



# TaxNewsFlash

## United States

No. 2018-190  
May 14, 2018

### **Inflation adjustment factors, carbon dioxide sequestration under section 45Q, Indian coal production credit under section 45**

Notice 2018-40 provides the inflation adjustment factor for 2018 with respect to the credit for carbon dioxide (CO<sub>2</sub>) sequestration under section 45Q. Notice 2018-36 provides the inflation adjustment factor for the Indian coal production credit under section 45.

Both Notice 2018-40 and Notice 2018-36 appear in the [Internal Revenue Bulletin 2018-20](#) [PDF 209 KB] dated Monday, May 14, 2018.

#### **Carbon dioxide sequestration under section 45Q**

Notice 2018-40 provides:

- The inflation adjustment factor is 1.1437.
- The section 45Q credit is \$22.87 per metric ton of qualified CO<sub>2</sub> under section 45Q(a)(1), and \$11.44 per metric ton of qualified CO<sub>2</sub> under section 45Q(a)(2).

#### **Background**

Section 45Q provides that a credit for CO<sub>2</sub> sequestration is generally available to a taxpayer that captures qualified CO<sub>2</sub> at a qualified facility and disposes of the CO<sub>2</sub> in secure geological storage within the United States, effective for CO<sub>2</sub> captured after October 3, 2008.

As originally enacted, the credit is \$20 per metric ton of qualified CO<sub>2</sub> that is captured and disposed of in secure geological storage, and a credit of \$10 per metric ton of qualified CO<sub>2</sub> that is captured and used as a tertiary injectant in a qualified enhanced oil or natural gas recovery project (EOR project).

Additional requirements (effective after February 17, 2009) provide that for purposes of the \$20 per metric ton credit, the qualified CO<sub>2</sub> must not be used as a tertiary injectant; and that for purposes of the \$10 per metric ton credit, the qualified CO<sub>2</sub> used as a tertiary injectant must be disposed of in secure geological storage.

The credit is attributable to the person that captures and physically or contractually ensures the disposal of or the use as a tertiary injectant of the qualified CO<sub>2</sub>, except to the extent provided in regulations.

For tax years beginning in a calendar year after 2009, the dollar amount of the credit under section 45Q can be adjusted for inflation. Also, the section 45Q credit will apply with respect to qualified CO<sub>2</sub> before the end of the calendar year in which the Treasury Secretary, in consultation with EPA, certifies that 75 million metric tons of qualified CO<sub>2</sub> have been taken into account.

Notice 2018-40 states that based on annual reports filed with the IRS, the aggregate amount of qualified CO<sub>2</sub> taken into account for purposes of section 45Q is 59,767,924 metric tons.

### **Inflation adjustment factor, Indian coal production credit**

Notice 2018-36 publishes the inflation adjustment factor for the Indian coal production credit under section 45.

- The inflation adjustment factor for Indian coal production is 1.2115.
- The credit for Indian coal production under section 45(e)(10)(B) is \$2.423 per ton on the sale of Indian coal.

The information contained in TaxNewsFlash is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230, as the content of this document is issued for general informational purposes only, is intended to enhance the reader's knowledge on the matters addressed therein, and is not intended to be applied to any specific reader's particular set of facts. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. Applicability of the information to specific situations should be determined through consultation with your tax adviser.

KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever.

Direct comments, including requests for subscriptions, to [Washington National Tax](#). For more information, contact KPMG's Federal Tax Legislative and Regulatory Services Group at + 1 202.533.4366, 1801 K Street NW, Washington, DC 20006-1301.

To unsubscribe from TaxNewsFlash-United States, reply to [Washington National Tax](#).

[Privacy](#) | [Legal](#)