



45Z Clean Fuel Production Credit

Tax and Financial Reporting
Considerations for the 45Z



The proposed regulations related to the 45Z Clean Fuel Production Credit provide additional insight into how taxpayers may evaluate credit eligibility, recognition considerations, and potential transferability under the current legislative framework. While the final impact will depend on the finalized rules and individual taxpayer circumstances, the proposed guidance may help organizations better understand how the credit could apply to their activities.



 **Increased confidence
in financial reporting**

A key benefit of the proposed guidance is the clarity it delivers around financial reporting—particularly for organizations selling credits and publicly traded entities. The regulations provide:

Criteria for determining when credits meet the probable recognition threshold

Consistency in accounting approaches for transferable credits

Clarity to support preparation of financial disclosures

Together, these proposals may offer additional considerations for organizations, depending on circumstances, as they assess asset recognition, audit-related preparation activities, and investor communication processes.



Potential implications for market activity

Regulatory clarity may have immediate market implications. Defined standards for eligibility, recognition, and transferability may contribute to:

Increased buyer confidence in the integrity of credits

Fewer accounting-related delays for sellers

Expected faster, more efficient transaction execution

The proposed guidance may offer additional clarity that stakeholders can consider when assessing potential market activity related to clean fuel credits.

Why the reform matters

Since the credit took effect in 2025, limited regulatory direction made it difficult for organizations to monetize clean fuel credits—particularly when establishing asset recognition. This uncertainty constrained decision-making and slowed market activity. The proposed 45Z regulations directly address these challenges. Clearer rules could allow stakeholders to better substantiate outcomes, streamline internal approvals, and integrate clean fuel credits into tax planning, accounting processes, and broader investment strategies.



Further Technical Resources



This overview highlights the high-level implications of the proposed guidance. For deeper technical and accounting analysis, see:

KPMG LLP (U.S.) Handbook—Accounting for Tax Credits Handbook: Tax credits

KPMG LLP (U.S.) Tax Newsflash—Proposed Rules and Guidance on the 45Z Clean Fuel Production Credit
KPMG report: Proposed regulations providing guidance on clean fuel production credit

KPMG LLP (U.S.) Report—Proposed Guidelines on the 45Z Clean Fuel Production Credit (PDF)
Proposed regulations: Clean fuel production credit under section 45Z

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