



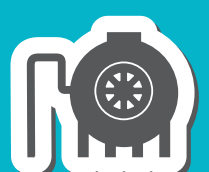
ENTERPRISE
SERVICES

Arkansas Recycling Equipment **TAX CREDIT**

Frequently Asked Questions (FAQ) GUIDE

Created by Act 654 in 1993, the Arkansas Recycling Equipment Tax Credit Program is a state income tax credit that encourages Arkansas facilities to recycle. Arkansas taxpayers may receive a state income tax credit for the purchase of equipment used exclusively for solid waste or manufacturing products containing recovered materials.

To see if you may qualify, please read through some of the most common questions we receive when applying for the Arkansas Recycling Equipment Tax Credit.



Frequently Asked Questions

(FAQ) GUIDE

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?

It is 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 materials 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.

Frequently Asked Questions

(FAQ) GUIDE

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

As defined in APC&EC Regulation No. 16, pre-consumer material 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.

10. What are examples of pre-consumer material?

- 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

11. What are examples of post-consumer waste?

- Toolboxes purchased by a consumer that become worn out and are discarded
- Discarded cardboard boxes that once contained office paper, cereal, or cookies
- Used aluminum soda cans
- Used plastic milk jugs, water bottles or other durable plastic containers
- Old, wrecked, or unusable automobiles
- Used feed or fertilizer sacks
- Wooden pallets that have been discarded

12. 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.

Frequently Asked Questions

(FAQ) GUIDE

13. 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
- Equipment or machinery that recycles only waste generated by the applicant

14. 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.

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

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

16. How does an business submit an 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?

Taxpayers 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, taxpayers 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.

Frequently Asked Questions

(FAQ) GUIDE

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 accepted. 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 DEQ 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, DEQ will make a determination as to eligibility of the application within thirty (30) days. Please note, DEQ 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 DEQ, 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.

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 MORE INFORMATION

Visit E&E's website: <https://www.adeq.state.ar.us/poa/enterprise-services/>
or contact Tommy Edgman, Marketing Specialist,
at 501.682.0592 or Tommy.Edgman@arkansas.gov

