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KPMG report: Clean fuel production credit—a new incentive regime

Alternative and renewable fuel incentives have been administered by the IRS as part of the federal motor fuels excise tax regime for decades. A range of “legacy” incentives, which are allowed with respect to fuels that are produced from various qualifying feedstocks and meet exacting technical specifications, are set to expire at the end of 2024.

The section 45Z clean fuel production credit (CFPC), effective January 1, 2025, appears to largely consolidate and replace the expiring legacy incentives in a technology-neutral fashion, provided the fuels meet emissions and production standards. The CFPC shifts these incentives to the income tax return. Among other changes, the CFPC is claimed by the producer and introduces different requirements and conditions to qualify for the allowance. As with any change to the Code, this change brings complexity and requires taxpayers and their advisers to plan ahead.

Read a June 2024 report[1] prepared by KPMG LLP tax professionals that encourage taxpayers that produce alternative and renewable fuel to begin preparing now for the transition to the one-size-fits-all, technology-neutral clean fuel production credit from the patchwork of legacy incentives.

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