



TaxNewsFlash

United States

No. 2025-359
December 19, 2025

Notice 2026-1: Safe harbor for section 45Q credit for qualified carbon oxide disposed of in secure geological storage in 2025

The IRS today released [Notice 2026-1](#), providing interim guidance for taxpayers claiming the tax credit for carbon oxide (CO₂) sequestration under section 45Q, which was expanded and modified by Pub. L. No. 119-21 (known as the “One Big Beautiful Bill Act” (OBBBA)).

Specifically, Notice 2026-1 provides a safe harbor for determining eligibility for the section 45Q credit for qualified CO₂ that is captured and disposed of in secure geological storage (and carbon oxide described in Treas. Reg. § 1.45Q-2(h)(5)) and not used as a tertiary injectant in a qualified enhanced oil or natural gas recovery project during calendar year 2025, in the event the Environmental Protection Agency (EPA) does not launch the electronic Greenhouse Gas Reporting Tool (e-GGRT) for filers to prepare and submit information required under subpart RR of 40 CFR part 98 for reporting year 2025 by June 10, 2026.

Taxpayers may rely on the safe harbor and guidance described in section 3 of the notice to demonstrate compliance with the subpart RR requirements of Treas. Reg. § 1.45Q-3(b)(1)(ii) or 1.45Q-2(h)(5)(iii), as applicable, and Treas. Reg. § 1.45Q-3(d), for purposes of determining the section 45Q credit with respect to the 2025 calendar year. However, the safe harbor does not apply if the EPA launches the e-GGRT for reporting year 2025 by June 10, 2026.

A related IRS release—[IR-2025-122](#) (December 19, 2025)—explains that under the safe harbor of Notice 2026-1, if the EPA does not launch its e-GGRT for reporting year 2025 by June 10, 2026, taxpayers may prepare and submit an annual report to a qualified independent engineer or geologist. The engineer or geologist must then certify that the capture and disposal described in the annual report is in compliance with relevant greenhouse gas reporting program requirements as in effect on December 31, 2025, in the manner specified in the notice.

Notice 2026-1 states that the Treasury Department and IRS expect that forthcoming proposed regulations will propose updated requirements for taxpayers claiming the credit for secure geological storage after the 2025 calendar year.

KPMG observation

The notice is in response to uncertainty created by the EPA's proposed repeal of subpart RR, which is referenced in the current section 45Q regulations and covers the reporting obligations of geological sequestration of CO₂. The notice provides a practical solution to 2025 reporting requirements for section 45Q secure geologic storage projects. In the event the EPA does not launch its e-GGRT reporting for 2025 by June 10, 2026, taxpayers will be considered to have satisfied the section 45Q secure geological storage requirements if the secure geological storage is (1) in compliance with subpart RR as subpart RR is currently in effect and (2) has the annual report certified by an independent engineer or geologist.

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](#)