



# TaxNewsFlash

United States



No. 2022-279  
September 23, 2022

## Notice 2022-38: Carbon oxide sequestration credit under section 45Q, inflation adjustment factor for 2022, final year for pre-BBA equipment

Notice 2022-38 provides the inflation adjustment factor for the credit for carbon oxide sequestration under section 45Q for calendar year 2022, available for qualified carbon oxide that is captured by carbon capture equipment placed in service prior to the enactment of the “Bipartisan Budget Act of 2018” (BBA).

Notice 2022-38—which appears in Internal Revenue Bulletin 2022-39 (dated Monday, September 26, 2022)—also confirms that 2022 will be the final calendar year for which a taxpayer may claim a section 45Q credit for qualified carbon that is captured by carbon capture equipment originally placed in service at a qualified facility before the date of enactment of the BBA.

Read Notice 2022-38 in [IRB-2022-39](#) [PDF 931 KB]

### Background

Prior to enactment of the BBA, the section 45Q credit for carbon oxide sequestration provided a tax credit for qualified carbon dioxide captured by the taxpayer at a qualified facility and disposed of in secure geological storage or used as a tertiary injectant in an enhanced oil or gas recovery (EOR) project. The credit was capped at a total of 75 million metric tons of qualified carbon oxide captured by all taxpayers and section 45Q provided that the IRS, in consultation with the Environmental Protection Agency (EPA), would certify when 75 million metric tons of qualified carbon oxide had been taken into account. To date IRS has not certified that the 75 million metric ton cap has been met. However, the “Inflation Reduction Act of 2022” provided that the pre-BBA section 45Q credit would not be available at the earlier of (1) January 1, 2023, or (2) the end of the calendar year when the IRS certifies that a total of 75 million metric tons of qualified carbon oxide have been taken into account

The BBA expanded the section 45Q credit to include higher credit rates and no cap, among other favorable changes, for carbon capture equipment placed in service on or after February 9, 2018.

The IRA further modified, extended and enhanced the section 45Q credits. The IRA changes are generally applicable for projects on which construction begins after 2022.

The section 45Q credits rates announced today apply only to qualified carbon oxide captured by carbon capture equipment placed in service prior to the BBA.

### **Inflation adjustment factor**

Notice 2022-38 provides:

- The inflation adjustment factor for calendar year 2022 is 1.2534.
- The section 45Q credit for calendar year 2022 is:
  - \$25.07 per metric ton of qualified carbon oxide under section 45Q(a)(1).
  - \$12.53 per metric ton of qualified carbon oxide under section 45Q(a)(2).

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