



CARBON CAPTURE, UTILIZATION, AND STORAGE TAX CREDIT AMENDMENTS ACT OF 2021 (S. 986)

The **Carbon Capture, Utilization, and Storage (CCUS) Tax Credit Amendments Act** modifies the existing 45Q and 48A tax credits, which are federal credits that reward qualifying facilities for using [carbon capture](#) and [direct air capture](#) technologies. These technologies are widely recognized as critical emissions reduction tools for meeting decarbonization goals. Removing barriers to implementing this technology will lead to more widespread adoption.

SUMMARY

The CCUS Tax Credit Amendments Act is a bipartisan proposal to continue support for deployment of carbon capture and direct air capture projects. This bill would allow these technologies to advance further for wide scale deployment and is crucial for the U.S. to lead innovation in reducing and abating carbon emissions.

HISTORY:

The 45Q tax credit was originally enacted by the Energy Improvement and Extension Act of 2008 to reduce carbon dioxide emissions through secure geologic storage. The credit was amended in 2018 to include qualified carbon oxides and increase the value of the credit. In 2020, it was amended again to give qualifying projects until January 2026 to commence construction to be eligible for the credit. The 45Q tax credit is one of the most comprehensive and beneficial tools in accelerating the development of CCUS.

The Section 48A tax credit was enacted as part of the Energy Tax Incentives Act (ETIA) of 2005. The original credit was not designed with carbon capture projects in mind and authorized \$1.3 billion to support advanced coal-based generation technology. In 2008, an additional \$1.25 billion was provided through the Energy Improvement and Extension Act (EIEA) of 2008. A new requirement imposed that projects must capture and store at least 65% of carbon emissions in order to be eligible for the tax credits. Unfortunately, the 2005 and 2008 laws created eligibility standards that are not technically or economically feasible for carbon capture retrofit projects to meet, which has left nearly \$2 billion in unused credits. The CCUS Tax Credit Amendments Act seeks to improve the tax credit to incentivize the deployment of carbon capture technologies.

SPECIFICS:

The CCUS Tax Credit Amendments Act accelerates carbon capture deployments through the following amendments:

- **5-Year Extension of 45Q** – This amendment proposes to extend the date by which construction of carbon capture projects must begin in order to be eligible for the credit by 5 years. Carbon capture projects are large-scale, capital-intensive projects that require years to plan and execute. Extending the date for projects to begin construction provides developers much-needed security that their projects can meet the deadline to claim the credit, as well as enables even more projects to be developed within this timeframe.
- **Direct Pay Elective for 45Q and 48A Credits** – The direct pay elective would allow taxpayers to treat any portion of the tax credits that they have earned as a payment of taxes, which is a more effective and cost-efficient method to incentivize projects. Direct payment means more of the tax credit value flows to the project developer than to a tax equity transaction, and this is possible with no extra cost to the

government. This provision will also enable the pool of investors to increase since ability to claim the credit would not be restricted to those who have a tax liability.

- **BEAT Offset for 45Q Credits** – This proposal allows the tax credits to be applied to offset a company’s Base Erosion Anti-Abuse Tax (BEAT) obligation, which is a form of alternative minimum tax applicable to multinational corporations. Offsetting BEAT liabilities will reduce obstacles for companies to utilize the credit.
- **Improvements to the 48A Advanced Coal Tax Credit** – The Act makes a number of common-sense, technical changes to the existing Section 48A tax credit to unlock the benefits of the program and encourage wider investment in CCUS to reduce emissions from coal facilities.
- **Increases the 45Q Tax Credit for Direct Air Capture Projects** – Increases the tax credit value to \$120 per metric ton for direct air capture facilities that store carbon dioxide in saline geologic formations and \$75 per ton for direct air capture facilities that store carbon dioxide in oil and gas reservoirs.

ORIGINAL SPONSORS: Sen. Shelley Moore Capito (R-WV), Sen. Tina Smith (D-MN), Sen. Kevin Cramer (R-ND), Sen. Sheldon Whitehouse (D-RI), Sen. Brian Schatz (D-HI), Sen. John Hoeven (R-ND), Sen. Joe Manchin (D-WV), Sen. John Barrasso (R-WY), Sen. Chris Coons (D-DE), Sen. Chuck Grassley (R-IA), Sen. Ben Ray Luján (D-NM), Sen. Joni Ernst (R-IA).

RELATED BILLS: An Increased Credit for Carbon Oxide Sequestration ([H.R. 5883](#)), ACCESS 45Q ([H.R.1062](#)), Carbon Capture Modernization Act ([S. 661](#), [H.R. 1760](#))

SUPPORT: ClearPath Action, Prairie State Generating Company, United Steelworkers, Clean Air Task Force, LanzaTech, Svante Inc., The Nature Conservancy, Bipartisan Policy Center Action, National Wildlife Federation, Portland Cement Association, Summit Agricultural Group, Utility Workers Union of America, Occidental, Center for Climate and Energy Solutions, Citizens for Responsible Energy Solutions, Calpine, Growth Energy, Carbon Engineering, World Resources Institute, Third Way, New Energy Risk

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