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# Instructions for Form 7218

(December 2024)

## Clean Fuel Production Credit



Department of the Treasury  
Internal Revenue Service

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

## General Instructions

### Future Developments

For the latest information about developments related to Form 7218 and its instructions, such as legislation enacted after they were published, go to [IRS.gov/Form7218](https://www.irs.gov/Form7218).

### What's New

**New Form 7218.** Beginning in 2025, new Form 7218, Clean Fuel Production Credit, will be used to claim the section 45Z clean fuel production credit.

**Tax-exempt and governmental entities.** Applicable entities (such as certain tax-exempt and governmental entities) can elect to treat the clean fuel production credit as a payment of income tax. See [Applicable entities](#), later.

**Credit transfers.** Eligible taxpayers, partnerships, and S corporations can elect to transfer all or part of the credit amount otherwise allowed as a general business credit to an unrelated third-party buyer in exchange for cash. Eligible taxpayers don't include applicable entities and electing taxpayers. See [Credit transfers](#), later.

**Pre-filing registration.** The IRS has established a pre-filing registration that must be completed prior to electing payment or transfer of the clean fuel production credit. See [Pre-filing registration requirement for payments or transfers](#), later.

### Purpose of Form

Use Form 7218 to claim the section 45Z credit for the production of qualified clean fuel produced and sold after 2024.

### How To Claim the Credit

To qualify for the credit, the clean fuel must be transportation fuel produced in the United States (including U.S. territories) by the taxpayer at a qualified facility after 2024, and sold by the taxpayer to an unrelated person for a use described in section 45Z(a)(4) during the tax year. The taxpayer must be registered as a producer of clean fuel under section 4101 at the time of production to claim the credit. For more information about section 45Z(f) registration requirements, see Notice 2024-49, available at [IRS.gov/irb/2024-26\\_IRB#NOT-2024-49](https://www.irs.gov/irb/2024-26_IRB#NOT-2024-49).

File a separate Form 7218 for each qualified facility for which you claim the section 45Z credit. Complete Part I to report facility information and the appropriate lines of Parts II and III, as needed, to calculate your clean fuel production credit for such facility.

### Amount of Credit

The clean fuel production credit for any tax year is adjusted annually for inflation. The credit is calculated by multiplying the applicable amount by each gallon (or gallon equivalent) of fuel produced and sold by the emissions factor of the fuel.

The applicable amount ranges from \$0.20 to \$1.75 per gallon depending on whether the fuel is sustainable aviation fuel (SAF) or non-SAF, and if prevailing wage and apprenticeship (PWA) requirements are met.

### Applicable Amount

#### Base Amount Table

Type of fuel	Base amount
Non-SAF and PWA requirements are not met	\$0.20
Non-SAF and PWA requirements are met	\$1.00
SAF and PWA requirements are not met	\$0.35
SAF and PWA requirements are met	\$1.75

The applicable amount is adjusted by multiplying the base amount by the inflation adjustment factor for the calendar year in which the sale of the transportation fuel occurs. When released, the inflation adjustment factor for 2025 will be available on [IRS.gov](https://www.irs.gov). If this adjusted amount is not a multiple of 1 cent, the amount must be rounded to the nearest multiple of 1 cent.

### Emissions Factor

The emissions factor is calculated by subtracting the emissions rate or provisional emissions rate (PER) value (in kilograms of CO<sub>2</sub>e per mmBTU) of the fuel from 50 kilograms of CO<sub>2</sub>e per mmBTU and dividing the result by 50 kilograms of CO<sub>2</sub>e per mmBTU.

The Treasury Department and the IRS will annually publish a table that sets forth the emissions rate for similar types and categories of transportation fuels based on the amount of lifecycle greenhouse gas emissions as described in section 211(o)(1)(H) of the Clean Air Act (CAA) (42 U.S.C. 7545(o)(1)(H)), as in effect on August 16, 2022 (emissions rate table).

