



# Instructions for Form 8933

## Carbon Oxide Sequestration Credit

Section references are to the Internal Revenue Code unless otherwise noted.

### Future Developments

For the latest information about developments related to Form 8933 and its instructions, such as legislation enacted after they were published, go to [IRS.gov/Form8933](https://www.irs.gov/Form8933).

### What's New

**Notice of Proposed Rulemaking.** For section 45Q, [REG-112339-19](https://www.irs.gov/REG-112339-19), Notice of Proposed Rulemaking (NPRM), (1) applies to tax years beginning on or after the date the final regulations are published, but also (2) provides that you may rely on the final regulations for tax years beginning on or after February 9, 2018 (Bipartisan Budget Act of 2018's date of enactment), and before the date such final regulations are published. The NPRM also (3) provides that you may rely on it for tax years beginning on or after February 9, 2018, and before the date the final regulations are published, provided you follow the NPRM in its entirety and in a consistent manner. These instructions are revised to help you if you find it advantageous to use the NPRM.

**Final regulations.** [Final regulations for section 45Q](#) were published in the Federal Register on January 15, 2021. The final regulations may have different rules and definitions from the NPRM. The final regulations apply to tax years beginning on or after January 13, 2021. However, you may choose to apply the final regulations in lieu of the NPRM, provided that you apply the final regulations in their entirety and in a consistent manner, for tax years beginning on or after January 1, 2018, and before January 13, 2021.

**Beginning of construction date extended.** Section 45Q was amended by the Consolidated Appropriations Act of 2021, to extend the beginning of construction deadline for qualified facilities and carbon capture equipment by two years (must begin before January 1, 2026).

**Credit rates and applicable dollar amounts.** The credit rates for lines 1b and 2b are adjusted for inflation. The applicable dollar amounts for lines 3b and 4b are established by linear interpolation. See [2020 credit rates and applicable dollar amounts](#), later.

## General Instructions

### Purpose of Form

Use Form 8933 to claim the section 45Q carbon oxide sequestration credit. See [Definitions](#), later.

For purposes of this form, a partner in a partnership that has made a valid section 761(a) election will be considered the taxpayer. Partnerships with valid section 761(a) elections aren't required to complete or file this form. Instead, the partner is required to complete and file this form in a manner commensurate with its undivided ownership interest in the qualified facility. Also, see Rev. Proc. 2020-12, 2020-11 I.R.B. 511 for allocation safe harbor.

Taxpayers other than partnerships or S corporations whose only source of this credit is from those pass-through entities (other than a partnership with a valid 761(a) election) aren't required to complete or file this form. Instead, report this credit directly on line 1x in Part III of Form 3800, General Business Credit.

### How To Figure the Credit

Section 45Q(a)(1) allows a credit of \$20 per metric ton of qualified carbon oxide captured by the taxpayer using carbon capture equipment that is (1) originally placed in service at a qualified facility before February 9, 2018, (2) disposed of by the taxpayer in secure geological storage, and (3) not used by the taxpayer as a tertiary injectant in a qualified enhanced oil recovery (EOR) or natural gas recovery project or utilized by the taxpayer in a manner described in section 45Q(f)(5).

Section 45Q(a)(2) allows a credit of \$10 per metric ton of qualified carbon oxide (1) captured by the taxpayer using carbon capture equipment that is originally placed in service at a qualified facility before February 9, 2018, and (2) either (a) used by the taxpayer as a tertiary injectant in a qualified EOR or natural gas recovery project and disposed of by the taxpayer in secure geological storage, or (b) utilized by the taxpayer in a manner described in section 45Q(f)(5).

Section 45Q(a)(3) allows a credit of the applicable dollar amount (as determined under section 45Q(b)(1)) per metric ton of qualified carbon oxide (1) captured by the taxpayer using carbon capture equipment that is originally placed in service at a qualified facility on or after February 9, 2018, during the 12-year period beginning on the date the equipment was originally placed in service, (2) disposed of by the taxpayer in secure geological storage, and (3) neither used as a tertiary injectant in a qualified EOR or natural gas recovery project nor utilized in a manner described in section 45Q(f)(5).

Section 45Q(a)(4) allows a credit of the applicable dollar amount (as determined under section 45Q(b)(1)) per metric ton of qualified carbon oxide (1) captured by the taxpayer using carbon capture equipment that is originally placed in service at a qualified facility on or after February 9, 2018, during the 12-year period beginning on the date the equipment was originally placed in service,

and (2) either (a) used by the taxpayer as a tertiary injectant in a qualified EOR or natural gas recovery project and disposed of by the taxpayer in secure geological storage, or (b) utilized in a manner described in section 45Q(f)(5).

