A BILL

To amend the Internal Revenue Code of 1986 to provide for the issuance of exempt facility bonds for qualified carbon dioxide capture facilities.

Be it enacted by the Senate and House of Representa-
"Carbon Capture Improvement Act of 2019”.

This Act may be cited as the “Carbon Capture Im-
provement Act of 2019”.

Congress finds the following:

(1) Capture and long-term storage of carbon di-

oxide from coal, natural gas, and biomass-fired
power plants, as well as from industrial sectors such as oil refining and production of fertilizer, cement, and ethanol, can help protect the environment while improving the economy and national security of the United States.

(2) The United States is a world leader in the field of carbon dioxide capture and long-term storage, as well as the beneficial use of carbon dioxide in enhanced oil recovery operations, with many manufacturers and licensors of carbon dioxide capture technology based in the United States.

(3) While the prospects for large-scale carbon capture in the United States are promising, costs remain relatively high. Lowering the financing costs for carbon dioxide capture projects would accelerate the deployment of this technology, and if the captured carbon dioxide is subsequently sold for industrial use, such as for use in enhanced oil recovery operations, the economic prospects are further improved.

(4) Since 1968, tax-exempt private activity bonds have been used to provide access to lower-cost financing for private businesses that are purchasing new capital equipment for certain specified environmental facilities, including facilities that reduce, re-
cycle, or dispose of waste, pollutants, and hazardous
substances.

(5) Allowing tax-exempt financing for the pur-
chase of capital equipment that is used to capture
carbon dioxide will reduce the costs of developing
carbon dioxide capture projects, accelerate their de-
ployment, and, in conjunction with carbon dioxide
utilization and long-term storage, help the United
States meet critical environmental, economic, and
national security goals.

SEC. 3. CARBON DIOXIDE CAPTURE FACILITIES.

(a) IN GENERAL.—Section 142 of the Internal Rev-

ue Code of 1986 is amended—

(1) in subsection (a)—

(A) in paragraph (14), by striking “or” at the end,

(B) in paragraph (15), by striking the pe-

period at the end and inserting “, or”, and

(C) by adding at the end the following new

paragraph:

“(16) qualified carbon dioxide capture facili-
ties.”, and

(2) by adding at the end the following new sub-
section:
“(n) QUALIFIED CARBON DIOXIDE CAPTURE FACILITY.—

“(1) IN GENERAL.—For purposes of subsection (a)(16), the term ‘qualified carbon dioxide capture facility’ means the eligible components of an industrial carbon dioxide facility.

“(2) DEFINITIONS.—In this subsection:

“(A) ELIGIBLE COMPONENT.—

“(i) IN GENERAL.—The term ‘eligible component’ means any equipment installed in an industrial carbon dioxide facility that satisfies the requirements under paragraph (3) and is—

“(I) used for the purpose of capture, treatment and purification, compression, transportation, or on-site storage of carbon dioxide produced by the industrial carbon dioxide facility, or

“(II) integral or functionally related and subordinate to a process described in section 48B(c)(2), determined by substituting ‘carbon dioxide’ for ‘carbon monoxide’ in such section.
“(B) INDUSTRIAL CARBON DIOXIDE FACILITY.—

“(i) IN GENERAL.—Except as provided in clause (ii), the term ‘industrial carbon dioxide facility’ means a facility that emits carbon dioxide (including from any fugitive emissions source) that is created as a result of any of the following processes:

“(I) Fuel combustion.

“(II) Gasification.

“(III) Bioindustrial.

“(IV) Fermentation.

“(V) Any manufacturing industry described in section 48B(c)(7).

“(ii) EXCEPTIONS.—For purposes of clause (i), an industrial carbon dioxide facility shall not include—

“(I) any geological gas facility (as defined in clause (iii)), or

“(II) any air separation unit that—

“(aa) does not qualify as gasification equipment, or
“(bb) is not a necessary component of an oxy-fuel combustion process.

“(iii) GEOLOGICAL GAS FACILITY.—The term ‘geological gas facility’ means a facility that—

“(I) produces a raw product consisting of gas or mixed gas and liquid from a geological formation,

“(II) transports or removes impurities from such product, or

“(III) separates such product into its constituent parts.

“(3) CAPTURE AND STORAGE REQUIREMENT.—

“(A) IN GENERAL.—Subject to subparagraph (B), the eligible components of an industrial carbon dioxide facility shall have a capture and storage percentage (as determined under subparagraph (C)) that is equal to or greater than 65 percent.

“(B) EXCEPTION.—In the case of an industrial carbon dioxide facility with a capture and storage percentage that is less than 65 percent, the percentage of the cost of the eligible components installed in such facility that may
be financed with tax-exempt bonds may not be
greater than the capture and storage percent-
age.

“(C) Capture and storage percentage.—

“(i) In general.—Subject to clause
(ii), the capture and storage percentage
shall be an amount, expressed as a per-
centage, equal to the quotient of—

“(I) the total metric tons of car-
bon dioxide annually captured, trans-
ported, and injected into—

“(aa) a facility for geologic
storage, or

“(bb) an enhanced oil or gas
recovery well followed by geologic
storage, divided by

“(II) the total metric tons of car-
bon dioxide which would otherwise be
released into the atmosphere each
year as industrial emission of green-
house gas if the eligible components
were not installed in the industrial
carbon dioxide facility.
“(ii) Limited Application of Eligible Components.—In the case of eligible components that are designed to capture carbon dioxide solely from specific sources of emissions or portions thereof within an industrial carbon dioxide facility, the capture and storage percentage under this subparagraph shall be determined based only on such specific sources of emissions or portions thereof.”.

(b) Volume Cap.—Section 146(g)(4) of such Code is amended by striking “paragraph (11) of section 142(a) (relating to high-speed intercity rail facilities)” and inserting “paragraph (11) or (16) of section 142(a)”.

(c) Clarification of Private Business Use.—Section 141(b)(6) of such Code is amended by adding at the end the following new subparagraph:

“(C) Clarification relating to Qualified Carbon Dioxide Capture Facilities.—For purposes of this subsection, the sale of carbon dioxide produced by a qualified carbon dioxide capture facility (as defined in section 142(n)) which is owned by a governmental unit shall not constitute private business use.”.
1 (d) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to obligations issued after December 31, 2019.