



REDEEMING EFFECTIVENESS TO CARBON OXIDE UTILIZATION PLUS SEQUESTRATION ACT OF 2020 (RECOUPS Act)

SUMMARY

- Provides a direct pay option for the federal Section 45Q tax credit for geologic storage and beneficial use of carbon captured at industrial facilities, power plants and through direct air capture.
- The basic mechanism of direct pay allows a taxpayer to treat tax credits that they have earned as payment of estimated taxes. The direct pay option is voluntary, and the taxpayer may still elect to claim and monetize the tax credit in the regular manner.
- For any carbon capture equipment placed in service on or after the date of the enactment of the Bipartisan Budget Act of 2018, the RECOUPS Act will allow a taxpayer to elect to have 45Q tax credits applied directly to estimated tax payments due. This means that any qualified carbon capture or utilization project beginning construction within the current congressional authorization of the 45Q tax credit (before January 1, 2024) could elect the option of direct pay once that project is placed in service. If Congress were to extend 45Q, qualified projects beginning construction within the time period of the extension would continue to be eligible for the direct pay option.
- Treatment of the 45Q tax credit as an estimated tax payment provides a much more effective and cost-efficient mechanism to incentivize projects than monetizing a tax credit.
- In exchange for choosing the option provided by the RECOUPS Act, project developers would only receive 90 percent of the tax credit's value, thus providing the incentive to innovators and entrepreneurs at less cost to the American taxpayer.
- In the midst of COVID-19, direct pay has become more critical to enabling developers to finance carbon capture projects without relying on tax equity investments at a time when those markets are now constrained.
- Implementation of the RECOUPS Act will help accelerate the development and construction of carbon capture projects currently in progress and encourage the development and deployment of additional projects to help meet mid-century climate goals, create and retain jobs and support economic growth.