



# TaxNewsFlash

United States



No. 2023-223  
June 23, 2023

## Notice 2023-46: Carbon oxide sequestration credit under section 45Q, inflation adjustment factor for 2023

The [Internal Revenue Bulletin 2023-26](#) [PDF 913 KB] (dated June 26, 2023) includes Notice 2023-46 providing that the inflation adjustment factor for the carbon oxide sequestration credit under section 45Q for calendar year 2023 is 1.3471.

The inflation adjustment factor is used to determine the amount of the credit allowable under section 45Q for taxpayers that make an election under section 45Q(b)(3) to have the dollar amounts applicable under section 45Q(a)(1) or (2) apply.

The section 45Q credit for calendar year 2023 is \$26.94 per metric ton of qualified carbon oxide under section 45Q(a)(1) and \$13.47 per metric ton of qualified carbon oxide under section 45Q(a)(2).

### Background

Prior to the enactment of the Bipartisan Budget Act of 2018 (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.

Notice 2022-38 provided that 2022 was the final calendar year for which a taxpayer may claim a section 45Q credit under section 45Q(a)(1) and (2) for qualified carbon oxide that is captured by carbon capture

equipment originally placed in service at a qualified facility before the date of enactment of the BBA. Read [TaxNewsFlash](#)

Therefore, the inflation adjustment amounts in Notice 2023-46 only apply if a taxpayer elects under section 45Q(b)(3) to apply the dollar amounts applicable under section 45Q(a)(1) or (2) in lieu of the dollar amounts applicable under section 45Q(a)(3) or (4).

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.

H.R. 5376 (commonly called the “Inflation Reduction Act” (IRA)) further modified, extended and enhanced the section 45Q credits. The IRA changes are generally applicable for projects on which construction begins after 2022.

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