For purposes of determining the credit, a taxpayer may elect under section 45Q(b)(3) to have the dollar amounts applicable under section 45Q(a)(1) or (2) apply in lieu of the dollar amounts applicable under section 45Q(a)(3) or (4) for each metric ton of qualified carbon oxide that is captured by the taxpayer using carbon capture equipment that is originally placed in service at a qualified facility on or after February 9, 2018.

For the purpose of calculating the credit, a metric ton of carbon oxide includes only the contained weight of the carbon oxide. The weight of any other substances, such as water or impurities, isn't included in the calculation.

**2020 credit rates and applicable dollar amounts.** The credit rates for lines 1b and 2b are increased by the adjustment for inflation. The rates are as follows.

- Line 1b: \$23.82 per metric ton.
- Line 2b: \$11.91 per metric ton.

For any tax year beginning in a calendar year after 2016 and before 2027, the section 45Q(b)(1) applicable dollar amounts for lines 3b and 4b are established by linear interpolation between \$22.66 and \$50, and \$12.83 and \$35, respectively. The applicable dollar amounts are as follows.

- Line 3b: \$31.77 per metric ton.
- Line 4b: \$20.22 per metric ton.

See Notice 2020-40, 2020-25 I.R.B. 952, available at [IRS.gov/irb/2020-25\\_IRB#NOT-2020-40](https://www.irs.gov/irb/2020-25_IRB#NOT-2020-40) and Notice 2018-93, 2018-51 I.R.B. 1041, available at [IRS.gov/irb/2018-51\\_IRB#NOT-2018-93](https://www.irs.gov/irb/2018-51_IRB#NOT-2018-93).

**Amount captured by additional carbon capture equipment on existing qualified facility.** For a qualified facility placed in service before February 9, 2018, for which additional carbon capture equipment is placed in service on or after February 9, 2018, the amount of qualified carbon oxide that is captured by the taxpayer is the following.

- For purposes of lines 1 and 2, equal to the lesser of (a) the total amount of qualified carbon oxide captured at such facility for the tax year, or (b) the total amount of the carbon dioxide capture capacity of the carbon capture equipment in service at such facility on the day before February 9, 2018.
- For purposes of lines 3 and 4, an amount (not less than zero) equal to the excess of (a) the total amount of qualified carbon oxide captured at such facility for the tax year, over (b) the total amount of the carbon dioxide capture capacity of the carbon capture equipment in service at such facility on the day before February 9, 2018.

## Definitions

**Qualified carbon oxide.** This is (a) any carbon dioxide captured from an industrial source by carbon capture equipment originally placed in service before February 9, 2018, which would otherwise be released into the

atmosphere as industrial emission of greenhouse gas or lead to such release, and is measured at the source of capture and verified at the point of disposal, injection, or utilization; (b) any carbon dioxide or other carbon oxide which is captured from an industrial source by carbon capture equipment originally placed in service on or after February 9, 2018, which would otherwise be released into the atmosphere as industrial emission of greenhouse gas or lead to such release, and is measured at the source of capture and verified at the point of disposal, injection, or utilization; or (c) in the case of a direct air capture facility, any carbon dioxide which is captured directly from the ambient air, and is measured at the source of capture and verified at the point of disposal, injection, or utilization.

Qualified carbon oxide includes the initial deposit of captured carbon oxide used as a tertiary injectant. It doesn't include carbon oxide that's recaptured, recycled, and re-injected as part of the EOR and natural gas recovery process.

**Carbon capture equipment.** This includes all components of property that are used to capture or process carbon oxide until the carbon oxide is transported for disposal, injection, or utilization. Carbon capture equipment is equipment used for the purpose of (1) separating, purifying, drying, and/or capturing carbon oxide that would otherwise be released into the atmosphere from an industrial facility; (2) removing carbon oxide from the atmosphere via direct air capture; or (3) compressing or otherwise increasing the pressure of carbon oxide.

**Industrial facility.** An industrial facility is a facility that produces a carbon oxide stream from a fuel combustion source or fuel cell, a manufacturing process, or a fugitive carbon oxide emission source that, absent capture and disposal, would otherwise be released into the atmosphere as industrial emission of greenhouse gas or lead to such release. An industrial facility doesn't include a facility that produces carbon dioxide from carbon dioxide production wells at natural carbon dioxide-bearing formations or a naturally occurring subsurface spring. A deposit of natural gas that contains less than 10% carbon dioxide by volume isn't a natural carbon dioxide-bearing formation. For other deposits, whether a well is producing from natural carbon dioxide-bearing formation is based on all the facts and circumstances. An **Industrial Source** is an emission of carbon oxide from an industrial facility. A **Manufacturing Process** is a process involving the manufacture of products, other than carbon oxide, that are intended to be sold at a profit, or are used for a commercial purpose. All facts and circumstances with respect to the process and products are to be taken into account.

