



# CARBON CAPTURE COALITION

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## MEMORANDUM

**Date:** 05/12/2025

**Subject:** House Ways and Means Committee Substitute Amendment and Section-by-Section for Budget Reconciliation

### Purpose

The purpose of this memo is to provide a high-level overview of the House Ways and Means Committee's substitute amendment and section-by-section for budget reconciliation and the most relevant provisions to carbon management. Implications of tax modifications made to 45Q, 45V, and 45Z are included below.

### Relevant Documents:

- [Section-by-Section](#)
- Substitute Amendment Text (attached)

## OVERVIEW OF THE PROPOSED CHANGES

### Key Provisions

#### Sec. 112011. Restrictions on carbon oxide sequestration credit (45Q).

- **45Q is broadly kept whole**
  - **Transferability:**
    - The ability to utilize the transferability mechanism is repealed and terminated for projects that begin construction more than 2 years after the date of enactment of this bill.
    - For those entities that begin construction **prior** to that time, can utilize transferability for the full lifetime (12 years) of the credit.
  - **Foreign Entity of Concern:**
    - Restricts access to the credit for certain prohibited foreign entities:
      1. No credit is allowed for taxable years beginning after enactment if the taxpayer is a specified foreign entity.

2. No credit is allowed for tax years that begin two years after date of enactment for a foreign-influenced entity.

**Sec. 112016. Income from hydrogen storage, carbon capture added to qualifying income of certain publicly traded partnerships treated as corporations.**

**Current Law:** Under current law, publicly traded partnership rules allow certain enterprises to be treated as partnerships for tax purposes but also have interests that are regularly traded on established securities markets or are readily tradable on a secondary market. To qualify for this treatment 90 percent of gross income must come from qualifying income sources. One of those sources is the income and gains derived from exploration, development, mining, or production, processing, refining, transportation, or the marketing of any mineral or natural resources, industrial source carbon dioxide, or the transportation or storage of specified fuels.

- The provision **expands the activities** that can be categorized as qualifying income for publicly traded partnerships (PTPs).
  - The expansion includes the transportation or storage of liquified or compressed hydrogen, and the generation of electricity or capture of CO<sub>2</sub> at a direct air capture or carbon capture facility.
  - This provision allows carbon capture and hydrogen companies to organize as PTPs and be taxed at the partnership level rather than as a corporation.

**Sec. 112013. Termination of clean hydrogen production credit (45V).**

- **45V:**
  - **Termination:**
    - **Accelerates the expiration of 45V to conclude on December 31, 2025.**
      1. Any facility that begins construction after December, 31, 2025 is unable to claim the hydrogen production credit.

**Sec. 111112. Extension and modification of clean fuel production credit (45Z).**

- **45Z:**
  - Extension:
    - Extends the clean fuel production credit (45Z) through December 31, 2031.
  - US-grown feedstocks:

- Requires the credit is only made available to fuel produced from feedstocks produced or grown in the US.
- Indirect landuse changes:
  - When calculating the total greenhouse gas (GHG) emissions associated with a fuel or energy source over its entire lifecycle—from production to use—the **emissions resulting from indirect land use changes (ILUC) are not counted.**
- Emission rates:
  - Requires the Treasury Secretary to establish distinct emission rates for specific manure feedstocks.
- Transferability:
  - Eliminates transferability for fuel produced after December 31, 2027.
- Foreign Entity of Concern:
  - Restricts access to the credit for certain prohibited foreign entities.
    1. No credit is allowed for taxable years beginning after enactment if the taxpayer is a specified foreign entity.
    2. No credit is allowed for taxable years that begin two years after enactment for a foreign-influenced entity