

Credit for Carbon Dioxide Sequestration
2015 Section 45Q Inflation Adjustment Factor

Notice 2015-44

SECTION 1. PURPOSE

This notice publishes the inflation adjustment factor for the credit for carbon dioxide (CO₂) sequestration under § 45Q of the Internal Revenue Code (§ 45Q credit) for calendar year 2015. The inflation adjustment factor is used to determine the amount of the credit allowable under § 45Q. This notice also publishes the aggregate amount of qualified CO₂ taken into account for purposes of § 45Q.

SECTION 2. BACKGROUND

Section 45Q(a)(1) allows a credit of \$20 per metric ton of qualified CO₂ that is captured by the taxpayer at a qualified facility, disposed of by the taxpayer in secure geological storage, and not used by the taxpayer as a tertiary injectant. Section 45Q(a)(2) allows a credit of \$10 per metric ton of qualified CO₂ that is captured by the taxpayer at a qualified facility, used by the taxpayer as a tertiary injectant in a qualified enhanced oil or natural gas recovery project, and disposed of by the taxpayer in secure geological storage.

Section 45Q(b)(1) defines the term “qualified carbon dioxide” as CO₂ captured from an industrial source that would otherwise be released into the atmosphere as industrial emission of greenhouse gas, and that is measured at the source of capture

and verified at the point of disposal or injection. Qualified CO₂ includes the initial deposit of captured CO₂ used as a tertiary injectant but does not include CO₂ that is re-captured, recycled, or otherwise re-injected as part of the enhanced oil and natural gas recovery process.

Section 45Q(c) defines the term “qualified facility” as an industrial facility that is owned by the taxpayer, where carbon capture equipment is placed in service, and where at least 500,000 metric tons of CO₂ is captured during the taxable year.

Section 45Q(d)(2) provides that the Secretary, in consultation with the Administrator of the Environmental Protection Agency (EPA), the Secretary of Energy, and the Secretary of the Interior, shall establish regulations for determining adequate security measures for the geological storage of CO₂ under § 45Q(a)(1)(B) or (a)(2)(C) such that the CO₂ does not escape into the atmosphere. See section 5 of Notice 2009-83, 2009-2 C.B. 588, for procedures regarding secure geological storage.

Section 45Q(d)(5) allows the § 45Q credit to the person that captures and physically or contractually ensures the disposal of or the use as a tertiary injectant of the qualified CO₂.

Under § 45Q(d)(7), for taxable years beginning in a calendar year after 2009, the dollar amount contained in § 45Q(a) must be adjusted for inflation by multiplying such dollar amount by the inflation adjustment factor for such calendar year determined under § 43(b)(3)(B), determined by substituting “2008” for “1990.”

Section 43(b)(3)(B) defines the term “inflation adjustment factor” as, with respect

to any calendar year, a fraction the numerator of which is the GNP implicit price deflator for the preceding calendar year and the denominator of which is the GNP implicit price deflator for 1990. For purposes of § 45Q(d)(7), with respect to 2015 calendar year, the inflation adjustment factor is a fraction the numerator of which is the GNP implicit price deflator for 2014 (108.407) and the denominator of which is the GNP implicit price deflator for 2008 (99.239).

Section 45Q(e) provides that the § 45Q credit will apply with respect to qualified CO₂ before the end of the calendar year in which the Secretary, in consultation with the EPA, certifies that 75,000,000 metric tons of qualified CO₂ have been taken into account in accordance with § 45Q(a).

SECTION 3. INFLATION ADJUSTMENT FACTOR

The inflation adjustment factor for calendar year 2015 is 1.0924. The § 45Q credit for calendar year 2015 is \$21.85 per metric ton of qualified CO₂ under § 45Q(a)(1) and \$10.92 per metric ton of qualified CO₂ under § 45Q(a)(2).

SECTION 4. TAX CREDIT UTILIZATION

Section 6 of Notice 2009-83 requires taxpayers to file annual reports that provide (among other information) the amounts (in metric tons) of qualified CO₂ for the taxable year that has been taken into account for purposes of claiming the § 45Q credit. The annual reports must be filed with the Service not later than the last day of the second calendar month following the month during which the tax return on which the § 45Q credit is claimed was due (including extensions).

Based on the annual reports filed with the Service as of June 9, 2015, the aggregate amount of qualified CO₂ taken into account for purposes of § 45Q is 34,934,796 metric tons.

SECTION 5. DRAFTING INFORMATION

The principal author of this notice is Jennifer C. Bernardini of the Office of Associate Chief Counsel (Passthroughs & Special Industries). For further information regarding this notice contact Ms. Bernardini on (202) 317-6853 (not a toll-free call).