II

119TH CONGRESS
1ST SESSION

S. 1842

To amend the Internal Revenue Code of 1986 to create a credit for carbon removal and storage for forest residues from wildfire management.

IN THE SENATE OF THE UNITED STATES

MAY 21, 2025

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

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A BILL

To amend the Internal Revenue Code of 1986 to create a credit for carbon removal and storage for forest residues from wildfire management.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the “Wildfire Reduction and Carbon Removal Act of 2025”.

SEC. 2. CREDIT FOR FOREST RESIDUE CARBON REMOVAL AND STORAGE.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of

1986 is amended by adding at the end the following new section:

"SEC. 45BB. FOREST RESIDUE CARBON REMOVAL AND STORAGE.

''(a) GENERAL RULE.—For purposes of section 38, the forest residue carbon removal and storage credit for any taxable year is an amount equal to the applicable dollar amount per metric ton of qualified carbon dioxide equivalent which is—

''(1) captured by the taxpayer from qualified forest residue biomass using biomass equipment which was originally placed in service at a qualified forest residue biomass carbon removal and storage project on or after the date of the enactment of the Wildfire Reduction and Carbon Removal Act of 2025, and

''(2) stored by the taxpayer in secure geological storage or via long-duration utilization.

''(b) APPLICABLE DOLLAR AMOUNT.—For purposes of this section—

''(1) IN GENERAL.—The applicable dollar amount is—

''(A) $36, in the case of qualified carbon dioxide equivalent stored in secure geological storage, and

"(B) $12, in the case of qualified carbon dioxide equivalent stored via long-duration utilization.

"(2) ADJUSTMENT FOR INFLATION.—In the case of any taxable year beginning in a calendar year after 2026, the $36 and $12 amounts under paragraph (1) shall each be multiplied by the inflation adjustment factor determined under section 43(b)(3)(B) for such calendar year, determined by substituting '2025' for '1990'.

"(3) INCREASED CREDIT AMOUNT FOR CERTAIN FACILITIES.—

"(A) IN GENERAL.—In the case of qualified carbon dioxide equivalent which is described in subsection (a)(1) and which meets the requirements of paragraphs (3) and (4) of section 45Q(h) (determined after application of the modifications described in subparagraph (B)), the amount applicable shall be equal to such amount (determined without regard to this paragraph) multiplied by 5.

"(B) MODIFICATIONS.—The modifications described in this subparagraph are as follows:

"(i) In section 45Q(h)(3)(A), the term 'qualified forest residue biomass carbon removal and storage project' shall be substituted for 'qualified facility' each place it appears, and 'such project' shall be substituted for 'such facility' each place it appears.

"(ii) In section 45Q(h)(3)(A), the term 'biomass equipment' shall be substituted for 'carbon capture equipment' in the matter before subparagraph (A).

"(iii) In section 45Q(h)(3)(A)(ii), by disregarding the phrase 'for any portion of such taxable year which is within the period described in paragraph (3)(A) or (4)(A) of subsection (a)'.

"(c) INSTALLATION OF ADDITIONAL BIOMASS SYSTEM EQUIPMENT AT EXISTING PROJECT.—In the case of a qualified forest residue biomass carbon removal and storage project placed in service before the date of the enactment of the Wildfire Reduction and Carbon Removal Act of 2025 at which additional biomass equipment is placed in service on or after the date of the enactment of such Act, the amount of captured qualified carbon dioxide equivalent taken into account for purposes of subsection (a) is an amount (not less than zero) equal to the excess of—

"(1) the total amount of qualified carbon dioxide equivalent captured at such project for the taxable year, over

"(2) the total amount of the carbon dioxide equivalent capture capacity of the qualified forest residue biomass project in service at such project on the day before the date of the enactment of such Act.

"(d) QUALIFIED CARBON DIOXIDE EQUIVALENT.—For purposes of this section, the term 'qualified carbon dioxide equivalent' means the net metric tons of carbon dioxide equivalent which—

"(1) is captured through the disposal or utilization of the carbon embodied in qualified forest residue biomass, and

"(2) is measured and verified at the point of disposal or utilization based on, in accordance with the rules of subsection (f)—

"(A) project-level lifecycle analysis of greenhouse gas emissions, and

"(B) project-level monitoring, reporting, and verification.

"(e) QUALIFIED FOREST RESIDUE BIOMASS CARBON REMOVAL AND STORAGE PROJECT.—For purposes of this section—

"(1) IN GENERAL.—

"(A) IN GENERAL.—The term 'qualified forest residue biomass carbon removal and storage project' means any project which—

"(i) uses biomass equipment to store qualified carbon dioxide equivalent in secure geological storage or via long-duration utilization, and

"(ii) stores not less than 1,000 metric tons of qualified carbon dioxide equivalent as described in clause (i) during the taxable year.

