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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.

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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

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# 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.

*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 ''Carbon Resource Innovation Act''.

**SEC. 2. EXPANSION OF CARBON OXIDE SEQUESTRATION CREDIT TO INCLUDE SOLID OR LIQUID CARBON CAPTURE FACILITIES.**

(a) IN GENERAL.—Section 45Q of the Internal Revenue Code of 1986 is amended—

(1) in subsection (c)(1)—

(A) in subparagraph (B)(iii), by striking ''or'' at the end,

(B) in subparagraph (C)(ii), by striking the period at the end and inserting '', or'', and

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

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

''(i) is captured in liquid or solid form by carbon capture equipment,

''(ii) if not captured, would be expected to—

''(I) be released into the atmosphere by natural processes as an emission of greenhouse gas, or

''(II) lead to such release through a comparison system (as such term is used in Treasury Regulation section 1.45Q–4(c)(2)), and

''(iii) is measured at the source of capture and verified at the point of disposal, injection, or utilization.'',

(2) in subsection (d)—

(A) in the matter preceding paragraph (1), by striking ''or direct air capture facility'' and inserting '', direct air capture facility, or solid or liquid carbon capture facility'', and

(B) in paragraph (2)—

(i) in subparagraph (B)(ii), by striking ''or'' at the end,

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

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

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

(3) in subsection (e)—

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

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

''(5) SOLID OR LIQUID CARBON CAPTURE FACILITY.—

''(A) IN GENERAL.—The term 'solid or liquid carbon capture facility' means any facility which uses carbon capture equipment to cap-

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

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

''(i) the term 'capture' means, with respect to carbon, the process which enables disposal, injection, or utilization of such carbon, and

''(ii) the term 'carbon capture equipment' means any equipment used at such facility.'', and

(4) in subsection (f)—

(A) in paragraph (2), by inserting '', and in the case of solid or liquid carbon capture facilities, shall also include underground storage chambers under such conditions that the carbon does not escape into the atmosphere'' after ''under such regulations'', and

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

''(11) CARBON CAPTURED BY SOLID OR LIQUID CARBON CAPTURE FACILITY.—For purposes of this section, the amount of carbon which is captured by the taxpayer at a solid or liquid carbon capture facility shall be equal to the carbon dioxide equivalent of the metric tons of carbon which are measured at the source of capture and verified at the point of disposal, injection, or utilization.''.

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

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