

## 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 of 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 Energy & Environment (E&E) 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") Rule 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.

#### Ineligible expenditures for computing the allowable tax credit include:

- (d) expenditures for land and buildings;
- (e) feasibility studies;
- (f) engineering costs of buildings;
- (g) equipment used to service the waste reduction, reuse, or recycling equipment;
- (h) replacement parts which serve only to keep existing waste reduction, reuse, or recycling equipment in its ordinary efficient operating condition;
- (i) service contracts;
- (j) sales tax;
- (k) maintenance;
- (l) repairs; and,
- (m) expenditures for waste reduction, reuse, or recycling equipment for which a tax credit has been previously issued.



**APPLICATION FOR PRELIMINARY APPROVAL**

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

Arkansas Pollution Control and Ecology Commission (“APC&EC”) Rule 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.

1. Provide a narrative describing the project purpose and the products(s) or services(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.

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2. Provide a brief description of each piece of waste reduction, reuse, or recycling equipment expected to be purchased.

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3. 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.

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4. 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.

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5. Provide the expected cost of installation of waste reduction, reuse or recycling equipment.

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