CARBON CAPTURE COALITION

FAQs on 45Q	Answers & Clarifications
How do companies claim 45Q?	45Q is a performance-based tax credit, meaning it is only awarded to projects **after** they successfully demonstrate the capture and secure storage of CO_2 in geologic formations or utilization to produce low-carbon products. As a matter of law and design, 45Q cannot be used as a subsidy by companies that fail to capture and store CO_2. Companies that install carbon capture equipment at a facility and contractually store or reuse the captured CO_2 are eligible to claim 45Q. There are minimum capture amounts that a facility must meet to be eligible for the tax credit. The value of credits an eligible company may claim is based on the amount of CO_2 that is captured and subsequently stored or utilized. To claim the credit for geologic storage, a company **must** do the following: ● Report CO_2 captured from a facility to EPA's Greenhouse Gas Reporting Program (GHGRP). ● Have a geologic storage site that has an approved Monitoring, Verification, and Reporting (MRV) plan. These plans are approved and published by the EPA or otherwise certified by a qualified independent expert and published by the EPA, depending on the appropriate reporting pathway. ● Report stored CO_2 to the EPA through appropriate reporting mechanisms under the GHGRP, which are designed to accurately quantify CO_2 storage. ● Only once the above steps are taken can the company claim the 45Q credit on its tax return using IRS form 8933, which includes mandatory reporting and record-keeping requirements. ● This credit claim is also linked to the report of the captured and stored CO_2 made publicly available via the EPA GHGRP.
What guardrails are already in place to ensure 45Q credits are accurately quantified and verified?	Under the 45Q regulations finalized in 2021, there are already strong monitoring, reporting, and verification requirements for claiming the 45Q tax credit. The criteria to qualify for the 45Q tax credit (and quantification of CO_2 stored) are based on publicly reported information and are more transparent than most other tax credits. EPA's GHGRP is a robust mechanism that mandates the quantification and public reporting of CO_2 storage data under

	appropriate reporting pathways, includes verification procedures, and companies are subject to civil and criminal penalties for reporting violations. **Companies must have a monitoring, reporting, and verification plan approved by EPA or certified by a qualified independent expert and publicly published before being able to claim the tax credit.** Companies are not allowed to take the tax credit for any year in which they fail to submit complete documentation, including the required certifications, in a timely manner. The IRS only allows the credit to be elected for a tax year for which complete documentation and certification have been submitted in a timely manner. In addition to the EPA process, the Treasury also has audit power over 45Q credits. Companies or individuals are subject to both audit review of their tax returns as well as criminal penalties for submitting false information, including on forms used to claim the 45Q tax credit. The audit process is working, demonstrated by the fact that previously improperly claimed 45Q credits under the former iteration program were disallowed.
Who supports transparent, rigorous reporting mechanisms under 45Q?	Carbon management technologies are non-partisan: people and organizations representing a broad range of views agree on the need for technologies designed to address carbon emissions at the source and in the air and that we must have confidence in the safe, permanent storage of CO_2 in appropriate geologic formations deep underground. The Carbon Capture Coalition, a nonpartisan organization of 100+ members spanning companies, environmental and conservation non-profits, and labor unions, has long supported robust and transparent reporting mechanisms for the safe and secure geologic storage of CO_2. Robust, transparent reporting mechanisms were reaffirmed in the 2021 regulations from the Treasury and IRS on the 45Q tax credit, which the Coalition and many allied organizations supported.
Didn't the 2020 Treasury Inspector General for Tax Administration Report show that reporting mechanisms under the 45Q tax credit are not working?	The IG's findings, which concern the years 2010 to 2019, reveal that the system is working. The IRS had disallowed credits improperly claimed and began enforcement as early as 2013. Additionally, this time period considers a period before final regulations were issued for the 45Q tax credit in 2021. If taxpayers don't demonstrate secure geologic storage or permanent displacement of the captured CO_2 through utilization, they won't get the credit. The noncompliant credits were part of the pre-2018 45Q program. The 2018 FUTURE Act significantly restructured the 45Q credit, and the subsequent IRS regulations, which

	were issued in 2020 and subject to a robust public comment process, were finalized in 2021. These final regulations reaffirmed and clarified the strong monitoring, reporting, and verification requirements to claim the credit, ensuring public and policymaker confidence in the 45Q tax credit.
How are the IRS and EPA coordinating to administer and monitor taxpayers who claim the 45Q tax credit?	EPA must verify and publicly report the quantity of CO_2 stored for the GHGRP regardless of whether 45Q tax credits are claimed. IRS can then use the information reported to EPA via the GHGRP to verify stored CO_2 amounts for tax credit purposes. No specific additional coordination is needed to properly quantify the amount of CO_2 stored to claim the 45Q tax credit. The agencies are already sharing data. The Electronic Greenhouse Gas Reporting Tool (e-GGRT) ID number will allow the IRS to reconcile information with data reported to the EPA's Greenhouse Gas Reporting Program (GHGRP) and otherwise receive technical assistance from the EPA.
45Q can be claimed for 12 years from a new facility, but there is a 3-year lookback period for 45Q credit recapture. Does this mean CO_2 could be released from storage within the claiming period without credits being recaptured?	The quantification of CO_2 storage under MRV plans includes any emission of CO_2 that was injected into storage in any prior year. Therefore, any CO_2 emitted from a storage site within the 12-year 45Q credit period will automatically be taken into account when quantifying the amount of 45Q credits that may be claimed. The 3-year lookback period is most relevant for the period after 45Q credits are no longer claimed.
Can carbon management technologies, and by extension, 45Q, play a role in our climate strategy?	Authoritative analysis by the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC) shows the critical role carbon management must play in achieving US and global carbon reduction targets by midcentury. Historically, captured CO_2 has primarily been used to stimulate additional oil production at existing oil and gas wells through Enhanced Oil Recovery (EOR). EOR has played an important role in maturing carbon management technologies and can reduce the greenhouse gas footprint of oil and gas production relative to conventional petroleum products. **Looking forward, thanks to broad bipartisan support for carbon management technologies through the 45Q tax credit, of the nearly 220 announced carbon management projects across a range of emitting industries, about 155 projects (i.e., more than 70 percent of the announced projects) intend to store the captured CO_2 in saline geologic formations.**