

# Carbon Dioxide Sequestration Credit

▶ Attach to your tax return.

▶ To claim this credit, the qualified facility must capture at least 500,000 metric tons of carbon dioxide during the tax year.

▶ Information about Form 8933 and its instructions is at [www.irs.gov/form8933](http://www.irs.gov/form8933).

**2016**

Attachment Sequence No. **165**

Department of the Treasury  
Internal Revenue Service

Name(s) shown on return

Identifying number

<b>Qualified carbon dioxide captured at a qualified facility, disposed of in secure geological storage, and not used as a tertiary injectant in a qualified enhanced oil or natural gas recovery project.</b>			
<b>1a</b>	Metric tons captured and disposed of (see instructions) . . . . .	_____	
<b>b</b>	Inflation-adjusted credit rate . . . . .	_____	
<b>c</b>	Multiply line 1a by line 1b . . . . .		<b>1c</b>
<b>Qualified carbon dioxide captured at a qualified facility, disposed of in secure geological storage, and used as a tertiary injectant in a qualified enhanced oil or natural gas recovery project.</b>			
<b>2a</b>	Metric tons captured and used (see instructions) . . . . .	_____	
<b>b</b>	Inflation-adjusted credit rate . . . . .	_____	
<b>c</b>	Multiply line 2a by line 2b . . . . .		<b>2c</b>
<b>3</b>	Carbon dioxide sequestration credit from partnerships and S corporations . . . . .		<b>3</b>
<b>4</b>	Add lines 1c, 2c, and 3. Partnerships and S corporations, report this amount on Schedule K. All others, report this amount on Form 3800, Part III, line 1x . . . . .		<b>4</b>

## General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

### Future Developments

For the latest information about developments related to Form 8933 and its instructions, such as legislation enacted after they were published, go to [www.irs.gov/form8933](http://www.irs.gov/form8933).

### Purpose of Form

Use Form 8933 to claim the section 45Q carbon dioxide sequestration credit. The credit is allowed for qualified carbon dioxide that is captured and disposed of or captured, used, and disposed of by the taxpayer in secure geological storage. Only carbon dioxide captured and disposed of or used as a tertiary injectant within the United States or a U.S. possession is taken into account when figuring the credit. See *Definitions* below.

For the purposes of this form, a partner in a partnership that has made a valid section 761(a) election will be considered the taxpayer. Partnerships with valid section 761(a) elections aren't required to complete or file this form. Instead, the partner is required to complete and file this form in a manner commensurate with its undivided ownership interest in the qualified facility.

Taxpayers other than partnerships or S corporations whose only source of this credit is from those pass-through entities (other than a partnership with a valid 761(a) election) aren't required to complete or file this form. Instead, report this credit directly on line 1x of Form 3800, General Business Credit.

## How To Figure the Credit

Generally, the credit is \$20 (adjusted for inflation) per metric ton for qualified carbon dioxide captured at a qualified facility, disposed of in secure geological storage, and not used as a tertiary injectant in a qualified enhanced oil or natural gas recovery project.

Generally, the credit is \$10 (adjusted for inflation) per metric ton for qualified carbon dioxide captured at a qualified facility, used as a tertiary injectant in a qualified enhanced oil or natural gas recovery project, and disposed of in secure geological storage.

For the purpose of calculating the credit, a metric ton of carbon dioxide includes only the contained weight of the carbon dioxide. The weight of any other substances, such as water or impurities, isn't included in the calculation.

### Inflation Adjustment

For 2016, the \$20 and \$10 rates are adjusted for inflation.

The 2016 credit rates are:

- \$22.14 for qualified carbon dioxide captured at a qualified facility, disposed of in secure geological storage, and not used as a tertiary injectant in a qualified enhanced oil or natural gas recovery project; and
- \$11.07 for qualified carbon dioxide captured at a qualified facility, disposed of in secure geological storage, and used as a tertiary injectant in a qualified enhanced oil or natural gas recovery project.

## Definitions

### Qualified Carbon Dioxide

Qualified carbon dioxide is carbon dioxide captured after October 3, 2008, from an industrial source that:

- Would otherwise be released into the atmosphere as industrial emission of greenhouse gas, and
- Is measured at the source of capture and verified at the point of disposal or injection.