**Electricity generating facility.** An electricity generating facility is a facility described in section 45Q(d)(2)(A) or (B) and is subject to depreciation under MACRS asset class 49.11 (Electric Utility Hydraulic Production Plant), 49.12 (Electric Utility Nuclear Production Plant), 49.13 (Electric Utility Steam Production Plant), or 49.15 (Electric Utility Combustion Turbine Production Plant).

**Direct air capture facility.** A direct air capture facility means any facility that uses carbon capture equipment to

capture carbon oxide directly from the ambient air. It doesn't include any facility that captures carbon dioxide (1) that is deliberately released from naturally occurring subsurface springs, or (2) using natural photosynthesis.

**Qualified facility.** Any industrial facility or direct air capture facility (a) the construction of which begins before January 1, 2026, and the construction of carbon capture equipment begins before that date, or the original planning and design for the facility includes installation of carbon capture equipment; and (b) which captures:

1. In the case of a facility that emits not more than 500,000 metric tons of carbon oxide into the atmosphere during the tax year, not less than 25,000 metric tons of qualified carbon oxide during the tax year which is utilized as described under section 45Q(f)(5); or

2. In the case of an electricity generating facility that isn't described in (1), not less than 500,000 metric tons of qualified carbon oxide during the tax year; or

3. In the case of a direct air capture facility or any facility not described in (1) or (2), not less than 100,000 metric tons of qualified carbon oxide during the tax year.

**Qualified EOR or natural gas recovery project.** A qualified EOR or natural gas recovery project means any project located in the United States involving the application of one or more tertiary recovery methods defined in section 193(b)(3) that can reasonably be expected to result in more than an insignificant increase in the amount of crude oil or natural gas that will ultimately be recovered and with respect to which the first injection of liquids, gases, or other matter begins after 1990.

**Natural gas.** Natural gas means any product (other than crude oil) of an oil or gas well if a deduction for depletion is allowable under section 611 with respect to such product.

**Tertiary injectant.** An injectant (other than a hydrocarbon injectant that is recoverable) that is used as part of a tertiary recovery method. For more details, see section 193(b).

**Secure geological storage.** Secure geological storage includes, but isn't limited to, storage at deep saline formations, oil and gas reservoirs, and unminable coal seams.

For taxpayers claiming a credit for a facility placed in service before February 9, 2018, the following applies.

- Secure geological storage requires approval by the U.S. Environmental Protection Agency (EPA) of a Monitoring, Reporting, and Verification Plan (MRV Plan) submitted by the operator of the storage facility or tertiary injection project.
- The annual amount of carbon oxide claimed for the credit must be consistent with amounts reported to the EPA under its Greenhouse Gas Reporting Program, subpart RR.

See sections 6 through 8 of Notice 2009-83, 2009-44 I.R.B. 588, available at [IRS.gov/irb/2009-44\\_IRB#NOT-2009-83](https://www.irs.gov/irb/2009-44_IRB#NOT-2009-83) for reporting and recordkeeping requirements associated with the limitation on credits available under former section 45Q(a) (as in effect before February 9, 2018) and sections 45Q(a)(1)

and (2). Sections 1 through 5 of Notice 2009-83 were obsolete by REG-112339-19, 85 F.R. 34050-34075. After the end of the calendar year in which the Secretary, in consultation with the Administrator of the EPA, certifies that a total of 75,000,000 metric tons of qualified carbon oxide have been taken into account under former section 45Q(a) (as in effect before February 9, 2018) and sections 45Q(a)(1) and (2), the remaining sections of Notice 2009-83 will be obsolete.

For taxpayers claiming a credit for a facility that was placed in service in tax years beginning on or after February 9, 2018, qualified carbon oxide is considered disposed of by the taxpayer in secure geological storage such that the qualified carbon oxide doesn't escape into the atmosphere if the qualified carbon oxide is:

- Stored, and not used as a tertiary injectant in a qualified EOR or natural gas recovery project, in compliance with applicable requirements under 40 CFR Part 98 subpart RR;
- Used as a tertiary injectant in a qualified EOR or natural gas recovery project and stored in compliance with applicable requirements under 40 CFR Part 98 subpart RR, or the International Organization for Standardization (ISO) Standards endorsed by the American National Standards Institute (ANSI) under CSA/ANSI ISO 27916:19, Carbon dioxide capture, transportation and geological storage—Carbon dioxide storage using enhanced oil recovery (CO<sub>2</sub>-EOR); or
- Injected into a well that complies with applicable Underground Injection Control regulations onshore or offshore under submerged lands within the territorial jurisdiction of the United States.