**PER value.** In the case of any transportation fuel for which an emissions rate has not been determined, a taxpayer producing such fuel may file a petition with the Secretary of the Treasury to determine the emissions rate with respect to such fuel known as a PER value.

**Applicable entities.** Applicable entities (as defined under section 6417(d)(1)(A)) that generally don't benefit from income tax credits may elect to treat the clean fuel production credit as a payment of income tax. Resulting overpayments may result in refunds.

Applicable entities making the elective payment election for the clean fuel production credit must file the following.

- Form 7218.
- Form 3800, General Business Credit.
- Form 990-T, Exempt Organization Business Income Tax Return, or other applicable income tax return.

For a discussion of what is considered an applicable entity, see *Applicable entity making an EPE on IRA 2022 credits* in the Instructions for Form 3800. For more information on elective payment elections under section 6417, see *Elective Payment of Certain Business Credits Under Section 6417 or Section 48D* in the Instructions for Form 3800.

**Credit transfers.** Under section 6418, eligible taxpayers can elect to transfer all or part of the clean fuel production credit amount otherwise allowed as a general business credit to an unrelated third party in exchange for cash. Eligible taxpayers don't include applicable entities. For more information on credit transfers, see *Transfer of Eligible Credits Under Section 6418* in the Instructions for Form 3800.

**Pre-filing registration requirement for payments or transfers.** Before you file your tax return, if you intend to make an elective payment election or transfer election on Form 3800 for the clean fuel production credit, you must complete a pre-filing registration for each qualified facility. To register, go to [IRS.gov/credits-deductions/register-for-elective-payment-or-transfer-of-credits](https://www.irs.gov/credits-deductions/register-for-elective-payment-or-transfer-of-credits). See Pub. 5884, Inflation Reduction Act (IRA) and CHIPS Act of 2022 (CHIPS) Pre-Filing Registration Tool, for more information. Also see *Registering for and Making EPEs and Transfer Elections* in the Instructions for Form 3800.

### Prevailing Wage Requirements

To meet the prevailing wage requirements with respect to any qualified facility, a taxpayer must ensure that any laborers and mechanics employed by the taxpayer or any contractor or subcontractor in:

- The construction of such facility, and
- The alteration or repair of such facility (with respect to any tax year, for any portion of such tax year that is within the 10-year period beginning on the date the facility is originally placed in service) are paid wages at rates not less than the prevailing rates for construction, alteration, or repair of a similar character in the locality in which such facility is located. Correction and penalty mechanisms for a taxpayer's failure to satisfy the prevailing wage requirements are set forth under section 45(b)(7)(B).

For qualified facilities placed in service before 2025, the taxpayer is not subject to the prevailing wage requirements with respect to the construction of the facility but is subject to the prevailing wage requirements for the alteration or repair of the facility with respect to any tax year beginning after 2024, for which the section 45Z credit is allowed.

### Apprenticeship Requirements

The apprenticeship requirements of IRA 2022 include three components: a labor hours requirement, a ratio requirement, and a participation requirement.

- Under the labor hours requirement, the taxpayer must ensure that, depending on when construction began, 10% to 15% of the total labor hours performed in the construction, alteration, or repair of the qualified facility are performed by qualified apprentices from a registered apprenticeship program.
- Under the ratio requirement, the taxpayer must ensure that the applicable ratio of apprentices to journey-workers established by the registered apprenticeship program is met for apprentices working on the qualified facility each day.
- Under the participation requirement, any taxpayer (or contractor or subcontractor) that employs four or more laborers or mechanics in the construction, alteration, or repair of the qualified facility must also hire at least one qualified apprentice.

**Special transition rule for qualified facilities placed in service before 2025.** The taxpayer is not subject to the apprenticeship requirements with respect to construction of a facility that occurs on or before 90 days after June 25, 2024.

For further information on the PWA requirements, go to [IRS.gov/credits-deductions/frequently-asked-questions-about-the-prevailing-wage-and-apprenticeship-under-the-inflation-reduction-act](https://www.irs.gov/credits-deductions/frequently-asked-questions-about-the-prevailing-wage-and-apprenticeship-under-the-inflation-reduction-act).