"(B) AGGREGATION OF FACILITIES.—The term 'qualified forest residue biomass carbon removal and storage project' may include multiple facilities which may be aggregated in order to meet the requirement of subparagraph (A)(ii).

"(2) QUALIFIED FOREST RESIDUE BIOMASS.—The term 'qualified forest residue biomass' means forest residues from the thinning of trees no greater than 8 inches in diameter at breast height and other residues (such as limbs and bark) which—

"(A) meet sustainability standards issued pursuant to section 2(f) of the Wildfire Reduction and Carbon Removal Act of 2025, and

"(B) are produced from wildfire hazard reduction or ecological restoration activities identified—

"(i) in a final United States Forest Service Land Management Plan or Bureau of Land Management Resource Management Plan, or

"(ii) by the United States Forest Service as occurring in firesheds with significant wildfire hazard potential and vegetation departure.

"(f) OTHER DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) SECURE GEOLOGICAL STORAGE.—Carbon dioxide equivalent shall be treated as stored in secure geological storage only if such carbon dioxide equivalent is stored in such wells or underground storage mechanisms, including injection of bio-liquids or bio-solids or engineered burial of biomass, appropriate to the type of biomass carbon removal as the Secretary shall identify in consultation with the Secretary of Energy and the Administrator of the Environmental Protection Agency as having demonstrated the capability to store such carbon dioxide equivalent securely for at least a 1,000-year period.

"(2) LONG-DURATION UTILIZATION.—Carbon dioxide equivalent shall be treated as stored via long-duration utilization if such carbon dioxide equivalent is stored in the form of biochar, durable building materials, or other products which remove carbon, which are determined by the Secretary in collaboration with the entities described in paragraph (1) to have demonstrated the capability to store such carbon dioxide equivalent securely for at least a 100-year period, as calculated based on a lifecycle analysis.

"(3) BIOMASS EQUIPMENT.—The term 'biomass equipment' means any equipment used at a qualified forest residue biomass carbon removal and storage project to dispose of qualified forest residue biomass.

"(4) CREDIT NOT ALLOWED FOR ENHANCED RECOVERY OPERATIONS.—No credit shall be allowed under subsection (a) with respect to qualified carbon dioxide equivalent which is used by the taxpayer as a tertiary injectant in an enhanced oil or natural gas recovery project.

"(5) COORDINATION WITH OTHER CREDITS.—

"(A) IN GENERAL.—No credit shall be allowed under this section with respect to any qualifying carbon dioxide removal project for any taxable year for which a credit determined under section 45Q or 48C is allowed for such taxable year.

"(B) SPECIAL RULE FOR QUALIFIED CARBON DIOXIDE REMOVAL PROJECTS INTEGRATED WITH CLEAN ENERGY GENERATION.—

"(i) IN GENERAL.—In the case of any qualifying carbon dioxide removal project which produces electricity, hydrogen, or fuel as an output of its qualifying carbon dioxide removal approach, no credit shall be allowed with respect to the production of such electricity, hydrogen, or fuel under section 40B, 45, 45V, 45Y, or 45Z unless such electricity, hydrogen, or fuel is consumed by such qualifying carbon dioxide removal project.

"(ii) ENERGY CREDIT AND CLEAN ELECTRICITY INVESTMENT CREDIT.—In the case of any qualifying carbon dioxide removal project which includes—

"(I) any energy property (as defined in section 48(a)(3)) which produces electricity or hydrogen from the process of carbon dioxide removal, or

"(II) any qualified facility (as defined in section 48E(b)(3)) which produces electricity or hydrogen from the process of carbon dioxide removal,

no credit shall be allowed under section 48 or 48E with respect to such energy property or qualified facility.

"(6) ONLY QUALIFIED CARBON DIOXIDE EQUIVALENT CAPTURED AND DISPOSED OF OR USED WITHIN THE UNITED STATES TAKEN INTO ACCOUNT.—The credit under this section shall apply only with respect to qualified carbon dioxide equivalent the capture and storage or disposal of which is within—

"(A) the United States (within the meaning of section 638(1)), or

"(B) a possession of the United States (within the meaning of section 638(2)).

"(7) CREDIT ATTRIBUTABLE TO TAXPAYER.—

"(A) IN GENERAL.—Except as provided in subparagraph (B) or in any regulations prescribed by the Secretary, any credit under this section shall be attributable to the person that owns the biomass equipment and physically or contractually ensures the capture and storage or disposal of the qualified carbon dioxide equivalent.