**Utilization of qualified carbon oxide.** Utilization of qualified carbon oxide means (1) the fixation of such qualified carbon oxide through photosynthesis or chemosynthesis, such as through the growing of algae or bacteria; (2) the chemical conversion of such qualified carbon oxide to a material or chemical compound in which such qualified carbon oxide is securely stored; or (3) the use of such qualified carbon oxide for any other purpose for which a commercial market exists (with the exception of use as a tertiary injectant in a qualified EOR or natural gas recovery project), as determined by the Secretary of the Treasury or his delegate.

**United States and U.S. possessions.** This includes the seabed and subsoil of those submarine areas that are adjacent to the territorial waters of the United States (or a U.S. possession) and over which the United States has exclusive rights, in accordance with international law, with respect to the exploration and exploitation of natural resources.

## Who Can Claim the Credit

The credit is attributable to you in the case of qualified carbon oxide captured using carbon capture equipment that is originally placed in service at a qualified facility on or after February 9, 2018, if you're the person that owns the carbon capture equipment and physically or contractually ensures the disposal, utilization, or use as a tertiary injectant of this qualified carbon oxide.



## Elections

### Section 45Q(b)(3) Election

You can elect to have the credit rates applicable to line 1b or 2b apply instead of the applicable dollar amounts applicable to lines 3b and 4b for each metric ton of qualified carbon oxide that is captured by you using carbon capture equipment that is originally placed in service at a qualified facility on or after February 9, 2018.

### Section 45Q(f)(6) Election

For purposes of section 45Q, for any tax year in which such facility is an applicable facility (a facility placed in service before February 9, 2018, and for which no taxpayer claimed a section 45Q credit for any tax year ending before February 9, 2018) that captures not less than 500,000 metric tons of qualified carbon oxide during the tax year, you can elect to have the facility, and any carbon capture equipment placed in service at the facility, treated as placed in service on February 9, 2018.

A taxpayer makes a section 45Q(f)(6) election by filing a statement of election with the taxpayer's income tax return for each tax year in which the credit arises. The statement of election must, in addition to any information required on Form 8933, set forth the electing taxpayer's name, address, taxpayer identification number, location, and e-GGRT ID number(s) (if available) of the applicable facility.

### Section 45Q(f)(3)(B) Election

In the case of qualified carbon oxide captured using carbon capture equipment that is originally placed in service at a qualified facility before February 9, 2018, if you're the person that captures and physically or contractually ensures the disposal, injection, or utilization of the qualified carbon oxide, the credit is attributable to you. You may claim the credit, or you may elect to allow the credit to the person that disposes of, injects, or utilizes the qualified carbon oxide. If you make this election, the amount you elect to allow won't be allowed to you. You can also elect to allow only part of the credit to the person that disposes of, injects, or utilizes the qualified carbon oxide in a tax year, and to claim the remainder yourself.

In the case of qualified carbon oxide captured using carbon capture equipment that is originally placed in service at a qualified facility on or after February 9, 2018, if you're the person that owns the carbon capture equipment and physically or contractually ensures the capture and disposal, utilization, or use as a tertiary injectant of such carbon oxide, you may check the box to elect to allow the credit to another person that disposes of, injects, or utilizes the qualified carbon oxide. If you make this election, the amount you elect to allow won't be allowed to you. You can also elect to allow only part of the credit to the person that disposes of, injects, or utilizes the qualified carbon oxide in a tax year, and to claim the remainder yourself.

A new section 45Q(f)(3)(B) election must be made annually. The electing taxpayer makes a section 45Q(f)(3)(B) election by filing a statement of election with the Form 8933 no later than the time prescribed by law (including

extensions) for filing the taxpayer's federal income tax return or Form 1065 for the year in which the credit arises.



*The election may not be filed with an amended federal income tax return, an amended Form 1065, or an Administrative Adjustment Request (AAR), as applicable, after the prescribed date (including extensions) for filing the original federal income tax return or Form 1065 for the year, with the exception of amended federal income tax returns, amended Forms 1065, or AARs, as applicable, for any tax year ending after February 9, 2018, and beginning on or before January 13, 2021. The amended federal income tax return or the amended Form 1065 must be filed, in no event, later than the applicable period of limitations on assessment for the tax year for which the amended federal income tax return or Form 1065 is being filed.*

### Information required to be provided by electing taxpayer.

- Election statement of the electing taxpayer on Form 8933 must indicate that an election is being made under section 45Q(f)(3)(B);
- The electing taxpayer must provide each credit claimant with a copy of the electing taxpayer's Form 8933;
- The electing taxpayer must, in addition to any information required on Form 8933, set forth the following information.

