



REGIONAL
CARBON
CAPTURE
DEPLOYMENT
INITIATIVE

UPDATE

July 29, 2022

Inflation Reduction Act of 2022 Enhances 45Q Tax Credit

On Wednesday, Senate Majority Leader Schumer (D-NY) and Senator Manchin (D-WV) announced that they have come to an agreement on budget reconciliation legislation – the [Inflation Reduction Act of 2022](#)– that includes \$369B in funding for climate and energy policies. The package proposes transformative enhancements to the 45Q tax credit, all of which are top priorities of the Coalition this Congress, including:

1. **Multiyear Extension of the Commence Construction Window:** Moving forward, any carbon capture, direct air capture or carbon utilization projects that commence construction before January 1, 2033 will qualify for 45Q.
1. **Direct Pay:** For profit projects will have the option of direct pay for the first 5 years after the carbon capture equipment is placed in service with a full phaseout for the remaining 7 years of the credit.
 1. Any tax-exempt organizations, i.e. nonprofits, rural electric cooperatives, municipalities, among others, have the option for direct pay for all 12 years of the credit.
1. **Expanded transferability:** As an alternative to direct pay, the bill allows the owner of the carbon capture equipment to transfer the credit to any other taxpaying entity. Under this option, the capture owner could receive a cash payment to transfer those credits and the cash payment would not be included in the capture owner's taxable income.
2. **Enhanced Credit Values for Industry and Power:** The bill increases 45Q credit values for any capture equipment placed in service after December 31, 2022 to \$85 per metric ton for industrial facilities and power plants that store capture CO₂ in saline geologic formations, \$60 for utilization of captured CO₂ and its precursor carbon monoxide to produce low and zero-carbon fuels, chemicals, building materials and other products, and \$60 for EOR storage.

1. **Enhanced Credit Values for Direct Air Capture:** the bill increases 45Q credit values for any capture equipment placed in service after December 31, 2022 to \$180 per metric ton for Direct Air Capture facilities that store CO2 in saline geologic formations, \$130 per metric ton for Direct Air Capture-utilization, and \$130 per metric ton for DAC-EOR storage
2. **Dramatically Lower Capture Thresholds:**
 1. Direct Air Capture: 1000 metric tons/taxable year
 2. Electric Generating Facility: 18,750 metric tons/taxable year and paired with design capacity requirement below
 3. Any other facility: 12,500 metric tons/taxable year

For more information, [please see the Carbon Capture Coalition's statement](#) on the *Inflation Reduction Act of 2022*.

Associated News Coverage:

1. [How Manchin-Schumer would change energy, from oil to solar - E&E News \(eenews.net\)Energy Security, Climate Change Initiatives Endure with Surprise U.S. Senate Deal \(powermag.com\)](#)
2. [Manchin, Dems reach deal on climate legislation | Grist](#)
3. [Senate Inflation Reduction Act packed with bioenergy incentives | Biomassmagazine.com](#)
4. [Senate Deal Breaks Logjam on Billions for Decarbonization and Energy Infrastructure | 2022-07-28 | Engineering News-Record \(enr.com\)](#)
5. [Senate Democrats Produce a Far-Reaching Climate Bill, But the Price of Compromise with Joe Manchin is Years More Drilling for Oil and Gas - Inside Climate News](#)

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