

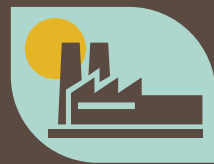


ARKANSAS
ENERGY & ENVIRONMENT

Arkansas Recycling Equipment TAX CREDIT

Frequently Asked Questions (FAQ) GUIDE

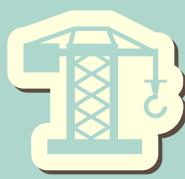
The Arkansas Recycling Equipment Tax Credit Program, created by Act 654 of 1993, is a State Income Tax Credit that encourages recycling by allowing Arkansas taxpayers a 30% state income tax credit for the purchase of equipment used exclusively for collecting, separating, processing, modifying, converting, or treating solid waste or for manufacturing products containing at least 50% recovered materials of which at least 10% is post-consumer waste. Below is a list of some of the most common questions that an owner or operator of a facility has when applying for the Arkansas Recycling Equipment Tax Credit.



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1. What Arkansas laws govern the Arkansas Recycling Equipment Tax Credit?

Act 654 of 1993 and the [Arkansas Pollution Control and Ecology Commission \(APC&EC\) Regulation No. 16.](#)

2. Who is an eligible applicant?

An eligible applicant is an Arkansas taxpayer who owns or is engaged in the business of reducing, reusing, or recycling solid waste, in Arkansas. This definition covers collectors, processors, and end users. An Eligible applicant may be a Corporation, Subchapter "S" Corporation, Partnership, Trust, Estate, or Sole Proprietor. The applicant must be in the business of reducing, reusing, or recycling solid waste for commercial purposes, whether or not for profit.

3. Does the Arkansas Recycling Equipment Tax Credit apply to multiple entities?

Yes – Corporations, Subchapter "S" Corporations, Partnerships, Sole Proprietorships, Estates or Trusts, and LLCs are eligible.

4. What is the amount of the Arkansas Recycling Equipment Tax Credit?

30% of the amount paid for eligible recycling equipment and installation. For example, if the total cost for equipment and installation is \$10,000, the participant can subtract \$3,000 from the amount they owe the state.

5. What are eligible expenditures?

- Purchased or leased equipment and machinery that reduces, reuses, or recycles solid waste
- The cost of freight or eligible equipment and machinery
- The cost of installation of eligible equipment by an outside contractor

6. What is solid waste?

Solid waste as defined by APC&EC Regulation No.16.103(Q) is all putrescible and non-putrescible wastes in solid or semi-solid form, including, but not limited to, yard or food waste, waste glass, waste metals, waste plastics, waste papers, waste paperboard, and all other solid or semi-solid wastes resulting from industrial, commercial, agricultural, community, and residential activities.

7. What is recovered material?

Recovered materials as defined by APC&EC Regulation No. 16.103(N) are those materials which have been separated, diverted, or otherwise removed from the waste stream for the purpose of recycling and includes both pre-consumer material and post-consumer waste.

8. What is the difference between solid waste and recovered material?

Both pre-consumer solid waste and post-consumer solid waste become pre-consumer recovered material and post-consumer recovered material, respectively, when they are separated or otherwise diverted from the waste stream for the purpose of recycling.



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9. What equipment and machinery are eligible?

- Eligible equipment and machinery must collect, separate, process, modify, convert, or treat solid waste so that the resulting product:
 - may be used as a raw material
 - may be used for productive use
 - may be used to manufacture products containing at least 50% recovered material, of which at least 10% is post-consumer waste.
- Eligible machinery and equipment must be used exclusively for the purpose of reducing, reusing, or recycling solid waste. Examples of equipment commonly certified includes, but is not limited to, bobcats, front-end loaders, and cranes.
- Eligible machinery and equipment must be used exclusively in Arkansas.

End users are encouraged to utilize as much solid waste material generated in Arkansas as possible.

10. What are some examples of ineligible expenditures?

- Motor vehicles; trucks and trailers that are licensed, would normally be licensed, or are for use on highways in Arkansas
- Buildings and land
- Feasibility studies
- Engineering cost of a building to house recycling equipment
- In-house labor
- In-house freight
- Sales tax
- Cost of extended warranties
- Maintenance
- Repairs to existing equipment (includes parts)
- Expenditures for equipment in which a tax credit has been previously issued
- Equipment such as computers, telephones, desks, chairs and fences that are a part of the facility but do not collect, separate, process, modify, convert, or treat solid waste
- Equipment, machinery, and/or other expenditures that are used to service the reduction, reuse, or recycling equipment and
- Equipment or machinery that recycles only waste generated by the applicant

11. What is service equipment?

Service equipment is equipment, tools, machinery, and/or other expenditures that keep existing machinery and equipment in running order by providing repair, maintenance, adjustment, inspection or supplies.