Qualified carbon dioxide also includes the initial deposit of captured carbon dioxide used as a tertiary injectant. However, it doesn't include carbon dioxide that is recaptured, recycled, or otherwise reinjected as part of the enhanced oil and natural gas recovery process.

**Qualified Facility**

A qualified facility is any industrial facility that is owned by the taxpayer where carbon capture equipment is placed in service and that captures at least 500,000 metric tons of carbon dioxide during the tax year.

**Industrial Facility**

An industrial facility is a facility that produces a carbon dioxide stream from a fuel combustion source, a manufacturing process, or a fugitive carbon dioxide emission source that, absent capture and disposal, would otherwise be released into the atmosphere as industrial emission of greenhouse gas. An industrial facility doesn't include a facility that produces carbon dioxide from carbon dioxide production wells at natural carbon-dioxide-bearing formations.

**Secure Geological Storage**

This includes storage at deep saline formations, oil and gas reservoirs, and unminable coal seams under such conditions as the IRS may determine under regulations.

After 2010:

- Secure geological storage requires approval by the EPA of a Monitor, Report and Verify Plan (MRV Plan) submitted by the operator of the storage facility or tertiary injection project.
- The annual amount of carbon dioxide claimed for the credit must be reconciled with amounts reported to the U.S. Environmental Protection Agency (EPA) under its Greenhouse Gas Reporting Program, subpart RR.

See the EPA website at [www.epa.gov](http://www.epa.gov) and Notice 2009-83, 2009-44 I.R.B. 588, for more information on secure geological storage. Notice 2009-83 is available at [www.irs.gov/irb/2009-44\\_IRB/ar11.html](http://www.irs.gov/irb/2009-44_IRB/ar11.html).

**Tertiary Injectant**

This is an injectant (other than a hydrocarbon injectant that is recoverable) that is used as part of a tertiary recovery method. For more details, see section 193(b).

**Qualified Enhanced Oil or Natural Gas Recovery Project**

A qualified enhanced oil or natural gas recovery project means any project located in the United States involving the application of one or more tertiary recovery methods defined in section 193(b)(3) that can reasonably be expected to result in more than an insignificant increase in the amount of crude oil or natural gas that will ultimately be recovered and with respect to which the first injection of liquids, gases, or other matter commences after 1990. The project won't be treated as a qualified enhanced crude oil or natural gas recovery project unless the operator submits to the IRS a certification from a petroleum engineer that the project meets (and continues to meet) these requirements.

**United States and U.S. Possessions**

This includes the seabed and subsoil of those submarine areas that are adjacent to the territorial waters of the United States (or a U.S. possession) and over which the United

States has exclusive rights according to international law with respect to the exploration and exploitation of natural resources.

**Who Can Take the Credit**

Generally, the credit is allowed to the person that captures and physically or contractually ensures the disposal of or the use as a tertiary injectant of the qualified carbon dioxide.

See Notice 2009-83 for the annual report that is required if the credit is claimed.

**Specific Instructions**

In order to claim the credit, the amount of carbon dioxide must be measured at the source of capture and verified either at the point of disposal in secure geological storage or at the point of injection as a tertiary injectant in an enhanced oil or natural gas recovery project. The amount of qualified carbon dioxide is presumed to be the lesser of the amount measured at capture and the amount verified at disposal or injection, unless it can be established to the satisfaction of the IRS that the greater amount is the correct amount.

**Line 1**

Enter the metric tons of qualified carbon dioxide captured at a qualified facility, disposed of in secure geological storage, and not used as a tertiary injectant in a qualified enhanced oil or natural gas recovery project. Then, multiply the metric tons entered by \$22.14.

**Line 2**

Enter the metric tons of qualified carbon dioxide captured at a qualified facility, used as a tertiary injectant in a qualified enhanced oil or natural gas recovery project, and disposed of in secure geological storage. Then, multiply the metric tons entered by \$11.07.

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**Paperwork Reduction Act Notice.** We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual and business taxpayers filing this form is approved under OMB control number 1545-0074 and 1545-0123 and is included in the estimates shown in the instructions for their individual and business income tax return. The estimated burden for all other taxpayers who file this form is shown below.

- Recordkeeping** . . . . . 1 hr., 54 min.
- Learning about the law or the form** . . . . . 6 min.
- Preparing and sending the form to the IRS** . . . . . 7 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.