

119TH CONGRESS
2D SESSION

S. 3778

To amend the Internal Revenue Code of 1986 to expand the carbon oxide sequestration credit to include solid or liquid carbon capture facilities.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 4, 2026

Mr. SHEEHY (for himself and Ms. CANTWELL) introduced the following bill;
which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to expand the carbon oxide sequestration credit to include solid or liquid carbon capture facilities.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Carbon Resource Inno-
5 vation Act”.

6 **SEC. 2. EXPANSION OF CARBON OXIDE SEQUESTRATION**

7 **CREDIT TO INCLUDE SOLID OR LIQUID CAR-**

8 **BON CAPTURE FACILITIES.**

9 (a) IN GENERAL.—Section 45Q of the Internal Rev-
10 enue Code of 1986 is amended—

1 (1) in subsection (c)(1)—

2 (A) in subparagraph (B)(iii), by striking
3 “or” at the end,

4 (B) in subparagraph (C)(ii), by striking
5 the period at the end and inserting “, or”, and

6 (C) by adding at the end the following new
7 subparagraph:

8 “(D) in the case of a solid or liquid carbon
9 capture facility, any carbon which—

10 “(i) is captured in liquid or solid form
11 by carbon capture equipment,

12 “(ii) if not captured, would be ex-
13 pected to—

14 “(I) be released into the atmos-
15 phere by natural processes as an
16 emission of greenhouse gas, or

17 “(II) lead to such release through
18 a comparison system (as such term is
19 used in Treasury Regulation section
20 1.45Q-4(c)(2)), and

21 “(iii) is measured at the source of
22 capture and verified at the point of dis-
23 posal, injection, or utilization.”,

24 (2) in subsection (d)—

1 (A) in the matter preceding paragraph (1),
2 by striking “or direct air capture facility” and
3 inserting “, direct air capture facility, or solid
4 or liquid carbon capture facility”, and

5 (B) in paragraph (2)—

6 (i) in subparagraph (B)(ii), by strik-
7 ing “or” at the end,

8 (ii) by redesignating subparagraph
9 (C) as subparagraph (D), and

10 (iii) by inserting after subparagraph
11 (B) the following new subparagraph:

12 “(C) in the case of a solid or liquid carbon
13 capture facility, captures not less than 1,000
14 metric tons of qualified carbon oxide during the
15 taxable year, or”,

16 (3) in subsection (e)—

17 (A) by redesignating paragraph (5) as
18 paragraph (6), and

19 (B) by inserting after paragraph (4) the
20 following new paragraph:

21 “(5) SOLID OR LIQUID CARBON CAPTURE FA-
22 CILITY.—

23 “(A) IN GENERAL.—The term ‘solid or liq-
24 uid carbon capture facility’ means any facility
25 which uses carbon capture equipment to cap-

1 ture carbon in solid or liquid form that would
2 otherwise be released into the atmosphere as a
3 carbon oxide, including a facility which results
4 in a net reduction of carbon when compared to
5 a comparison system (as described in Treasury
6 Regulation section 1.45Q-4(c)(2)).

7 “(B) OTHER TERMS.—With respect to a
8 facility described in subparagraph (A)—

9 “(i) the term ‘capture’ means, with
10 respect to carbon, the process which en-
11 ables disposal, injection, or utilization of
12 such carbon, and

13 “(ii) the term ‘carbon capture equip-
14 ment’ means any equipment used at such
15 facility.”, and

16 (4) in subsection (f)—

17 (A) in paragraph (2), by inserting “, and
18 in the case of solid or liquid carbon capture fa-
19 cilities, shall also include underground storage
20 chambers under such conditions that the carbon
21 does not escape into the atmosphere” after
22 “under such regulations”, and

23 (B) by adding at the end the following new
24 paragraph:

1 “(11) CARBON CAPTURED BY SOLID OR LIQUID
2 CARBON CAPTURE FACILITY.—For purposes of this
3 section, the amount of carbon which is captured by
4 the taxpayer at a solid or liquid carbon capture facil-
5 ity shall be equal to the carbon dioxide equivalent of
6 the metric tons of carbon which are measured at the
7 source of capture and verified at the point of dis-
8 posal, injection, or utilization.”.

9 (b) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to carbon captured after the date
11 of enactment of this Act.

○