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12. Is replacement of existing equipment eligible for the tax credit?

If overall recycling capacity is increased or a different commodity is recycled, the Division has allowed certification of replacement equipment and machinery.

13. What is the difference in pre-consumer and post-consumer waste?

As defined in APC&EC Regulation No. 16, pre-consumer waste is waste that is generated during any step in the production of a product and recovered from or otherwise diverted from the solid waste stream for the purpose of recycling.

Post-consumer waste is waste generated by a business, governmental entity, or consumer which has served its intended end use and has been recovered from or otherwise diverted from the solid waste stream for the purpose of recycling.

14. What are examples of pre-consumer waste?

- Clippings from a factory that makes tool boxes
- Tool boxes rejected by quality control and not sold to a consumer
- Clippings from a factory that makes cardboard boxes
- Cardboard boxes rejected by quality control and not sold to a consumer

15. What are examples of post-consumer waste?

- Tool boxes purchased by a consumer that become worn out and are discarded
- Discarded cardboard boxes that once contained copy paper, etc.
- Items discarded by a household or government entity
- Items discarded by a commercial or agricultural entity
- Items discarded by an industrial entity, excluding items that are created during the production of a product

16. How does a business submit a Arkansas Recycling Equipment Tax Credit application?

Applications are submitted online through E&E's [ePortal System](#).

17. When does a business need to submit an application for certification?

Tax payers may file an application for certification at any time during the calendar year in which the purchase of waste reduction, reuse, or recycling equipment occurs; final equipment expenditures are made; or project start-up occurs; whichever is later.

However, in order to be eligible, tax payers must submit an application for certification no later than ninety (90) days following the end of the calendar year in which the purchase of waste reduction, reuse, or recycling equipment occurs; final equipment expenditures are made; or project start-up occurs; whichever is later.



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For example, John Doe's Recycling Company purchases a baler to process scrap metal. Mr. Doe purchases the equipment on May 2, 2023. The baler is delivered to his facility the next day; at which time he begins using the baler to process the scrap metal. Mr. Doe can submit an application for certification for the baler immediately, or he can wait until March 31, 2024, which is ninety (90) days following the end of the calendar year in which the purchase of waste reduction, reuse, or recycling equipment occurs; final equipment expenditures are made; or project start-up occurs; whichever is later.

The deadline for applying for certification on equipment purchased at any time during a given year is March 31 of the following year.

18. Does equipment depreciation qualify for a tax deduction?

Yes – depreciation as a tax deduction is excepted. Other tax credits or deductions, such as the Manufacturer's Investment Credit or the Enterprise Zone Sales and Use Tax Refund cannot be used on the same equipment if the tax credit under Act 654 has already been claimed.

19. Are other Arkansas State Agencies involved with the Recycling Equipment Tax Credit?

Once the Chief Administrator for the Division of Environmental Quality signs the letter and the certificates of certification, they are mailed to the taxpayer and a copy of those documents are sent to the Department of Finance and Administration. The Department of Finance and Administration is responsible for the record keeping and the administration of the funds associated with the tax credit.

20. Is there a pre-approval process for large projects ensuring the applicant is eligible for a tax credit?

Yes – applicants can submit a Preliminary Approval application through E&E's [ePortal System](#). After receiving the application, the Division will make a determination as to eligibility of the application within thirty (30) days. Please note, the Division will accept a pre-approval application only if the project has not been started and no equipment has been purchased.

21. What can I expect once I've submitted my application?

After you have submitted your application in ePortal, an Enterprise Services Program Coordinator will contact you to schedule a site visit. During the site visit, DEQ personnel will confirm the presence of equipment, the equipment's serial number, how the equipment is used, and the presence of recovered material.

Once the inspection has been conducted and equipment confirmed, you will receive a letter from the Division, including Arkansas Recycling Equipment Tax Credit certification(s). The original certificate must be included with the tax return for the year in which the credit is first claimed.

22. What if the equipment or machinery does not have a factory serial number?

A serial number or identification number should be assigned to the equipment and permanently attached to the equipment by the owner before the site visit.



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23. Is there a limit on how the credit can be used?

Yes—the recycling tax credit under Act 654 of 1993 may be used to offset a taxpayer’s Arkansas state income tax liability for a maximum of four (4) years; the year of inception, plus the next three (3) consecutive years. Unused credit may be carried over for the next three (3) years until the credit monies are used up or the time limit is reached. The credit cannot be used to obtain a negative balance on the taxpayer’s state income tax liability that would result in a refund.

FOR ADDITIONAL INFORMATION

Visit E&E’s website: <https://www.adeq.state.ar.us/poa/enterprise-services/market/tax-credit.aspx>
or contact Tommy Edgman, Marketing Specialist,
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