



Credit for Carbon Oxide Sequestration

Federal Agency: Department of the Treasury

IRA Statutory Location: 13104

Tax Code Location: 26 U.S. Code § 45Q

Tax Provision Description: Provides a credit for carbon dioxide sequestration coupled with permitted end uses within the United States.

Period of Availability: Credit can be claimed for 12 years after a facility is placed in service. Facilities must be placed in service before 1/1/33.

Tax Mechanism: Production tax credit based on carbon capture and sequestration, injection for enhanced oil recovery (EOR), or utilization

New or Modified Provision: Extended and modified, tying the credit amounts to meeting prevailing wage and registered apprenticeship requirements, providing an enhanced credit for direct air capture (DAC), and lowering the carbon capture threshold requirements at facilities.

Eligible Recipients: U.S. facilities within minimum volumes: 1,000 metric tons of CO₂ per year for DAC facilities; 18,750 metric tons for electricity generating facilities (with carbon capture capacity of 75% of baseline CO₂ production); 12,500 metric tons for other facilities.

Tribal Eligibility: Yes

Base Credit Amount: \$17/metric ton of carbon dioxide captured and sequestered; \$12/metric ton for carbon dioxide that is injected for enhanced oil recovery or utilized. Those amounts are \$36 and \$26, respectively, for direct air capture facilities.

Bonus Credit Amount: 5 times the base amounts if the facility meets prevailing wage and registered apprenticeship requirements. Initial guidance on the labor provisions is available [here](#).

Direct Pay Eligibility: Yes, for tax-exempt organizations, states, political subdivisions, the Tennessee Valley Authority, Indian Tribal governments, Alaska Native Corporations, and rural electricity co-ops (applicable entities). Entities other than applicable entities are eligible for up to 5 years of direct pay (which is less than the full credit period and expires at the end of 2032) if they make an election. Applies to carbon capture equipment (CCE) that is originally placed in service after December 31, 2022. Applies separately with respect to CCE placed in service during a taxable year.

Transferability: Yes



Stackability: Credit reduced for tax-exempt bonds with similar rules as section 45(b)(3).

Relevant Announcements: [Request for Comments on the Credit for Carbon Oxide Sequestration](#) (11/3/2022)
[Prevailing Wage and Apprenticeship Initial Guidance](#) (11/29/2022)
[FAQ: Prevailing Wage and the Inflation Reduction Act](#)
[FAQ: Apprenticeships and the Inflation Reduction Act](#)