Recycling Tax Credit Preliminary Approval

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 Environmental Quality and meet the conditions of eligibility described below.

CONDITIONS OF ELIGIBILITY AND

INSTRUCTIONS FOR COMPLETING THE APPLICATION FOR

PRELIMINARY APPROVAL

Conditions of Eligibility

A taxpayer must be engaged in the business of reducing, reusing, or recycling solid waste material for commercial purposes in Arkansas, whether or not for profit, in order to be eligible for tax credit certification pursuant to Arkansas Pollution Control and Ecology Commission ("APC&EC") Regulation 16.

A taxpayer's waste reduction, reuse, or recycling equipment must be 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 a raw material or for productive use or to manufacture products containing recovered materials.

A taxpayer's waste reduction, reuse, or recycling equipment must be used 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.

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 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.

<u>Ineligible</u> 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.

Instructions for Completing

The

Application for Preliminary Approval

A taxpayer may ask the Director of the Arkansas Department of Environmental Quality for preliminary approval for a potential tax credit regarding an anticipated purchase of waste reduction, reuse of recycling equipment in accordance with Arkansas Pollution Control and Ecology Commission (APC&EC") Regulation 16. This process benefits a taxpayer by permitting the taxpayer to obtain an agency determination on whether the anticipated purchase meets the requirements for tax credit eligibility before the taxpayer has made a commitment to purchase the equipment. The taxpayer is still required to submit an application that meets the requirements of Regulation16, Section 201 for a tax credit certification.

In order to request preliminary approval for a potential tax credit, a taxpayer must submit an application for preliminary approval and any other records requested by the Department at least thirty (30) days prior to purchasing any equipment or machinery which may, either individually or as part of waste reduction project, be eligible for a tax credit regulation.

Applicants for a tax credit certification must provide a narrative describing the project(s) or service(s) expected to be produced or provided from the purchase of waste reduction, reuse or recycling equipment or construction of a waste reduction, reuse or recycling project.

Applicants must provide a brief description of each piece of waste reduction, reuse, or recycling equipment expected to be purchased.

Applicants must itemize the expected costs to be incurred for the purchase of waste reduction, reuse or recycling equipment or construction of a waste reduction, reuse or recycling project.

Applicants must provide the date waste reduction, reuse, or recycling equipment is expected to be purchased or the date a waste reduction, reuse, or recycling project is expected to become operational.

Applicants must provide the expected cost of installation of waste reduction, reuse or recycling equipment.

The application must be signed by the taxpayer who will claim 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.

QUESTIONS?

If you have questions about the program or the approval process, please call ADEQ Enterprise Services, Tommy Edgman, Tax Credit Administrator, 501-682-0592.

Submit Application to: Enterprise Services

Arkansas Dept. of Environmental Quality

5301 Northshore Dr.

North Little Rock, Arkansas 72118-5317

APPLICATION FOR PRELIMINARY APPROVAL

For Tax Benefits Provided by Act 654 of 1993 (Ark. Code Ann. § 26-51-506) APC&EC Regulation 16

Arkansas Pollution Control and Ecology Commission ("APC&EC") Regulation 16.205 requires the applicant for preliminary approval of investment tax credit certification to provide the information requested below, at least thirty (30) days prior to purchasing any equipment or machinery.

5. Provide the o	expected cost of installation of waste reduction, reuse or recycling equipment.
	name and the signature of the taxpayer that will claim the tax credit if is approved. Please note instructions for appropriate signature.
Printed Name of	of Applicant
Signature of A	pplicant
Person Signing (Check one)	for Applicant is: [] Officer [] Partner [] Sole Proprietor [] Authorized Manager [] Other
7. APPLICANT (Check one)	IS: [] Corporation [] Subchapter "S" Corporation [] Partnership [] Proprietorship [] Estate or Trust [] LLC
	(Name, Title of Contact Person and E-mail Address)
	(Local Operating Name of Firm and County)
	(Mailing Address and Telephone Number)
	(Home Office) (if subsidiary, list home office name and city):
SUBMIT TO:	Enterprise Services Arkansas Department of Environmental Quality 5301 Northshore Drive Little Rock, Arkansas 72118-5317

QUESTIONS?

If you have questions about the program or the approval process, please call Tommy Edgman, Tax Credit Administrator, 501-682-0592.