### Definitions

#### Applicable Material

Applicable materials are:

- Monoglycerides, diglycerides, and triglycerides;
- Free fatty acids; and
- Fatty acid esters.

#### Biomass

Biomass is any organic material other than oil, natural gas, and coal (including ignite), or any product thereof.

#### CO<sub>2</sub>e

The term "CO<sub>2</sub>e" with respect to any greenhouse gas is the equivalent carbon dioxide (as determined based on relative global warming potential).

#### Greenhouse Gases

Greenhouse gases have the same PWA meaning given to such term under section 211(o)(1)(H) of the CAA.

#### mmBTU

The term "mmBTU" means 1,000,000 British thermal units.

#### Qualified Facility

A qualified facility is a facility used for the production of transportation fuels, and does not include any facility for which one of the following credits is allowed under section 38 for the tax year.

- The credit for production of clean hydrogen under section 45V.
- The credit determined under section 46 to the extent that such credit is attributable to the energy credit determined under section 48 with respect to any specified clean hydrogen production facility for which an election is made under section 48(a)(15). An election made under section 48(a)(15) is an irrevocable election.
- The credit for carbon oxide sequestration under section 45Q.

## Sale

A sale for purposes of the section 45Z credit occurs when the transportation fuel is sold by the taxpayer to an unrelated person:

- For use by such person in the production of a fuel mixture,
- For use by such person in a trade or business, or
- Who sells such fuel at retail to another person and places such fuel in the fuel tank of such other person.

## Sustainable Aviation Fuel (SAF)

SAF is the portion of liquid fuel that is not kerosene that is sold for use in an aircraft and:

- Meets the requirements of either ASTM International D7566, or the Fischer-Tropsch provisions of ASTM D1655 Annex A1; and
- Is not derived from palm fatty acid distillates or petroleum.

SAF must also meet the transportation fuel requirements of section 45Z(d)(5)(A). For more information on the SAF requirements, see Notice 2024-49, sections 2.03 and 3.04(1), available at [IRS.gov/irb/2024-26\\_IRB#NOT-2024-49](https://www.irs.gov/irb/2024-26_IRB#NOT-2024-49).

To claim the clean fuel production credit for the production and sale of SAF, unrelated party certification is required under section 45Z(f)(1)(A)(i)(II)(aa).

## Transportation Fuel

Transportation fuel is fuel which:

- Is suitable for use in a highway vehicle or aircraft,
- Has an emissions rate which is not greater than 50 kilograms of CO<sub>2</sub>e per mmBTU, and
- Is not derived from co-processing an applicable material (or materials derived from an applicable material) with a feedstock which is not biomass.

The term “transportation fuel” includes non-SAF transportation fuel and SAF.

# Specific Instructions

## Part I—Facility and Other Information

### Line 1

If applicable, enter your pre-filing registration number which you received from the IRS. See [Pre-filing registration requirement for payments or transfers](#), earlier.

### Line 2a

Enter a description of the qualified facility where the transportation fuel was produced.

### Line 2b

If different from filer, enter owner's name and taxpayer identification number (TIN).

### Lines 2c and 2d

Enter the address of the facility and the coordinates of the facility.

### Line 3

Enter the date construction began. This information is needed to determine the credit amount based on PWA requirements.

### Line 4

Enter the date the qualified facility was originally placed in service. This information is needed to determine the credit amount based on PWA requirements.

### Line 5a

Enter the producer registration number issued by the IRS. See Notice 2024-49, section 4, available at [IRS.gov/irb/2024-26\\_IRB#NOT-2024-49](https://www.irs.gov/irb/2024-26_IRB#NOT-2024-49), for the procedures to register as a producer of clean fuel. Frequently asked questions about applying for registration are available at [IRS.gov/newsroom/frequently-asked-questions-about-applying-for-registration-for-the-clean-fuel-production-credit-under-ss-45z](https://www.irs.gov/newsroom/frequently-asked-questions-about-applying-for-registration-for-the-clean-fuel-production-credit-under-ss-45z).

