation by making new zero-emissions technologies automatically eligible for tax credits without requiring an act of Congress. IRS regulations from [June 2024](#) and [January 2025](#) established that closed-loop biomass, open-loop biomass, and municipal solid waste (which are subsidized by the PTC) are not eligible for the CEPTC; nuclear facilities, certain waste energy recovery property, and fossil fuel plants with zero emissions (e.g., plants that capture and sequester 100% of their emissions) are eligible only for the CEPTC; and wind, solar, geothermal, hydropower, and marine and hydrokinetic facilities, which were subsidized by the PTC, are also eligible for the CEPTC.

In P.L. 119-21, the FY2025 reconciliation law, Congress departed from the previous technology-neutral framework by restricting CEPTC eligibility for two technologies: wind and solar. Following these reforms, wind and solar facilities are eligible for the CEPTC if they either began construction on or before July 4, 2026, or are placed in service on or before December 31, 2027. For all other technologies, taxpayers may receive full CEPTCs for facilities beginning construction before the end of 2033, 75% of normal CEPTC amounts for facilities beginning construction in 2034, 50% for facilities beginning construction in 2035, and no CEPTCs thereafter.

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