

Recycling Tax Credit

The Recycling Tax Credit program was established to increase capacity within the State of Arkansas for the use of recovered waste materials. Act 748 of 1991, codified at Ark. Code Ann. § 26-51-506, provides an incentive to taxpayers to engage in the business of reducing, reusing or recycling solid waste for commercial purposes by providing a credit against the tax imposed by the Income Tax Act or 1929, § 26-501 et seq. for the purchase of machinery or equipment used to reduce, reuse or recycle waste. To claim the benefits of this tax credit, a taxpayer must apply for the tax credit on forms provided by the Arkansas Department of Energy & Environment (E&E) and meet the conditions of eligibility described below.

CONDITIONS OF ELIGIBILITY AND INSTRUCTIONS FOR COMPLETING THE APPLICATION FOR CERTIFICATION OF ELIGIBILITY

A taxpayer must be engaged in the business of reducing, reusing, or recycling recovered material for commercial purposes in Arkansas, in order to be eligible for tax credit certification under this Arkansas Pollution Control and Ecology Commission (“APC&EC”) Rule 16.

Applicants for a tax credit certification must provide a narrative describing the project or equipment purpose. The narrative must also contain a list of suppliers and approximate percentage of recovered materials with post-consumer waste, and products collected, separated, processed, modified, converted, treated, or manufactured.

Applicants for a tax credit certification must complete the application for certification of eligibility and provide invoices detailing each expenditure which include:

- (a) the seller’s name;
- (b) the cost of each item claimed as waste reduction, reuse, or recycling equipment;
- (c) the date on which such equipment was purchased; and
- (d) the cost of installation.

Expenditures eligible for tax credit certification include:

(a) waste reduction, reuse, or recycling equipment used exclusively for waste reduction, reuse, or recycling of solid waste for commercial purposes, whether or not for profit, including the cost of installation of such equipment by outside contractors;

(b) waste reduction, reuse, or recycling equipment must be used exclusively in the collection, separation, processing, modification, conversion, treatment, or manufacturing of products containing at least fifty percent (50%) recovered materials, of which at least ten percent (10%) of the recovered materials shall be post-consumer waste;

(c) the cost of replacing existing waste reduction, reuse, or recycling equipment shall be eligible for certification only if the replacement provides greater capacity for recycling or provides the capability to collect, separate, process, modify, convert, treat, or manufacture additional or a different type of solid waste.

Ineligible expenditures for computing the allowable tax credit include:

- (a) expenditures for land and buildings;
- (b) feasibility studies;
- (c) engineering costs of buildings;
- (d) equipment used to service the waste reduction, reuse, or recycling equipment;
- (e) replacement parts which serve only to keep existing waste reduction, reuse, or recycling equipment in its ordinary efficient operating condition;

(f) service contracts;
(g) sales tax;
(h) maintenance;
(i) repairs; and,
(j) expenditures for waste reduction, reuse, or recycling equipment for which a tax credit has been previously issued.

Applicants for a tax credit certification must submit an application by no later than ninety (90) days following the calendar year in which (1) waste reduction, reuse, or recycling equipment was purchased, (2) final equipment expenditures are made, or, (3) project start-up occurs, whichever is later. Final equipment expenditures for purposes of this section include installation costs, construction progress payments, and payments of retainage, but do not include finance lease payments, financing payments, or installment payments following purchase according to an installment payment plan. For equipment bought or leased on installment, the date of the last expenditure shall be the date of the last purchase, not the last installment payment.

The Application must be signed by the taxpayer claiming the credit. The taxpayer's signature shall be by an officer if a corporation; partner or authorized manager if a partnership; member or manager if a limited liability company; proprietor if a sole proprietorship; or the individual applicant if the taxpayer is an individual.

In the case of a proprietorship or partnership engaged in the business of waste reduction, reuse, or recycling of solid waste, the amount of the credit determined under this Rule for any tax year shall be apportioned to each proprietor or partner in proportion to the amount of income from the entity which the proprietor or partner is required to include as gross income. In the case of a Subchapter S corporation, the amount of the credit determined under this Rule for any taxable year shall be apportioned among the persons who are shareholders of the corporation on the last day of the taxable year based on each person's percentage of ownership. In the case of an estate or trust, the amount of the credit determined under this Rule for any taxable year shall be apportioned between the estate or trust and the beneficiaries on the basis of income of the estate or trust allocable to each.

Submit Application to:

Arkansas Department of Energy & Environment
Office of Enterprise Services
5301 Northshore Dr.
North Little Rock, AR 72118-5317

QUESTIONS

If you have questions about the program or the approval process, call E&E Office of Enterprise Services at 501-682-0592.

Provide a narrative as required by APC&EC Rule 16.201(c)(4) describing the project or equipment purpose, containing a list of supplier and approximate percentage of recovered materials, post-consumer waste, and products collected, separated, processed, modified, converted, treated or manufactured. (attach additional pages if needed).

Provide copies of invoices detailing all expenditures which include: 1) the seller's name; 2) the cost of each item claimed as waste reduction, reuse, or recycling equipment; and 3) the date on which such equipment was purchased.

Please identify the following:

Equipment	Serial Number	Model Number

Provide the cost(s) of installation of each item claimed as waste reduction, reuse or recycling equipment.

State one of the following: (1) the date the waste reduction, reuse, or recycling equipment was purchased, (2) the date which the final equipment expenditures were made OR (3) the date project start-up commenced (whichever was later).

Give the address where the waste reduction, reuse, or recycling equipment is located.

Was the waste reduction, reuse, or recycling equipment operated exclusively or used exclusively in Arkansas?

Yes No (Check One)

I hereby certify under the penalty of the law that I am authorized to act on behalf of the applicant, that I have read the foregoing application and attachments and know the contents thereof, and the facts set forth are true, correct and complete. I further certify a good faith effort is being made to utilize post-consumer waste generated in Arkansas in the amount as required by Ark. Code Ann. § 26-51-506 (d)(4)

Signature of Applicant

Date

Applicant's Signature is: Officer Partner Sole Proprietor Authorized Manager (CHECK ONE)