TaxNewsFlash
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Notice 2026-50: Section 45Q safe harbor for carbon oxide sequestration expanded and extended

The IRS today released Notice 2026-50, providing interim guidance relating to the credit for carbon oxide sequestration under section 45Q and expanding and extending the safe harbor provided in Notice 2026-1 (read *TaxNewsFlash*).

As background, on September 16, 2025, the Environmental Protection Agency (EPA) proposed regulations to remove reporting requirements regarding the geological sequestration of carbon dioxide under subpart RR of 40 CFR part 98 (subpart RR) of the Greenhouse Gas Reporting Program. The finalization of this rule would cause certain annual reports to no longer be accepted and filed by the EPA.

Notice 2026-1 provided a safe harbor for determining eligibility for the section 45Q credit for qualified carbon oxide that is captured and disposed of in secure geological storage and not used as a tertiary injectant in a qualified enhanced oil or natural gas recovery project for 2025.

Under the safe harbor, if the EPA does not make its electronic Greenhouse Gas Reporting Tool (e-GGRT) available by a certain date, taxpayers may satisfy the section 45Q substantiation, certification, and recapture requirements by preparing an annual report consistent with subpart RR, as in effect on December 31, 2025, receiving an EPA-approved Monitoring, Reporting ,and Verification (MRV) plan for the project, and obtaining certification of the annual report from an independent qualified engineer or geologist.

As a result of multiple inquires and concerns raised by stakeholders, Notice 2026-50 expands the applicability of the Notice 2026-1 safe harbor to also cover:

- Qualified carbon oxide used as a tertiary injectant in a qualified enhanced oil or natural gas recovery project, provided the taxpayer has received an EPA-approved MRV plan and complies with subpart RR requirements as in effect on December 31, 2025; and
- Determinations of the amount of qualified carbon oxide securely stored and the amount of qualified carbon oxide that has leaked into the atmosphere for purposes of the section 45Q recapture requirements under Treas. Reg. § 1.45Q-5(a) and (c).

Notice 2026-50 also extends the applicability of the safe harbor beyond calendar year 2025. The safe harbor applies to secure geological storage occurring on or after January 1, 2025, and on or before December 31 of the calendar year in which Treasury and the IRS publish further interim guidance or proposed regulations addressing section 45Q requirements for secure geological storage.

The notice also requests comments on potential alternatives to subpart RR, including:

- ISO 27914:2026 (Carbon dioxide capture, transportation and storage—Geological storage)
- Other possible measurement, reporting, and verification standards or methodologies that could be used to demonstrate compliance with section 45Q requirements for secure geological storage if the EPA finalizes its proposal to remove subpart RR reporting obligations

Written comments should be submitted by October 30, 2026. The notice states that comments received after that date may still be considered if doing so will not delay future published guidance.

KPMG observation

After the issuance of Notice 2026-1, considerable uncertainty remained regarding how to transition from the subpart RR reporting regime and the applicability of the safe harbor to secure geological storage after 2025. This notice should offer some welcome relief to those planning to claim section 45Q tax credits that have been relying on subpart RR to demonstrate secure geologic storage.

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