

IRS Issues Guidance On Registration For 45Z Clean Fuel Production Tax Credit



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The U.S. Department of the Treasury and Internal Revenue Service on May 31 issued guidance on how to register for the Section 45Z Clean Fuel Production Tax Credit. The agencies are encouraging fuel producers who may be eligible for the credit to apply for registration as soon as possible.

According to the guidance, a taxpayer must have a signed registration letter form the IRS dated on or before Jan. 1, 2025, in order to be eligible to claim the 45Z credit for production starting Jan. 1, 2025. Due to this requirement, taxpayers are encouraged to apply for registration as soon as possible to give the IRS sufficient time to process registration applications.

Within the guidance, the IRS explains that a delay in registration will limit the taxpayer's ability to claim the 45Z credit. "For example, if a taxpayer receives a letter of registration dated June 30, 2025, the taxpayer cannot claim the § 45Z credit for any transportation fuel produced and sold by the taxpayer before June 30, 2025, even if all other statutory requirements for the § 45Z credit are satisfied prior to that date," the IRS said in the guidance. "That taxpayer can only claim the § 45Z credit for transportation fuel produced and sold on or after June 30, 2025."

To increase the chances of securing a signed registration letter dated on or before Jan. 1, 2025, taxpayers are encouraged to submit an application by July 15, 2024. "The IRS intends to process completed applications for registration received by July 15, 2024, such that an eligible taxpayer can receive its letter of registration by January 1, 2025," the agency said in its guidance. "The IRS intends to quickly process applications received after July 15, 2024, but cautions that a taxpayer that applies for registration after that date is less likely to receive its registration by January 1, 2025. In no event can the IRS guarantee that any application for registration will be processed by a certain date."

The 45Z Clean Fuel Production Tax Credit was one of several clean energy tax credits created by the Inflation Reduction Act, which President Joe Biden signed in August 2022. The 45Z credit is a technology-neutral tax credit that aims to support the production of low-emissions transportation fuel. It currently applies to transportation fuel produced and sold in 2025, 2026 and 2027.

According to information published by the U.S. Department of Energy, "the tax credit amount is 20 cents per gallon for non-aviation fuel and 35 cents per gallon for SAF. For facilities that satisfy the prevailing wage and apprenticeship requirements, the credit amount is \$1.00 per gallon for non-aviation fuel and \$1.75 per gallon for SAF. For any taxable year, the Clean Fuel Production Credit is equal to the applicable credit amount per gallon multiplied by the fuel's carbon dioxide emissions factor. Emissions factors will be published annually by the Secretary of the Treasury. Beginning January 1, 2025, tax credits will be adjusted for inflation."

The guidance states that Treasury and the IRS intend to issue additional guidance on other aspects of the 45Z credit at a later date.

The 45Z tax credit replaces the Section 40B sustainable aviation fuel (SAF) credit, which was also created by the IRA, and is currently in place for 2023 and 2024. The IRS in April 2024 released updated guidance on the 40B SAF tax credit and the SAF Interagency Working Group released the 40BSAF-GREET 2024 model, which can be used to calculate greenhouse gas (GHG) reduction levels for purposes of the SAF tax credit. As part of that guidance, the agencies also announced that a new 45Z-GREET model will be developed specifically for use with the 45Z clean fuels tax credit.

A full copy of the IRS guidance issued on 45Z credit registration (Notice 2024-49) is available on the IRS website.