1. The electing taxpayer's name, address, taxpayer identification number, location, and e-GGRT ID number(s) (if available) of each qualified facility where carbon oxide was captured;
2. The full amount of credit attributable to the taxpayer prior to the election;
3. The name, address, and taxpayer identification number of each credit claimant, and the location and e-GGRT ID number(s) (if available) of each secure geological storage facility where the qualified carbon oxide is disposed of or injected;
4. The dollar amount of credits the taxpayer is allowing each credit claimant to claim and the corresponding metric tons of qualified carbon oxide; and
5. The dollar amount of credits retained by the electing taxpayer and the corresponding metric tons of qualified carbon oxide.

### Information required to be provided by credit claimant.

- Credit claimant must include the following information on Form 8933 with its timely filed federal income tax return or Form 1065 (including extensions).
- The name, address, and taxpayer identification number of the credit claimant;
  - The name, address, and taxpayer identification number of each taxpayer making an election under section 45Q(f)(3)(B) to allow the credit to the credit claimant;
  - The location and e-GGRT ID number(s) (if available) of each qualified facility where carbon oxide was captured;
  - The location and e-GGRT ID number(s) (if available) of each secure geological storage facility where the qualified carbon oxide is disposed of or injected;
  - The full dollar amount of credits attributable to each electing taxpayer prior to the election and the corresponding metric tons of carbon oxide;

- The dollar amount of credits that each electing taxpayer is allowing the credit claimant to claim and the corresponding metric tons of carbon oxide; and
- A copy of the electing taxpayer's Form 8933.

## Application of Section 45Q for Certain Carbon Capture Equipment

In the case of any carbon capture equipment placed in service before February 9, 2018, the credit will apply to qualified carbon oxide captured using such equipment before the end of the calendar year in which the Secretary, in consultation with the Administrator of the EPA, certifies that, during the period beginning after October 3, 2008, a total of 75,000,000 metric tons of qualified carbon oxide have been taken into account in accordance with section 45Q(a), as in effect on the day before February 9, 2018, and section 45Q(a)(1) and (2).

## When Construction Begins

Two methods can be used to establish that construction of a qualified facility or carbon capture equipment has begun.

1. **Physical Work Test** is satisfied when physical work of a significant nature begins and other requirements provided in section 5 of Notice 2020-12, 2020-11 I.R.B. 495, available at [IRS.gov/irb/2020-11\\_IRB#NOT-2020-12](https://www.irs.gov/irb/2020-11_IRB#NOT-2020-12), are met.

2. **Five Percent Safe Harbor** is satisfied when a taxpayer pays or incurs (within the meaning of Regulations section 1.461-1(a)(1) and (2)) five percent or more of the total cost of a qualified facility or carbon capture equipment and meets other requirements provided in section 6 of Notice 2020-12.

Although both methods can be used, only one method is needed to establish that construction of a qualified facility or carbon capture equipment has begun. A taxpayer that began construction on a qualified facility or carbon capture equipment by satisfying either the Physical Work Test or the Five Percent Safe Harbor Test, or both, before the effective date of Notice 2020-12 (March 9, 2020), may use March 9, 2020, as the date that construction began on such qualified facility or carbon capture equipment. Additionally, a taxpayer that began construction on a qualified facility or carbon capture equipment before March 9, 2020, under both the Physical Work Test and the Five Percent Safe Harbor may choose either method (but not both) for the purpose of applying the beginning of construction rules. For a taxpayer that began construction on a qualified facility or carbon capture equipment on or after March 9, 2020, construction will be deemed to have begun on the date the taxpayer first satisfies either the Physical Work Test or the Five Percent Safe Harbor. A taxpayer that fails to satisfy the Five Percent Safe Harbor in one year due to cost overruns (as defined in section 6.03 of Notice 2020-12) won't be prevented from using the Physical Work Test in a later year to establish beginning of construction, provided that occurs before January 1, 2026.

## Recapture

A recapture event occurs when qualified carbon oxide for which a section 45Q credit has been claimed ceases to be captured, disposed of, or used as a tertiary injectant during the recapture period. Recapture events are determined separately for each project involving capture, disposal, or use of qualified carbon oxide as a tertiary injectant.

Qualified carbon oxide ceases to be captured, disposed of, or used as a tertiary injectant if the leaked amount of qualified carbon oxide in the tax year exceeds the amount of qualified carbon oxide disposed of in secure geological storage or used as a tertiary injectant in that same tax year.

If a recapture event occurs during a project's recapture period, any taxpayer that claimed a credit for that project must report the following information on a Form 8933 filed with that taxpayer's federal income tax return or Form 1065 for the tax year for which the recapture event occurred.

- The recapture amount (as defined in proposed Regulations section 1.45Q-5(e));
- The quantity of leaked qualified carbon oxide (in metric tons) (as defined in proposed Regulations section 1.45Q-5(c));
- The statutory credit rate at which the credits were originally calculated; and
- A statement that describes how the taxpayer became aware of the recapture event, how the leaked amount was determined, and the identity and involvement of any regulatory agencies.