If the registration number does not fit on this line or you have more than one registration number, please attach a document with this information to your Form 7218.

### Line 5b

Enter the date of your registration letter providing approval for producers of transportation fuel with activity letter CN (non-SAF) or CA (SAF). No clean fuel production credit can be claimed for any transportation fuel unless the taxpayer is registered as a producer of clean fuel under section 4101 at the time of production. For example, if a taxpayer receives a letter of registration dated June 30, 2025, the taxpayer cannot claim the section 45Z credit for any transportation fuel produced and sold by the taxpayer before June 30, 2025, even if all other section 45Z requirements are met prior to that date. That taxpayer can only claim the section 45Z credit for transportation fuel produced and sold on or after June 30, 2025.

### Line 6

Check the box if you are using a PER value to calculate the clean fuel production credit. A taxpayer may file a petition with the Secretary for determination of the emissions rate for any transportation fuel for which an emissions rate has not already been established. The Treasury Department and the IRS will provide guidance regarding the emissions rate table and PER petition procedures at a later time.

## Line 7

Check “Yes” if you satisfy the section 45Z(f)(6) and section 45Z(f)(7) PWA requirements. See [Prevailing Wage Requirements](#) and [Apprenticeship Requirements](#), earlier.

**Additional information for increased credit amount.** If you checked “Yes” on line 7 and are using an increased applicable amount on Part III, column (g), you must also attach a statement to Form 7218 that includes the following information to claim the increased credit amount for the qualified facility.

1. Your name and TIN and the description (including owner information, if different from filer) and location of the facility and the IRS-issued registration number (if applicable) from Part I.
2. The applicable wage determinations (as defined below) for each classification of laborer and mechanic who performed work on the construction, alteration, or repair of the facility.
3. The wages paid (including any correction payments as defined in section 45(b)(7)(B)(i)(I)) and hours worked for each of the laborer or mechanic classifications engaged in the construction, alteration, or repair of the facility.
4. The number of laborers and mechanics who received correction payments as the result of any failure to pay the applicable prevailing wage rates.
5. The amount of penalty payments owed with respect to any failures to pay the applicable prevailing wage rates.
6. The wages paid and hours worked by qualified apprentices for each of the laborer or mechanic classifications engaged in the construction of the facility.
7. The total labor hours for the construction of the project by any laborer or mechanic employed by the taxpayer or any contractor or subcontractor.
8. The amount of hours for which you claim to have satisfied the apprenticeship requirements under the good-faith effort exception.
9. The amount of penalty payments owed with respect to any failure to meet the labor-hours requirement or the participation requirement.

**Applicable wage determinations.** Applicable wage determinations are the wages listed for a particular classification of laborer or mechanic for the type of construction and the geographic area, or other applicable wage as determined by the Secretary of Labor.

## Part II—Clean Aviation and Non-Aviation Transportation Fuel Production Credit

### Line 2

Enter the total clean fuel production credit amount from your distributive share reported on:

- Schedule K-1 (Form 1065), Partner’s Share of Income, Deductions, Credits, etc., box 15 (code X);
- Schedule K-1 (Form 1120-S), Shareholder’s Share of Income, Deductions, Credits, etc., box 13 (code X);

- Schedule K-1 (Form 1041), Beneficiary’s Share of Income, Deductions, Credits, etc., box 13 (code L); and
- Form 1099-PATR, Taxable Distributions Received From Cooperatives, box 12.

Partnerships and S corporations must enter the passed-through credits on line 2. Also, estates and trusts that can allocate the source credit to beneficiaries, and cooperatives that can allocate the credit to patrons, must enter the passed-through credits on line 2. Filers figuring credits on earlier lines of Form 7218 must enter the passed-through credits on line 2.

If you are not a filer described above, and your only clean fuel production credit is a credit(s) passed through to you, you can report the credit(s) directly on Form 3800, Part III, line 1q.

