

State of Arkansas      *As Engrossed: S4/1/25 S4/8/25 S4/9/25*

95th General Assembly

## A Bill

Regular Session, 2025

SENATE BILL 568

By: Senators Crowell, Gilmore, Stone

By: Representatives Jean, Andrews, Dalby, Henley, M. Shepherd

### For An Act To Be Entitled

AN ACT TO AMEND THE LAW CONCERNING THE TAXES  
APPLICABLE TO LITHIUM EXTRACTION AND DEVELOPMENT; TO  
INCLUDE ELECTRONIC WASTE IN THE DEFINITION OF "SOLID  
WASTE" FOR PURPOSES OF THE SALES AND USE TAX  
EXEMPTION FOR WASTE REDUCTION, REUSE, OR RECYCLING  
EQUIPMENT; TO PROVIDE A SALES AND USE TAX EXEMPTION  
FOR LITHIUM RESOURCE DEVELOPMENT; TO AMEND THE LAW  
CONCERNING THE SEVERANCE TAX ON LITHIUM; AND FOR  
OTHER PURPOSES.

### Subtitle

TO AMEND THE LAW CONCERNING THE TAXES  
APPLICABLE TO LITHIUM EXTRACTION AND  
DEVELOPMENT; TO PROVIDE A SALES AND USE  
TAX EXEMPTION FOR LITHIUM RESOURCE  
DEVELOPMENT; AND TO AMEND THE LAW  
CONCERNING THE SEVERANCE TAX ON LITHIUM.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Arkansas Code § 19-6-301(61) and (62), concerning the  
enumeration of special revenues, are amended to read as follows:

(61) Brine taxes imposed upon all brine produced in the state  
for the purpose of bromine or lithium extraction, as enacted by Acts 1979,  
No. 759, and all laws amendatory thereto, § 26-58-301;

(62) Oil and Gas Commission fees, including oil assessments, gas  
assessments in excess of four and one-half (4½) mills each fiscal year until



1 July 1, 2023, under § 15-71-107(b)(2)(A)(i), drilling permits, permits for  
2 plugging wells, and permits for each salt water well, all as enacted by Acts  
3 1939, No. 105, and all laws amendatory thereto, §§ 15-71-101 – 15-71-112, 15-  
4 72-101 – 15-72-110, 15-72-205, 15-72-212, 15-72-216, 15-72-301 – 15-72-324,  
5 and 15-72-401 – 15-72-407, and the portion of taxes levied on salt water used  
6 in bromine or lithium production, as enacted by Acts 1947, No. 136, and all  
7 laws amendatory thereto, § 26-58-111(9);

8  
9 SECTION 2. Arkansas Code § 26-51-506(b)(15), concerning the  
10 definitions to be used with respect to the income tax credit for waste  
11 reduction, reuse, or recycling equipment, is amended to read as follows:

12 (15) "Solid waste" means all putrescible and nonputrescible  
13 wastes in solid or semisolid form, including, but not limited to, yard or  
14 food waste, waste glass, waste metals, waste plastics, wastepapers, waste  
15 paperboard, electronic waste, lithium-ion battery cells and battery packs,  
16 and all other solid or semisolid wastes resulting from industrial,  
17 commercial, agricultural, community, and residential activities;

18  
19 SECTION 3. Arkansas Code Title 26, Chapter 52, Subchapter 4, is  
20 amended to add an additional section to read as follows:

21 26-52-457. Lithium resources development – Definitions.

22 (a) As used in this section:

23 (1) "Direct compensation" means wages, salaries, bonuses, and  
24 commissions;

25 (2) "Eligible facility costs" means expenditures for the  
26 development, acquisition, construction, expansion, renovation, refurbishment,  
27 maintenance, and operation of a qualified facility, including without  
28 limitation costs incurred for land, buildings, site improvements, permitting,  
29 facility lease payments, site characterization and assessment, engineering,  
30 and design used directly and exclusively for a qualified facility;

31 (3) "Facility" means a tract or adjacent tracts of land in the  
32 state and any structures and tangible personal property contained on the land  
33 that are for the operation of a lithium, cathode, anode, lithium battery, and  
34 grid storage facility or are directly engaged in the processing, refining,  
35 conversion, manufacturing, and recycling of lithium or lithium products;

36 (4) "Indirect compensation" means actual costs incurred for:

1 (A) Health, life, and disability insurance coverage;

2 (B) Retirement benefits, including without limitation  
3 pensions, annuities, and matching retirement fund contributions; and

4 (C) Moving, relocation, and housing benefits;

5 (5)(A) "Lithium, cathode, anode, lithium battery, and grid  
6 storage facility equipment" means equipment and related services whether  
7 purchased or leased for immediate use or stored for future use in this state  
8 and other enabling machinery, equipment, software, and hardware purchased or  
9 leased for the further processing, development, refinement, conversion,  
10 manufacturing, or recycling of lithium, cathode, anode, lithium battery, and  
11 grid storage products.

