

ADEQ

ARKANSAS
Department of Environmental Quality

MAR 24 2016

James B. Sorrells, Wastewater Operations Manager
City of Hot Springs
320 Davidson Drive
Hot Springs, AR 71901

RE: NPDES Permit No. AR0033880; AFIN 26-00145
Request for Sales Tax Exemption for New Equipment

Dear Mr. Sorrells:

The Department has reviewed your emails dated February 25 and 26, 2016 and an email from Mary Burks dated March 15, 2016 requesting a sales tax exemption determination from the Arkansas Department of Environmental Quality (ADEQ) for the following items being installed by City of Hot Springs Wastewater Operations. The following items were requested to be exempt from sales tax pursuant to the Arkansas Department of Finance and Administration (DFA) Regulation GR-66 under A.C.A. § 26-53-114. ADEQ has reviewed these items and have indicated whether each item is eligible for tax exemption in the following table:


Items Requested for Tax Exemption	Qualification
Sludge belt press	Not Tax Exempt
Brush and Tree Grinder for composting operation	Not Tax Exempt
Compost mixer	Not Tax Exempt
Back-up pump for Stokes Creek pump station	Not Tax Exempt

DFA Gross Receipts Tax Rule GR-66(E)(1) states that machinery and equipment used in a city or county wastewater treatment plant are tax exempt if used to remove contaminants from the wastewater, and that the treatment process begins when solids are first removed from the wastewater and ends when all solids are removed from the wastewater. GR-66(E)(2)(b) further states that the treatment process does not include disposal of solids removed from the wastewater. GR-66(E)(4) specifically lists pump stations and sludge dewatering equipment (belt press) as an example of a taxable item (not tax exempt). Although the Department certainly encourages the beneficial use of removed solids from wastewater such as dewatering and composting, the above listed equipment are not considered part of the wastewater treatment process under tax rule GR-66.

Therefore, pursuant to DFA Gross Receipts Tax Rule GR-66 and the above stated reasons, the items listed in this letter do not appear to qualify for sales tax exemption. This letter therefore serves as written documentation from ADEQ on what specific items appear qualified for tax exemption. However, please be advised that Arkansas Department of Finance and Administration administers this tax exemption and makes the final determination as to which specific items in your proposal qualify for tax exemption.

If you have any questions, please call the Arkansas Department of Finance and Administration Revenue Legal Division at (501) 682-7030 or Shane Byrum of my staff at (501) 682-0618.

Sincerely,


Becky W. Keogh
Director

cc.: Mr. Paul Gehring, Chief Legal Counsel (w/ copy of request)
Arkansas Dept. of Finance & Administration
P.O. Box 1272
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