

# Arkansas Recycling Tax Credit Program: Reminder



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The Arkansas General Assembly through Act 748 of 1991 established a tax credit program for facilities establishing or expanding processes that utilize recyclables.

The recycling tax credit has been very beneficial to Arkansas manufacturing and processing facilities that have substituted scrap materials or recyclables in lieu of virgin feedstocks.

Facilities establishing or expanding processes that utilize recyclables are potentially eligible for 30% tax credit on certain capital costs. See Ark. Code Ann. § 26-51-506 et seq.

The tax credit is provided for waste reduction, reuse or recycling equipment.

Waste reduction, reuse or recycling equipment is defined as:

. . . new or used machinery or equipment located in Arkansas on the last day of the taxable year which is operated or used exclusively in Arkansas to collect, separate, process, modify, convert, or treat solid waste so that the resulting product may be used as raw material or for productive use or to manufacture products containing recovered materials.

The tax credit is equal to 30% of the cost of the equipment or machinery. Eligible costs include expenditures for installation of equipment. Excluded costs include feasibility studies, the engineering of the building to store the equipment or machinery, machinery used to service the equipment, replacement parts, service contracts, sales tax, and maintenance and repairs.

Note that the 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 50% recovered materials. Of these recovered materials at least 10% of the recovered materials must be post-consumer waste. Further, the cost of replacing existing waste reduction, reuse, or recycling equipment is only eligible for certification if the replacement provides:

- Greater capacity for recycling
- Capability to collect, separate, process, modify, convert, treat, or manufacture additional or a different type of solid waste

An unused tax credit may be carried over for a certain number of years (3), following the taxable year that the credit originated.

Key definitions in the recycling tax credit statute that can determine whether a particular process or activity is encompassed include terms such as:

- Post-consumer waste
- Pre-consumer material

- Recovered materials
- Recycling
- Solid waste

The Arkansas Department of Energy and Environment – Division of Environmental Quality (“DEQ”) operates this program in conjunction with the Arkansas Department of Finance and Administration (“DF&A”). DEQ Enterprise Services staff administer the program for the agency.

DEQ initially reviews an application submitted by a tax credit application and determines eligibility. If the machinery or equipment is determined to be eligible, DEQ provides a certification to DF&A.

DEQ has promulgated regulations to implement the program in Arkansas Pollution Control and Ecology Commission Regulation No. 16.