"(B) ELECTION.—If the person described in subparagraph (A) makes an election under this subparagraph in such time and manner as the Secretary may prescribe by regulations, the credit under this section—

"(i) shall be allowable to the person that stores or disposes of the qualified carbon dioxide equivalent, and

"(ii) shall not be allowable to the person described in subparagraph (A).

"(8) RECAPTURE.—The Secretary shall, by regulations, provide for recapturing the benefit of any credit allowable under subsection (a) with respect to any qualified carbon dioxide equivalent which ceases to be stored or disposed of in a manner consistent with the requirements of this section.

"(9) CREDIT REDUCED FOR TAX-EXEMPT BONDS.—Rules similar to the rule under section 45(b)(3) shall apply for purposes of this section.

"(g) GUIDANCE.—Not later than January 1, 2026, the Secretary shall issue guidance regarding implementation of this section, including standards on qualified forest residue biomass and determination of net qualified dioxide equivalent removals under this section.".

(b) CREDIT TO BE PART OF GENERAL BUSINESS CREDIT.—Subsection (b) of section 38 of the Internal Revenue Code of 1986 is amended by striking "plus" at the end of paragraph (40), by striking the period at the end of paragraph (41) and inserting ", plus", and by adding at the end the following new paragraph:

"(42) the forest residue carbon removal and storage credit determined under section 45BB(a).".

(c) ELECTIVE PAYMENT AND TRANSFER OF CREDIT.—

(1) ELECTIVE PAYMENT.—Subsection (b) of section 6417 of the Internal Revenue Code of 1986 is amended by adding at the end the following new paragraph:

"(13) The forest residue carbon removal and storage credit determined under section 45BB(a).".

(2) TRANSFER.—Section 6418(f)(1)(A) of the Internal Revenue Code of 1986 is amended by adding at the end the following:

"(xii) The forest residue carbon removal and storage credit determined under section 45BB(a).".

(d) CLERICAL AMENDMENT.—The table of sections for subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following new item:

"Sec. 45BB. Forest residue carbon removal and storage.".

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2025.

(f) SUSTAINABILITY STANDARDS RULEMAKING AND PUBLIC COMMENT PERIOD.—

(1) RULEMAKING AUTHORITY.—The Secretary of the Treasury, in consultation with the Secretary of Agriculture and the Secretary of the Interior, shall issue regulations to establish sustainability standards for the identification of qualified forest residue biomass for purposes of the forest residue carbon removal and storage tax credit established by this section. Such regulations shall—

(A) using the best available science, including the 2023 Wildfire Hazard Potential map produced by the Forest Service Fire Modeling Institute and the 2023 Vegetation Condition Class categorization produced by the Landscape

Fire and Resource Management Planning Tools program, identify firesheds with significant wildfire hazard potential and vegetation departure from a fire-adapted historical baseline from which qualified forest residue biomass can be sourced;

(B) identify regional and ecosystem-specific requirements to limit eligibility to practices and sites which—

(i) have minimal negative impacts on soil quality, soil fertility, soil erosion, soil carbon sequestration, and site productivity;

(ii) have minimal negative impacts on biodiversity, including soil microbiota, plants, and animals;

(iii) have minimal negative impacts on water quality and hydrological functioning;

(iv) have minimal impacts on reducing or displacing food production; and

(v) have minimal substitution for existing economic uses of forest products, including considering reducing the maximum diameter of thinned trees considered to be qualified forest residue biomass; and

(C) consider direct and indirect impacts of biomass sourcing and harvest.

(2) PUBLIC COMMENT REQUIREMENT.—Not later than 6 months after the date of the enactment of this Act, the Secretary of the Treasury shall publish in the Federal Register proposed regulations that include sustainability standards for the forest residue carbon removal and storage tax credit.

(3) PUBLIC COMMENT PERIOD.—

(A) DURATION.—The Secretary shall provide for a period of not less than 60 days after the date of publication of the proposed regulations during which the public may submit comments on the proposed regulations.

(B) CONSIDERATION OF COMMENTS.—The Secretary shall consider all comments received during the public comment period before issuing final regulations.

(4) FINAL REGULATIONS.—The Secretary shall issue final regulations and establish sustainability standards for the carbon removal tax credit established under this section not later than 90 days after the close of the public comment period, taking into account feedback from the public and stakeholders.

(5) CONSIDERATION OF REVISION.—Every 5 years, the Secretary shall provide for a public comment period to consider whether the sustainability standards should be updated to reflect latest science. The Secretary shall consider all comments received during the public comment period before determining whether to update the regulations under the same procedures as used to issue the original standards.

