ACCESS 45Q Act (H.R. 1062)

The ACCESS 45Q Act modifies the existing section of the 45Q tax credit, a federal credit that rewards qualifying facilities for using carbon capture technologies. The bill extends the tax credit by 10 years, provides a direct payment elective, and allows for Base Erosion Anti-Abuse Tax (BEAT) offsets. These amendments to the credit would provide longer-term certainty for the deployment of CCUS technologies and improve its relevance to a wider range of prospective developers.

Summary

The ACCESS 45Q Act is a bipartisan proposal to incentivize the deployment of carbon capture projects. This bill comes at an ideal time to support clean energy investments, as it would provide significant economic benefits to communities across the country and environmental benefits in the form of reduced 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The 45Q tax credit was originally enacted by the Energy Improvement and Extension Act of 2008 to reduce carbon dioxide emissions through geologic sequestration and enhanced oil recovery projects. The credit was expanded under the Bipartisan Budget Act of 2018 to include qualified carbon oxides and increase the value of the credit. Most recently, the Energy Act of 2020 extended the 45Q tax credit by two years, and the IRS published its final 45Q regulations just 10 days after Congress extended the credit. The 45Q tax credit is viewed as the single most useful tool in spurring the development of CCUS projects.

Specifics:

There are three key provisions to the ACCESS 45Q Act: extension of the credit, a direct pay option and ability to BEAT offset.

- **10-Year Extension** – ACCESS 45Q proposes to extend the date by which construction of carbon capture projects must begin in order to be eligible for the credit by 10 years, emulating a similar recommendation included in a National Petroleum Council carbon capture report. 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** – 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** – This proposal allows the 45Q 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.

Original Sponsors: Rep. McKinley (R-WV), Rep. Veasey (D-TX)

SUPPORT: ClearPath Action, Carbon Capture Coalition, Carbon Utilization Research Council

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