## Reporting Requirements

### General Requirements

A taxpayer claiming the section 45Q credit must provide the name and location of the qualified facilities at which the qualified carbon oxide was captured.



*If a taxpayer is claiming the section 45Q credit on an amended federal income tax return, an amended Form 1065, or an AAR, as applicable, the taxpayer must state "AMENDED RETURN FOR SECTION 45Q CREDIT" at the top of the amended federal income tax return, the amended Form 1065, or the AAR, as applicable. The amended federal income tax return or the amended Form 1065 must be filed, in no event, later than the applicable period of limitations on assessment for the tax year for which the amended federal income tax return or Form 1065 is being filed.*

### Contractually Ensuring Disposal, Injection, or Utilization of Qualified Carbon Oxide

A taxpayer that enters into a contract with another party to ensure disposal, injection, or utilization of qualified carbon oxide must report the existence of each contract, and the parties involved must be reported annually on a Form 8933 by each party to the contract, regardless of the party claiming the credit. In addition to any information stated as required on Form 8933, the report must include the following information.

- The name and taxpayer identification number of the taxpayer to whom the credit is attributable;
- The name and taxpayer identification number of each party with whom the taxpayer has entered into a contract to ensure the disposal, injection, or utilization of qualified carbon oxide;
- The date on which each contract was executed;
- The number of metric tons of qualified carbon oxide each contracting party disposes of, injects, or utilizes on behalf of the contracting taxpayer each tax year for reporting to the IRS; and
- For contracts for the disposal of qualified carbon oxide in secure geological storage or the use of qualified carbon oxide as a tertiary injectant in EOR or natural gas recovery, identifying information (the name of the operator, the field, unit, and reservoir), location by county and state, and identification number assigned to the facility by the EPA's electronic Greenhouse Gas Reporting Tool (e-GGRT ID number) for submission of the facility's 40 CFR Part 98 (subpart RR) annual reports.

### Secure Geological Storage

Certifications must be made annually.

### Reporting Based on 40 CFR Part 98 (Subpart RR)

For an EOR or natural gas recovery project in which the taxpayer reported volumes of carbon oxide to the EPA pursuant to 40 CFR Part 98 subpart RR, the taxpayer may self-certify the volume of carbon oxide claimed for purposes of the credit.

### Reporting Based on CSA/ANSI ISO 27916:19

For an EOR or natural gas recovery project in which the taxpayer determined volumes pursuant to CSA/ANSI ISO 27916:19, a taxpayer may prepare documentation as outlined in CSA/ANSI ISO 27916:19 internally, but such documentation must be provided to a qualified independent engineer or geologist, who then must certify that the documentation provided, including the mass balance calculations as well as information regarding monitoring and containment assurance, is accurate and complete. For any leaked amount of qualified carbon oxide that is determined pursuant to CSA/ANSI ISO 27916:19, the certification must also include a statement that the quantity was determined in accordance with sound engineering principles.

Taxpayers that capture qualified carbon oxide giving rise to the credit must file Form 8933 with a timely filed federal income tax return or Form 1065, including extensions, or for the purpose of this rule, amendments to federal income tax returns, Forms 1065, or on AARs, as applicable. Similarly, taxpayers that dispose of, inject, or utilize qualified carbon oxide must also file Form 8933 with a timely filed federal income tax return or Form 1065, including extensions, or for the purpose of this rule, amendments to federal income tax returns, Forms 1065, or on AARs, as applicable. If the volume of carbon oxide certified and reported is a negative amount, see proposed Regulations section 1.45Q-5 for rules regarding recapture.



*No credit is allowed for any tax year for which the taxpayer (including credit claimants) has failed to timely submit complete documentation, including the required certifications. The credit will be allowed only for a tax year for which complete documentation and certification has been timely submitted. Certifications for each tax year must be submitted by the due date of the federal income tax return or Form 1065 on which the credit is claimed, including extensions. If a credit is claimed on an amended federal income tax return, an amended Form 1065, or an AAR, as applicable, certifications may also be submitted with such amended federal income tax return, amended Form 1065, or AAR. If a credit was claimed on a timely filed federal income tax return or Form 1065 for a tax year ending after February 9, 2018, and beginning on or before January 13, 2021, for which certifications weren't submitted, such certifications may be submitted with an amended federal income tax return, an amended Form 1065, or an AAR, as applicable, for the tax year in which the credit was claimed.*

### Qualified EOR or Natural Gas Recovery Project

Each qualified EOR or natural gas recovery project must be certified under Regulations section 1.43-3.