(g) CARBON DETERMINATION RULEMAKING AND PUBLIC COMMENT PERIOD.—

(1) RULEMAKING AUTHORITY.—The Secretary of the Treasury, in consultation with the Secretary of Energy and the Administrator of the Environmental Protection Agency, shall issue regulations to establish greenhouse gas lifecycle analysis requirements and monitoring, reporting, and verification requirements to determine qualified carbon dioxide equivalent for the implementation of the forest residue carbon removal and storage tax credit established by this section. These regulations shall seek to—

(A) to the greatest extent possible, identify best available tools, models, or default values for embodied or lifecycle emissions in order to facilitate consistency and comparability across qualified carbon dioxide removal approaches with respect to—

(i) project-level greenhouse gas lifecycle analysis;

(ii) project-level monitoring, reporting, and verification; and

(iii) determination of net carbon dioxide removal;

(B) include reporting and verification requirements which facilitate transparency and evaluation of the net carbon dioxide removal claimed by the taxpayer; and

(C) take into account best practices and requirements from other carbon dioxide removal accounting programs in order to minimize inefficiencies and conflicting procedures.

(2) LIFECYCLE ANALYSIS.—Under the proposed regulations, the project-level greenhouse gas lifecycle analysis shall—

(A) include all processes, activities, and greenhouse gas emissions associated with the capture, storage, and utilization of carbon dioxide equivalent, including—

(i) any mass and energy inputs and outputs from raw or processed materials, including biomass feedstock production, manufacture, processing, transport, storage, use, and disposal;

(ii) direct land use change, estimated indirect land use change, and other ecosystem perturbations that affect carbon uptake of forests; and

(iii) long-term retention of carbon dioxide;

(B) only exclude any process from such analysis if such process does not significantly change the outcome of such analysis, with such exclusion to be noted and justified;

(C) calculate net carbon dioxide equivalent removal, including accounting for uncertainty associated with the estimate of net carbon dioxide removal and taking into account any estimated losses during carbon storage over a 100-year period; and

(D) be consistent with the Best Practices for Life Cycle Assessment of Biomass Carbon Removal and Storage Technologies issued by the Department of Energy on January 17, 2025.

(3) MONITORING, REPORTING, AND VERIFICATION.—Under the proposed regulations, the project-level monitoring, reporting, and verification shall—

(A) develop traceability requirements to verify the source and proportion of qualified forest residue biomass used in a project;

(B) utilize independent third-party verifiers and protocols for monitoring, reporting, and verification;

(C) quantify uncertainty associated with measurements and the resulting estimate of net carbon dioxide removal; and

(D) include requirements for continued monitoring of the qualified project for a period determined by the Secretary, in consultation with the Secretary of Energy and the Administrator of the Environmental Protection Agency, to be appropriate.

(4) PUBLIC COMMENT REQUIREMENT.—Not later than 6 months after the date of the enactment of this Act, the Secretary of the Treasury shall publish in the Federal Register proposed regulations

that include lifecycle analysis and monitoring, reporting, and verification requirements for the forest residue carbon removal and storage tax credit.

(5) PUBLIC COMMENT PERIOD.—

(A) DURATION.—The Secretary shall provide for a period of not less than 60 days after the date of publication of the proposed regulations during which the public may submit comments on the proposed regulations.

(B) CONSIDERATION OF COMMENTS.—The Secretary shall consider all comments received during the public comment period before issuing final regulations.

(6) FINAL REGULATIONS.—The Secretary shall issue final regulations and establish lifecycle analysis and monitoring, reporting, and verification for the carbon removal tax credit established under this section not later than 90 days after the close of the public comment period, taking into account feedback from the public and stakeholders.

(7) CONSIDERATION OF REVISION.—Every 5 years, the Secretary shall provide for a public comment period to consider whether the lifecycle analysis and monitoring, reporting, and verification requirements should be updated to reflect latest

science. The Secretary shall consider all comments received during the public comment period before determining whether to update the regulations under the same procedures as used to issue the original requirements.

(h) Secure Geological Storage Regulations.—The Secretary of the Treasury, in consultation with the Administrator of the Environmental Protection Agency and the Secretary of Energy, shall establish regulations for determining adequate security measures for the geological storage of qualified carbon dioxide equivalent in the form of injection of bio-liquids or bio-solids or engineered burial of biomass for purposes of section 45BB of the Internal Revenue Code of 1986 such that the qualified carbon dioxide equivalent does not escape into the atmosphere over a 1,000-year period.

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