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Arkansas Recycling Tax Credit: Arkansas Department of Energy & Environment - Division of Environmental Quality – Waste Reduction, Reuse, or Recycling Tax Credit Certification Process

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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 metals or recyclables in lieu of virgin feedstocks.

Facilities establishing or expanding processes that utilize recyclables are potentially eligible for a 30% tax credit on purchases of machinery or equipment. See Ark. Code Ann. § 26-51-506, et seq.

The tax credit is provided for waste reduction, reuse, or recycling equipment. These terms are arguably broadly 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 equipment or machinery, plus freight and installation by outside contractors.

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% of recovered materials. Further, of those recovered materials at least 10% must be post-consumer waste.

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

DEQ initially reviews submissions of tax credit applications and determines eligibility. The regulations promulgated by DEQ to implement this program are found in Arkansas Pollution Control & Ecology

Regulation 16. If the machinery or equipment is determined to be eligible, DEQ provides a certification to DF&A.

DEQ now has around 30 years of experience in operating this program. As a result, agency staff have noted certain suggestions for tax credit applicants to facilitate a more efficient certification process.

Of particular importance is a reminder that an application for certification must be filed with DEQ during the tax year the equipment is purchased, or the last invoice is paid, or the equipment is put into operation; whichever is later. See Reg. 16.201(A). As a result, DEQ staff has noted by way of example that if a taxpayer purchases equipment at any time during the calendar year, (January 1 through December 31) the taxpayer has until March 31 of the following year to file a tax credit certification on that equipment (i.e., 90 days after the end of the calendar year).

DEQ staff suggests it is important that taxpayers not wait until the last minute to file an application for certification. Three reasons are provided for this suggestion:

1. If the taxpayer files for a tax credit certification as soon as the machinery or equipment purchase is completed, they should have a certificate of certification before the tax filing season arrives.
2. If the taxpayer waits until the March 31 deadline, they will most likely be forced to file an extension for state taxes because it typically takes about 90 days to complete the certification process. If the taxpayer waits until tax filing season to apply for a certificate of certification, it could be the end of June or later before a certificate of certification is received from DEQ.
3. DEQ staff works through applications on a first-come, first-served basis. After January 1 staff is typically very busy processing applications. In other words, there could be a few requests for certification ahead of a request.

Applicants may apply on-line by accessing the E-portal App [here](#).