Section 45Z Clean Fuel Production Tax Credit: Internal Revenue Service Issues Notice 2026-53

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The Internal Revenue Service ("IRS") on September 8th issued guidance addressing the Section 45Z Clean Fuel Production Tax Credit ("PTC"). See Notice 2026-53 ("Notice").

The Notice provides:

- 2026 emissions rate table used to calculate the clean fuel production credit.
- Guidance on use of manure-derived fuels and regenerative agricultural feedstock practices.

The Section 45Z PTC was enacted as part of the Inflation Reduction Act of 2022. The PTC replaced the previous renewable fuel incentives. The objective is to incentivize domestic production of lower carbon alternatives to petroleum-based fuels.

The One Big Beautiful Bill enacted in 2025 extended and modified the credit. It is based on the quantity of clean fuel produced and sold by a domestic producer. The domestic producer must chemically process feedstocks into finished fuel during the time period of January 1, 2025, to December 31, 2027.

Note that the IRS proposed regulations on February 4th, which are stated to be under final consideration, implementing working families tax cuts (i.e., legislation) changes to the PTC. These include addressing how the annual emissions rate table works and which table and model a producer should use to determine the emissions rate of a particular fuel.

The IRS 45Z proposed regulations indicated that the agency would provide further guidance on how the United States Department of Agriculture ("USDA") rules on regenerative agricultural practice would be integrated into the 45ZCFGREET model once the USDA finalized its rules. USDA did so on June 29th. Therefore, the IRS states that this Notice provides a safe harbor that will be available for 2025 clean fuel production.

The IRS also describes its Notice as providing transition guidance for applying changes made by the WFTC when an allowed methodology has not yet been updated to reflect those changes. This includes rules addressing used cooking oil and other feedstocks.

National Corn Growers Association President Jed Bower is quoted as stating that the guidance:

> … gives safe harbor to previously recognized "on farm" practices in reducing the carbon intensity of qualifying fuels. This guidance also codifies positive changes to the credit regarding indirect land use change.

A copy of the Notice can be found here.