



45Q TAX CREDIT

FREQUENTLY ASKED QUESTIONS



What is 45Q?

A federal tax credit designed to encourage investment in carbon capture, utilization, and storage (CCUS) technologies by providing a financial incentive for each metric ton of carbon emissions that is captured and permanently stored or otherwise used in a qualifying way.



Who can claim the credit?

Owners of carbon capture equipment who ensure disposal or use of the captured carbon can claim the credit, certain tax-exempt or governmental entities that claim the value of the credit through direct payments, or a party that disposes of the CO₂ in secure geological storage or uses it in enhanced oil recovery (EOR) or other qualified utilization.



How does the credit work?

- A facility must meet certain minimum thresholds and must begin construction by Jan. 1, 2033.
- The credit is claimed by the owner of the capture equipment, ensuring the captured carbon is stored or used.
- The credit applies for a 12-year period beginning when the capture equipment is placed in service.
- The applicant must accurately measure the amount of qualified CO₂ at the point of capture and ensure it is either securely stored, used in a qualifying way, or properly injected.



What is the amount of the credit?

- The amount of the credit depends on how the captured carbon is handled. Larger credits are available for permanent injection or for direct air capture (DAC) projects.
- **Credit Amounts:**
 - **Storage:** For carbon captured from an industrial facility or power plant and permanently stored in secure geological storage, the credit is \$85 per metric ton if labor requirements are satisfied, or \$17 without.
 - **Utilization:** If the captured carbon from an industrial facility is instead used for enhanced oil recovery (EOR) or other qualified utilization, the credit is \$60 per ton with labor compliance, or \$12 per ton without.
 - **Direct Air Capture:** For direct air capture (DAC) projects, if the captured carbon is permanently stored, the credit is \$180 per ton with labor compliance, or \$36 per ton without it. If DAC carbon is used for EOR or other qualified utilization, the credit is \$130 per ton with labor compliance, or \$26 per ton without.



Can these credits be sold or transferred?

- If the equipment owner is not the one disposing of or utilizing the CO₂, the IRS allows allocation or the transfer of some or all of the credits to the entity that stores or uses the CO₂.
- Projects can also sell their 45Q credits to an unrelated taxpayer rather than claim them directly, which is useful if the project owner doesn't have enough tax liability to use the credits.