

Treasury Provides Guidance on Carbon Capture Tax Credits for Businesses

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WASHINGTON—The U.S. Department of the Treasury today provided guidance for businesses to take advantage of tax credits for storing qualified carbon oxide and tertiary oil recovery. The two new credits for carbon oxide captured offer up to \$50 per metric ton of qualified carbon oxide for permanent sequestration and \$35 for Enhanced Oil Recovery purposes.

“This tax credit incentivizes American businesses to invest in carbon capture technology and promotes safe and environmentally conscious storage for carbon oxides that would otherwise be emitted to the atmosphere,” said Secretary Steven T. Mnuchin. “These proposed regulations provide detailed guidance to implement this important incentive.”

These new credits have no limitation on the number of metric tons of qualified carbon oxide captured. Prior to the change in law, carbon capture was limited to a total of 75,000,000 metric tons of qualified carbon oxide. The new law also expanded carbon capture to include qualified carbon oxide, which is broader than qualified carbon dioxide.

The proposed regulations address: procedures to determine adequate security measures for the geological storage of qualified carbon oxide, exceptions to the general rule for determining to whom the credit is attributable to, procedures for a taxpayer to make an election to allow third-party taxpayers to claim the credit, the definition of carbon capture equipment, standards for measuring utilization of qualified carbon oxide and rules for credit recapture.

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