For purposes of a natural gas project, a petroleum engineer's certification as required under Regulations section 1.43-3(a)(3) and an operator's continued certification of a project as required under Regulations section 1.43-3(b)(3) must include an additional statement that the certification is for purposes of the credit.

### Petroleum Engineer's Certification

The petroleum engineer's certification must be attached to a Form 8933 and filed no later than the last date prescribed by law (including extensions) for filing the operator's or designated owner's federal income tax return or Form 1065 for the first tax year in which qualified carbon oxide is injected into the reservoir.



*If a credit is claimed on an amended federal income tax return, an amended Form 1065, or an AAR, as applicable, the petroleum engineer's certification will be treated as filed timely if it is attached to a Form 8933 that is submitted with such amended federal income tax return, amended Form 1065, or AAR. With respect to a credit that is claimed on a timely filed federal income tax return or Form 1065 for a tax year ending after February 9, 2018, and beginning on or before January 13, 2021, for which the petroleum engineer's certification wasn't submitted, the petroleum engineer's certification will be treated as filed timely if it is attached to an amended Form 8933 for any tax year ending after February 9, 2018, but not for tax years beginning on or before January 13, 2021.*

### Operator's Continued Certification

The operator's continued certification of a project must be attached to a Form 8933 and filed no later than the last date prescribed by law (including extensions) for filing the operator's or designated owner's federal income tax return or Form 1065 for tax years after the tax year for which the



petroleum engineer's certification is filed but not after the tax year in which injection activity ceases and all injection wells are plugged and abandoned.

## Utilization

The amount of qualified carbon oxide utilized by the taxpayer is equal to the metric tons of qualified carbon oxide that the taxpayer demonstrates, based upon an analysis of lifecycle greenhouse gas emissions (LCA), that were captured and permanently isolated from the atmosphere (isolated), or displaced from being emitted into the atmosphere (displaced).

**Lifecycle greenhouse gas emissions and lifecycle analysis.** The term “lifecycle greenhouse gas emissions” means the aggregate quantity of greenhouse gas emissions (including direct emissions and significant indirect emissions such as significant emissions from land use changes) related to the full product lifecycle, including all stages of product and feedstock production and distribution, from feedstock generation or extraction through the distribution and delivery and use of the finished product to the ultimate consumer, where the mass values for all greenhouse gases are adjusted to account for their relative global warming potential according to Table A-1 of 40 CFR Part 98 subpart A.

**Measurement.** The measurement and written LCA report must be performed by or verified by an independent third party. The report must contain documentation consistent with the International Organization for Standardization (ISO) 14044:2006, “Environmental management—Life cycle assessment—Requirements and Guidelines,” as well as a statement documenting the qualifications of the third party, including proof of appropriate U.S. or foreign professional license, and an affidavit from the third party stating that it’s independent from the taxpayer.

**Approval of the LCA.** The taxpayer must submit the written LCA report and independent third-party statement to the IRS and the Department of Energy (DOE). The LCA will be subject to a technical review by the DOE, and the IRS, in consultation with the DOE and the EPA, will determine whether to approve the LCA.

Taxpayers should fax a copy of their LCA report, including the independent third-party statement specified in Regulations section 1.45Q-4(c)(4), to the IRS at 844-255-4817. The submission should include a cover letter with:

1. Name of the utilization facility;
2. Name of the operator of the utilization facility, including operator’s TIN/EIN;
3. Name of the taxpayer(s) claiming the credit based on the LCA, including each taxpayer’s TIN/EIN;
4. Tax year in which the credit is claimed; and
5. Name, email address, and phone number of a person to whom the IRS can contact regarding this LCA application.

Taxpayers should also mail (1) the items above, and (2) the model, if the LCA wasn’t verified by an independent third-party review, on a USB thumb drive, to:

Internal Revenue Service  
Office of Associate Chief Counsel (PSI)  
1111 Constitution Ave. NW  
Branch 6 (CC:PSI:6), Room 5114  
Washington, DC 20224

Taxpayers should also send the DOE an email at LCA45Q@hq.doe.gov, and the DOE will respond with instructions for submission of the LCA application.

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## Specific Instructions

To claim the credit for disposal of carbon oxide in secure geological storage or for use of carbon oxide as a tertiary injectant in an EOR or natural gas recovery project prior to disposal in secure geological sequestration, the amount of carbon oxide must be measured at the source of capture and verified either at the point of disposal in secure geological storage or at the point of injection as a tertiary injectant in an EOR or natural gas recovery project. The amount of qualified carbon oxide is presumed to be the lesser of the amount measured at capture and the amount verified at disposal or injection unless it can be established to the satisfaction of the IRS that the greater amount is the correct amount.

