



TaxNewsFlash

United States



No. 2020-079
February 19, 2020

Notice 2020-12 and Rev. Proc. 2020-12: Carbon oxide sequestration credit under section 45Q

The IRS today released an advance version of two guidance items concerning the carbon oxide sequestration credit under section 45Q.

- [Notice 2020-12](#) [PDF 204 KB] addresses the definition of “beginning of construction” for purposes of the carbon oxide sequestration credit under section 45Q, and also provides guidance intended to help businesses determine when construction has begun on a qualified facility or on carbon capture equipment that may be eligible for the section 45Q credit.
- [Rev. Proc. 2020-12](#) [PDF 45 KB] provides a safe harbor for partnerships to make valid allocations of the carbon oxide sequestration credit under section 45Q. According to the [IRS transmittal message](#), the safe harbor is similar to those developed for partnerships receiving the wind energy production tax credit and the rehabilitation credit, and simplifies the application of section 45Q credit rules to partnerships able to claim the credit.

Overview

After the enactment of the Bipartisan Budget Agreement in February 2018, the IRS issued Notice 2019-32 requesting comments from taxpayers regarding the changes to the carbon capture credit in that legislation. Read [TaxNewsFlash](#)

Today, the IRS explained in a related IRS release—[IR-2020-35](#) (February 19, 2020)—that Notice 2020-12 and Rev. Proc. 2020-12 provided answers and a safe harbor on carbon capture credits by:

- Explaining how the 2018 tax law may benefit those claiming carbon capture credits
- Addressing the definition of “beginning of construction”
- Providing a safe harbor for partnership allocations of the credit

The IRS continued to explain that:

- Notice 2020-12 provides guidance to help businesses determine when construction has begun on a qualified facility or on carbon capture equipment that may be eligible for the carbon capture credit. This notice provides broad guidance in lieu of taxpayers requesting private letter rulings in this area.
- Rev. Proc. 2020-12 creates a safe harbor for the allocation rules for carbon capture partnerships similar to the safe harbors developed for partnerships receiving the wind energy production tax credit and the rehabilitation credit. The safe harbor simplifies the application of carbon capture credit rules to partnerships able to claim the credit.

Lastly, the IRS release states that future guidance is anticipated to address issues ranging from secure geological storage to utilization to recapture of the credit for those claiming credits for carbon capture.

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](#)