

Mr. Daniel Werfel
Commissioner, Internal Revenue Service
1111 Constitution Avenue NW
Washington, DC 20224

May 9, 2024

45Q Tax Credit Must Require Transparency and Accountability

Dear Commissioner Werfel,

We are writing to you today to call for more stringent oversight in the application of the 45Q tax credit for carbon sequestration. This increased oversight is necessary to better protect taxpayers and communities across the country from increased pollution, dangerous infrastructure, and financial waste, fraud, and abuse. Despite investing billions of taxpayer dollars, carbon capture has consistently failed to deliver real climate benefits. **Taxpayers and communities must no longer be forced to subsidize carbon capture and storage without clear, transparent, and accountable results. Nor should communities already most affected by fossil fuel extraction be put at additional risk from these facilities, pipelines, and injection wells.**

Carbon capture and storage projects have not effectively reduced climate pollution. They have squandered billions of taxpayer dollars, subsidized the fossil fuel industry, expanded fossil fuel infrastructure, and burdened already disadvantaged communities with even more pollution. We urge you to **take strong action to avoid wasting more of our tax dollars** on a tax break that has been prone to fraud and abuse. CCS technology has not demonstrated its ability to significantly reduce net carbon emissions and, without proper safeguards, billions of dollars in 45Q tax breaks would not provide any of the climate benefits Congress intended. Under 45Q, facilities are eligible for lucrative tax credits for capturing and storing carbon. However, a Treasury Department Inspector General audit uncovered that, from 2010 to 2019, nearly 90% of claimed tax credits for carbon capture and storage failed to meet EPA reporting requirements.¹

The federal government has also poured billions of dollars in direct subsidies into ineffective projects that fail to provide any substantial verification of carbon emission reductions. An independent review by the Government Accountability Office, Congress's nonpartisan oversight body, revealed that out of 11 U.S. flagship projects that received a combined \$1.1 billion from the Department of Energy, only three were completed.² As of the time of writing — over two years later — the issues identified by the GAO remain unresolved.

¹ [Treasury Department Inspector General for Tax Administration, Audit of 45Q, April 15, 2020.](#)

² [Government Accountability Office \(GAO\), Carbon Capture and Storage: Actions Needed to Improve DOE Management of Demonstration Projects, GAO-22-105111, Dec 20, 2021.](#)

Despite this record of fraud and failure, Congress extended and significantly expanded the 45Q tax credit for carbon capture projects in the Inflation Reduction Act with an expected cost to taxpayers of \$4.8 billion over the next five years and \$36.5 billion between 2023 and 2033.³

The oil and gas sector promotes carbon capture because it encourages continued dependence on oil and gas in the future. Moreover, the captured carbon has typically been used to extract more oil and gas. By subsidizing these projects, the federal government is sacrificing communities already adversely affected by polluting industries. These communities, already burdened by environmental injustice, racism, economic exploitation, and climate change impacts, can least afford additional polluting and dangerous infrastructure.

Communities across the country — from the Gulf Coast to California to the Midwest and Appalachia — fiercely oppose carbon capture, transportation, and storage near their homes. They fear the elevated risks for asthma, heart hospitalizations, mental health issues, poor birth outcomes, and cancers these facilities pose. The cost of these projects on public health are significant. The federal government must act to protect communities from the harmful impacts of carbon capture and storage and require robust monitoring, verification, and accountability.

As the IRS develops new guidance for the 45Q tax credit, the agency must act in the interest of taxpayers and the affected communities. Before massive amounts of tax credits go out the door, we urge you to **protect communities from the harmful impacts and false promises of the fossil fuel industry and develop strong guidance to prevent subsidizing climate polluters.**

We strongly urge you to stand with the more than 10,000 American taxpayers **calling for an end to taxpayer giveaways to oil and gas companies.** Before the federal government spends another taxpayer dollar on carbon capture tax breaks, the IRS must implement strong oversight and transparency rules to ensure our tax dollars aren't wasted through abuse of the 45Q tax credit at the expense of communities. To properly implement and oversee the 45Q tax credit, the IRS should, at minimum:

1. Require an independent third party to verify the amount of carbon companies are claiming credits for capturing and storing.
2. Audit the data companies submit and make a summary of that data available to the public in a timely manner.
3. Require companies to keep these records as long as they're claiming the tax credits so the IRS can claw back credits in case any stored carbon gets leaked..

To truly foster climate solutions, we must be sure our tax dollars are not supporting inefficient, costly technologies that benefit polluting industries and harm communities. As the IRS moves to issue its proposed rule on 45Q it must ensure American communities get the transparency and accountability they deserve.

³ [Joint Committee on Taxation, Estimates Of Federal Tax Expenditures For Fiscal Years 2023-2027, JCX-59-23, December 7, 2023. Office of Management and Budget, Analytical Perspectives, President's FY2025 Budget.](#)

Sincerely,

Karen Feridun, Better Path Coalition

Matthew Mehalik, Breathe Project

Nina Victoria, Center for Coalfield Justice

Virginia Palacios, Commission Shift

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Alison L. Steele, Environmental Health Project

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Eric Engle, Mid-Ohio Valley Climate Action

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Cheryl Johncox, People Over Petro Coalition

Dianne Peterson, Pittsburghers Against Single Use Plastic

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Gillian Graber, Protect PT

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Jamie Nentwick, River Valley Organizing

Dr. Robert D. Bullard, Science Roundtable on Carbon Capture member, distinguished professor of urban planning and environmental policy at Texas Southern University

Dr. Charles Harvey, Science Roundtable on Carbon Capture member, professor of civil and environmental engineering at Massachusetts Institute of Technology

Dr. Robert Howarth, Science Roundtable on Carbon Capture member, David R. Atkinson professor of ecology and environmental biology at Cornell University

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