To claim the credit for utilization of carbon oxide, the amount of qualified carbon oxide utilized by the taxpayer is equal to the metric tons of qualified carbon oxide that the taxpayer demonstrates, based upon an analysis of lifecycle greenhouse gas emissions (LCA), were (1) captured and permanently isolated from the atmosphere, or (2) displaced from being emitted into the atmosphere.

### Line 1a

Enter the number of metric tons of qualified carbon oxide captured using carbon capture equipment originally placed in service at a qualified facility before February 9, 2018, disposed of in secure geological storage and not used as a tertiary injectant in a qualified EOR or natural gas recovery project, or utilized in a way described in section 45Q(f)(5).

### Line 2a

Enter the number of metric tons of qualified carbon oxide captured using carbon capture equipment originally placed in service at a qualified facility before February 9, 2018, used as a tertiary injectant in a qualified EOR or natural gas recovery project and disposed of in secure geological storage, or utilized in a way described in section 45Q(f)(5).

### Line 3a

Enter the number of metric tons of qualified carbon oxide captured using carbon capture equipment originally placed in service at a qualified facility on or after February 9, 2018, during the 12-year period beginning on the date the equipment was originally placed in service, disposed of in secure geological storage, and not used as a tertiary injectant in a qualified EOR natural gas recovery project, or utilized in a way described in section 45Q(f)(5).

## Line 4a

Enter the number of metric tons of qualified carbon oxide captured using carbon capture equipment originally placed in service at a qualified facility on or after February 9, 2018, during the 12-year period beginning on the date the equipment was originally placed in service, used as a tertiary injectant in a qualified EOR or natural gas recovery project and disposed of in secure geological storage, or utilized in a way described in section 45Q(f)(5).

## Line 5. Section 45Q(b)(3) Election

You may check the box to elect having the dollar amounts applicable under section 45Q(a)(1) or (2) apply in lieu of the dollar amounts applicable under section 45Q(a)(3) or (4) for each metric ton of qualified carbon oxide that is captured by the taxpayer using carbon capture equipment that is originally placed in service at a qualified facility on or after February 9, 2018.

## Line 6. Section 45Q(f)(6) Election

You may check the box to elect for applicable facilities under section 45Q(f)(6)(A). Section 45Q(f)(6)(A) provides that for any tax year in which an applicable facility captures not less than 500,000 metric tons of qualified carbon oxide, the person described in section 45Q(f)(3)(A)(ii) may elect to have such applicable facility, and any carbon capture equipment placed in service at such applicable facility, deemed as having been placed in service on February 9, 2018. The term "applicable facility" means a qualified facility (i) that was placed in service before February 9, 2018, and (ii) for which no taxpayer claimed a section 45Q credit in regards to such facility for any tax year ending before February 9, 2018.

## Line 7. Section 45Q(f)(3)(B) Election

In the case of qualified carbon oxide captured using carbon capture equipment that was originally placed in service at a qualified facility before February 9, 2018, if

you're the person that captures and physically or contractually ensures the disposal, injection, or utilization of the qualified carbon oxide, you may check the box to elect to allow the credit to another person that disposes of, injects, or utilizes the qualified carbon oxide. If you make this election, the amount you elect to allow won't be allowed to you. You can also elect to allow only part of the credit to the person that disposes of, injects, or utilizes the qualified carbon oxide in a tax year, and to claim the remainder yourself.

In the case of qualified carbon oxide captured using carbon capture equipment that is originally placed in service at a qualified facility on or after February 9, 2018, if you're the person that owns the carbon capture equipment and physically or contractually ensures the capture and disposal, utilization, or use as a tertiary injectant of such carbon oxide, you may check the box to elect to allow the credit to another person that disposes of, injects, or utilizes the qualified carbon oxide. If you make this election, the amount you elect to allow won't be allowed to you. You can also elect to allow only part of the credit to the person that disposes of, injects, or utilizes the qualified carbon oxide in a tax year, and to the claim the remainder yourself.

## Line 8

Enter the total qualified carbon oxide sequestration credits from:

- Schedule K-1 (Form 1065), Partner's Share of Income, Deductions, Credits, etc., box 15 (code P); and
- Schedule K-1 (Form 1120-S), Shareholder's Share of Income, Deductions, Credits, etc., box 13 (code P).

Partnerships and S corporations report the above credits on line 8 and their Schedule K. All others not using earlier lines to figure a separate credit can report the above credits directly on Form 3800, Part III, line 1x.

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**Paperwork Reduction Act Notice.** We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual and business taxpayers filing this form is approved under OMB control number 1545-0074 and 1545-0123 and is included in the estimates shown in the instructions for their individual and business income tax return. The estimated burden for all other taxpayers who file this form is shown below.

<b>Recordkeeping</b> .....	1 hr., 54 min.
<b>Learning about the law or the form</b> .....	6 min.
<b>Preparing and sending the form to the IRS</b> .....	7 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.