### Line 3

**Partnerships and S corporations.** If you are a partnership or S corporation electing to transfer energy credit with respect to a facility or property (or portion thereof) under section 6418(c), you must report the total credit amount with respect to your facility on Form 3800, Part III, line 1q, and not on Schedule K.

### Line 4

**Cooperative election to allocate credit to patrons.** A cooperative described in section 1381(a) that is more than 50% owned by agricultural producers or by entities owned by agricultural producers can elect to allocate any part of the credit among the patrons of the cooperative. The credit is allocated among the patrons eligible to share in patronage dividends on the basis of the quantity or value of business done with or for such patrons for the tax year.

If the cooperative is subject to the passive activity rules, include on line 2 any clean energy production credit from passive activities disallowed for prior years and carried forward to this year. Complete Form 8810, Corporate Passive Activity Loss and Credit Limitations, to determine the allowed credits that can be allocated to patrons. For details, see the Instructions for Form 8810.

The cooperative is deemed to have made the election by completing line 4, as applicable. However, the election isn’t effective unless (a) made on a timely filed return (including extensions), and (b) the organization designates the apportionment in a written notice mailed to its patrons during the payment period described in section 1382(d) or on Form 1099-PATR.

If you timely file your return without making an election, you can still make the election by filing an amended return within 6 months of the due date of the return (excluding extensions). Enter “Filed pursuant to section 301.9100-2” on the amended return.

Once made, the election can’t be revoked.

**Estates and trusts.** Allocate the credit on line 3 between the estate or trust and the beneficiaries in the same proportion as income was allocated and enter the beneficiaries’ share on line 4.

If the estate or trust is subject to the passive activity rules, include on line 2 any clean fuel production credit from passive activities disallowed for prior years and

carried forward to this year. Complete Form 8582-CR, Passive Activity Credit Limitations, to determine the allowed credit that must be allocated between the estate or trust and the beneficiaries. For details, see the Instructions for Form 8582-CR.

### Part III—Clean Aviation and Non-Aviation Transportation Fuel Produced and Sold After 2024

#### Column (a)

Enter the type of fuel and if it is non-SAF or SAF. For more information on types of fuel that may qualify as transportation fuel, see section 3 of Notice 2024-49, available at [IRS.gov/irb/2024-26\\_IRB#NOT-2024-49](https://www.irs.gov/irb/2024-26_IRB#NOT-2024-49).

#### Column (b)

Enter the type of feedstock used to produce the fuel. See Appendix A of Notice 2024-49 for a list of feedstocks and feedstock types associated with the varieties of fuel that may qualify as transportation fuel.

#### Column (c)

Enter the four-digit calendar year when the fuel was sold.

#### Column (d)

Enter the emissions rate or PER value (in kilograms of CO<sub>2</sub>e per mmBTU) of the fuel. See [Emissions Factor](#), earlier.

#### Column (e)

Subtract the emissions rate or PER value (in kilograms of CO<sub>2</sub>e per mmBTU) from 50 kilograms of CO<sub>2</sub>e. Divide the result by 50 kilograms of CO<sub>2</sub>e, and enter in column (e).

$$\frac{50 \text{ kg of CO}_2\text{e} - \text{emissions rate or PER value (kg of CO}_2\text{e)}}{50 \text{ kg of CO}_2\text{e}}$$

#### Column (f)

Enter the number of gallons or gallon equivalents of fuel sold in the calendar year.

#### Column (g)

Enter the inflation-adjusted applicable amount for the fuel sold. See the [Applicable Amount Table](#), earlier, to determine which amount to use.

#### Column (h)

For all lines with entries, multiply column (e) x column (f) x column (g) and enter the product in the corresponding line of column (h). On line 25, add all the column (h) amounts, and enter on Part II, line 1.

**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 1545-0123 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.

<b>Recordkeeping</b> .....	X hr., X min.
<b>Learning about the law or the form</b> .....	XX min.
<b>Preparing and sending the form to the IRS</b> .....	XX 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.

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 October 29, 2024