WASHINGTON – Today, the Treasury Department and Internal Revenue Service (IRS) issued final regulations regarding the section 45Q credit for qualified carbon oxide sequestration using carbon capture equipment placed in service on or after the date of the enactment of the Bipartisan Budget Act of 2018.

“These final regulations provide taxpayers and the American energy sector with needed clarity on utilizing the section 45Q credit,” said Treasury Secretary Steven T. Mnuchin. “These regulations are an essential step toward harnessing the entrepreneurial spirit of Americans to further modernize the American energy sector, while ensuring American energy producers maintain their competitive edge around the world.”

These final regulations provide 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, procedures for a taxpayer to make an election to allow third-party taxpayers to claim the credit, the definition of carbon capture equipment, and standards for measuring utilization of qualified carbon oxide.

In addition, the final regulations allow smaller carbon capture facilities to be aggregated into one project for purposes of claiming the credit when certain factors are present, such as common ownership and location; as well as provide guidance on recapture, including introducing a recapture period of 3-years. Under these rules, credits must be repaid if previously sequestered carbon oxide leaks into the atmosphere during a three-year period after the initial storage or injection.

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