



TaxNewsFlash

United States

No. 2025-145

May 12, 2025

Notice 2025-25: Carbon oxide sequestration credit under section 45Q, inflation adjustment factor for 2025

The [Internal Revenue Bulletin 2025-20](#) (dated May 12, 2025) includes Notice 2025-25, providing that the inflation adjustment factor for the carbon oxide sequestration credit under section 45Q for calendar year 2025 is 1.4213.

The inflation adjustment factor is used to determine the amount of the credit allowable under section 45Q for taxpayers that make an election under section 45Q(b)(3) to have the dollar amounts applicable under section 45Q(a)(1) or (2) apply.

The section 45Q credit for calendar year 2025 is \$28.43 per metric ton of qualified carbon oxide under section 45Q(a)(1) and \$14.21 per metric ton of qualified carbon oxide under section 45Q(a)(2).

Background

H.R. 5376 (commonly called the “Inflation Reduction Act” (IRA)) modified, extended and enhanced the section 45Q credits. The IRA changes are generally applicable for projects on which construction begins after 2022.

Section 13104(f) of the IRA provides that in the case of any carbon capture equipment placed in service before the date of the enactment of the “Bipartisan Budget Act” (BBA), the credit under section 45Q applies with respect to qualified carbon oxide captured using such equipment before the earlier of January 1, 2023, and the end of the calendar year in which the Secretary of the Treasury or her delegate, in consultation with the Administrator of the Environmental Protection Agency, certifies that, during the period beginning after October 3, 2008, a total of 75,000,000 metric tons of qualified carbon oxide have been taken into account in accordance with (i) section 45Q(a), as in effect on the day before the date of the enactment of BBA, and (ii) section 45Q(a)(1) and (2).

Notice 2022- 38 provided that 2022 was the final calendar year for which a taxpayer may claim a section 45Q credit under section 45Q(a)(1) and (2) for qualified carbon oxide that is captured by carbon capture equipment originally placed in service at a qualified facility before the date of enactment of the BBA. Therefore, the inflation adjustment amounts in section 3 of this notice only apply if a taxpayer elects under section 45Q(b)(3) to apply the dollar amounts applicable under section 45Q(a)(1) or (2) in lieu of the dollar amounts applicable under section 45Q(a)(3) or (4). Because amendments to section 45Q(g) made by section 13104(f) of the IRA eliminated the 75,000,000 metric ton threshold beginning January 1, 2023, this notice obsoletes Notice 2009-

83. Sections 1 through 5 of Notice 2009-83 were previously obsoleted by the final regulations for section 45Q, T.D. 9944. This notice also obsoletes Notice 2011-25, which modified section 4 of Notice 2009-83.

kpmg.com/socialmedia



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 address the circumstances of any particular individual or entity. 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. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

KPMG International Limited is a private English company limited by guarantee and does not provide services to clients. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm.

Direct comments, including requests for subscriptions, to [Washington National Tax](#). For more information, contact KPMG's Federal Tax Legislative and Regulatory Services Group at +1 202.533.3712, 1801 K Street NW, Washington, DC 20006-1301.

To unsubscribe from TaxNewsFlash, reply to [Washington National Tax](#).

[Privacy](#) | [Legal](#)