

110TH CONGRESS  
2D SESSION

**S.** \_\_\_\_\_

To amend the Internal Revenue Code of 1986 to allow a credit for the capture and sequestration of carbon dioxide from an industrial source.

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IN THE SENATE OF THE UNITED STATES

Mr. BAUCUS introduced the following bill; which was read twice and referred to the Committee on \_\_\_\_\_

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**A BILL**

To amend the Internal Revenue Code of 1986 to allow a credit for the capture and sequestration of carbon dioxide from an industrial source.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Accelerating Carbon  
5 Capture and Sequestration Act of 2008”.

6 **SEC. 2. TAX CREDIT FOR CARBON DIOXIDE SEQUESTRA-**  
7 **TION.**

8 (a) IN GENERAL.—Subpart D of part IV of sub-  
9 chapter A of chapter 1 of the Internal Revenue Code of

1 1986 (relating to business credits) is amended by adding  
2 at the end the following new section:

3 **“SEC. 45Q. CREDIT FOR CARBON DIOXIDE SEQUESTRATION.**

4 “(a) GENERAL RULE.—For purposes of section 38,  
5 the carbon dioxide sequestration credit for any taxable  
6 year is an amount equal to the sum of—

7 “(1) \$20 per metric ton of qualified carbon di-  
8 oxide which is—

9 “(A) captured by the taxpayer at a quali-  
10 fied facility, and

11 “(B) disposed of by the taxpayer in secure  
12 geological storage, and

13 “(2) \$10 per metric ton of qualified carbon di-  
14 oxide which is—

15 “(A) captured by the taxpayer at a quali-  
16 fied facility, and

17 “(B) used by the taxpayer as a tertiary  
18 injectant in a qualified enhanced oil or natural  
19 gas recovery project.

20 “(b) QUALIFIED CARBON DIOXIDE.—For purposes of  
21 this section—

22 “(1) IN GENERAL.—The term ‘qualified carbon  
23 dioxide’ means carbon dioxide captured from an in-  
24 dustrial source which—

1           “(A) would otherwise be released into the  
2           atmosphere as industrial emission of green-  
3           house gas, and

4           “(B) is measured at the source of capture  
5           and verified at the point of disposal or injec-  
6           tion.

7           “(2) RECYCLED CARBON DIOXIDE.—The term  
8           ‘qualified carbon dioxide’ includes the initial deposit  
9           of captured carbon dioxide used as a tertiary  
10          injectant. Such term does not include carbon dioxide  
11          that is re-captured, recycled, and re-injected as part  
12          of the enhanced oil and natural gas recovery process.

13          “(c) QUALIFIED FACILITY.—For purposes of this  
14          section, the term ‘qualified facility’ means any industrial  
15          facility—

16                 “(1) which is owned by the taxpayer,

17                 “(2) at which carbon capture equipment is  
18                 placed in service, and

19                 “(3) which captures not less than 500,000 met-  
20                 ric tons of carbon dioxide during the taxable year.

21          “(d) SPECIAL RULES AND OTHER DEFINITIONS.—  
22          For purposes of this section—

23                 “(1) ONLY CARBON DIOXIDE CAPTURED AND  
24                 STORED OR USED WITHIN THE UNITED STATES  
25                 TAKEN INTO ACCOUNT.—The credit under this sec-

1           tion shall apply only with respect to qualified carbon  
2           dioxide—

3                   “(A) the capture of which is within the  
4           United States (within the meaning of section  
5           638(1)) or a possession of the United States  
6           (within the meaning of section 638(2)), and

7                   “(B) which is stored in secure geological  
8           storage, or used as a tertiary injectant in a  
9           qualified enhanced oil or natural gas recovery  
10          project, located within the United States (as so  
11          defined) or a possession of the United States  
12          (as so defined).

13               “(2) SECURE GEOLOGICAL STORAGE.—The Sec-  
14          retary, in consultation with the Administrator of the  
15          Environmental Protection Agency, shall establish  
16          regulations for determining adequate security meas-  
17          ures for the geological storage of carbon dioxide  
18          under subsection (a)(1)(B) such that the carbon di-  
19          oxide does not escape into the atmosphere. Such  
20          term shall include storage at deep saline formations  
21          and unminable coal seams under such conditions as  
22          the Secretary may determine under such regulations.

23               “(3) TERTIARY INJECTANT.—The term ‘ter-  
24          tiary injectant’ has the same meaning as when used  
25          within section 193(b)(1).

1           “(4) QUALIFIED ENHANCED OIL OR NATURAL  
2           GAS RECOVERY PROJECT.—The term ‘qualified en-  
3           hanced oil or natural gas recovery project’ has the  
4           meaning given the term ‘qualified enhanced oil re-  
5           covery project’ by section 43(c)(2), by substituting  
6           ‘crude oil or natural gas’ for ‘crude oil’ in subpara-  
7           graph (A)(i) thereof.

8           “(5) CREDIT ATTRIBUTABLE TO TAXPAYER.—  
9           Any credit under this section shall be attributable to  
10          the person that captures and physically or contrac-  
11          tually ensures the disposal of or the use as a tertiary  
12          injectant of the qualified carbon dioxide, except to  
13          the extent provided in regulations prescribed by the  
14          Secretary.

15          “(6) RECAPTURE.—The Secretary shall, by reg-  
16          ulations, provide for recapturing the benefit of any  
17          credit allowable under subsection (a) with respect to  
18          any qualified carbon dioxide which ceases to be cap-  
19          tured, disposed of, or used as a tertiary injectant in  
20          a manner consistent with the requirements of this  
21          section.

22          “(7) INFLATION ADJUSTMENT.—In the case of  
23          any taxable year beginning in a calendar year after  
24          2008, there shall be substituted for each dollar

1 amount contained in subsection (a) an amount equal  
2 to the product of—

3 “(A) such dollar amount, multiplied by

4 “(B) the inflation adjustment factor for  
5 such calendar year determined under section  
6 43(b)(3)(B) for such calendar year, determined  
7 by substituting ‘2007’ for ‘1990’.

8 “(e) APPLICATION OF SECTION.—The credit under  
9 this section shall apply with respect to qualified carbon  
10 dioxide before the end of the calendar year in which the  
11 Secretary, in consultation with the Administrator of the  
12 Environmental Protection Agency, certifies that  
13 75,000,000 metric tons of qualified carbon dioxide have  
14 been captured and disposed of or used as a tertiary  
15 injectant.”.

16 (b) CONFORMING AMENDMENT.—Section 38(b) of  
17 the Internal Revenue Code of 1986 (relating to general  
18 business credit) is amended by striking “plus” at the end  
19 of paragraph (32), by striking the period at the end of  
20 paragraph (33) and inserting “, plus”, and by adding at  
21 the end of following new paragraph:

22 “(34) the carbon dioxide sequestration credit  
23 determined under section 45Q(a).”.

24 (c) CLERICAL AMENDMENT.—The table of sections  
25 for subpart B of part IV of subchapter A of chapter 1

1 of the Internal Revenue Code of 1986 (relating to other  
2 credits) is amended by adding at the end the following  
3 new section:

“Sec. 4QO. Credit for carbon dioxide sequestration.”.

4 (d) EFFECTIVE DATE.—The amendments made by  
5 this section shall apply carbon dioxide captured after the  
6 date of the enactment of this Act.