12 (B) "Lithium, cathode, anode, lithium battery, and grid  
13 storage facility equipment" includes without limitation:

14 (i) Equipment and materials used for:

15 (a) The direct processing, refining,  
16 conversion, manufacturing, or recycling of lithium or lithium products,  
17 including without limitation lithium hydroxide and lithium carbonate;

18 (b) The development or manufacturing of  
19 cathode facilities and cathode active materials, anode facilities and anode  
20 active materials, grid storage facilities and electrolytes, separator  
21 facilities, or lithium battery recycling facilities;

22 (c) Equipment and input materials used in the  
23 operation of a qualified facility, including without limitation a component  
24 part, installation, refreshment, replacement, or upgrade of a qualified  
25 facility whether or not the property is affixed to or incorporated into real  
26 property;

27 (d) Equipment necessary for the  
28 transformation, generation, distribution, storage, or management of  
29 electricity that is required to operate equipment of a qualified facility,  
30 including without limitation any substation, generator, uninterruptible  
31 energy equipment, supply, conduit, fuel piping and storage, cabling, duct  
32 bank, switch, switchboard, battery bank or energy storage system, testing  
33 equipment, and backup generator; and

34 (e) Water conservation systems, including  
35 without limitation a mechanism that is designed to collect, conserve, and  
36 reuse water; and

1 (ii) Labor services to install, repair, service,  
2 alter, fabricate, or maintain equipment and materials described in  
3 subdivision (a)(5)(B)(i) of this section;

4 (6) "Qualified facility" means one (1) or more facilities,  
5 including any addition to or expansion of a facility, owned or operated by a  
6 qualified firm that:

7 (A) Creates a qualified investment of at least one hundred  
8 million dollars (\$100,000,000) within the state no later than ten (10) years  
9 after the start of construction of the facility;

10 (B) Annually pays total direct compensation and indirect  
11 compensation of at least three million dollars (\$3,000,000) to employees  
12 within the state over the two (2) calendar years following the calendar year  
13 in which the facility commences operations; and

14 (C) Has received a positive cost-benefit analysis from the  
15 Arkansas Economic Development Commission for the facility;

16 (7) "Qualified firm" means a for-profit business establishment  
17 that is:

18 (A) Subject to state income, sales, and property taxes;

19 (B) The owner or operator of a facility;

20 (C) Engaged in developing lithium, cathode, anode, lithium  
21 battery, and grid storage facility equipment; and

22 (8) "Qualified investment" means, with respect to a qualified  
23 facility, the aggregate, nonduplicative, eligible facility costs expended by  
24 a qualified firm in the state.

25 (b)(1) The gross receipts or gross proceeds derived from the purchase  
26 or sale of the following are exempt from the gross receipts tax levied by  
27 this chapter and the compensating use tax levied by the Arkansas Compensating  
28 Tax Act of 1949, § 26-53-101 et seq.:

29 (A) Lithium, cathode, anode, lithium battery, and grid storage  
30 facility equipment;

31 (B) Services purchased for the purpose of and in conjunction  
32 with developing, acquiring, constructing, expanding, renovating,  
33 refurbishing, and operating a qualified facility;

34 (C) Electricity used by a qualified facility; and

35 (D) Equipment, materials, and products for the further  
36 processing of materials used in manufacturing lithium, cathode, anode,

1 lithium battery, and grid storage facility equipment in the state.

2 (2) Equipment, materials, products, land, and services  
3 purchased, leased, or rented for the extraction of salt water are  
4 specifically excluded from the exemption provided under subdivision (b)(1) of  
5 this section.

6 (c)(1) To claim the exemption provided under this section, a qualified  
7 firm shall submit an application for a qualified facility to the Department  
8 of Finance and Administration.

9 (2) A qualified firm is eligible for the exemption provided  
10 under this section upon the creation of a minimum qualified investment of at  
11 least one hundred million dollars (\$100,000,000), if the qualified investment  
12 is created no later than ten (10) years after the start of construction of  
13 the qualified facility that is the subject of the application submitted under  
14 this subsection.

15 (3)(A) Within thirty (30) days after receiving a completed  
16 application under this subsection, the department shall grant or deny the  
17 application in whole or in part.

18 (B) If an application submitted under this subsection is  
19 denied as incomplete and the qualified firm submitting the application  
20 provides the additional information or documentation required by the  
21 department or otherwise completes its application within thirty (30) days of  
22 the notice of denial, the application shall be considered completed as of the  
23 original date of submission.

24 (C) If an application submitted under this subsection is  
25 denied as incomplete and the qualified firm submitting the application fails  
26 to provide the information or documentation required by the department or  
27 complete its application within thirty (30) days of the notice of denial, the  
28 application shall remain denied and may be resubmitted in full with a new  
29 submission date.

30 (D) If an application submitted under this subsection is  
31 complete and meets the requirements of this section, the department shall  
32 approve the application and certify that the qualified facility is eligible  
33 for the exemption provided under this section.

34 (4) Once an application is approved under this subsection:

35 (A) The department shall transmit an approved financial  
36 incentive certificate to the qualified firm; and

1                   (B) The exemption provided under this section may be  
2 claimed by the qualified facility.

3           (d) Upon confirmation that the minimum qualified investment required  
4 under subdivision (a)(6)(A) of this section has been met, the department  
5 shall issue a rebate to the qualified firm for any state sales or use tax  
6 paid on the eligible facility costs used to determine the minimum qualified  
7 investment.

8           (e) After receiving an approved financial incentive certificate from  
9 the department under subdivision (c)(4)(A) of this section, a qualified firm  
10 shall certify annually, for each calendar year in which the qualified firm is  
11 subject to the compensation requirement provided in subdivision (a)(6)(B) of  
12 this section, the aggregate annualized compensation at the qualified facility  
13 for the calendar year.

14           (f) An approved financial incentive certificate transmitted under  
15 subdivision (c)(4)(A) of this section shall be revoked if:

16                   (1) The qualified facility ceases operations within ten (10)  
17 years of the commencement of construction;

18                   (2) The qualified facility fails to meet the qualified  
19 investment requirement under subdivision (a)(6)(A) of this section; or

20                   (3) The aggregate annualized compensation of a qualified  
21 facility falls below the required aggregate compensation stated in  
22 subdivision (a)(6)(B) of this section.

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24           SECTION 4. Arkansas Code § 26-58-111(9), concerning the rate of the  
25 severance tax, is amended to read as follows:

26                   (9) On salt water whose naturally dissolved components, or  
27 solutes, are used as source raw materials for bromine, lithium, and other  
28 products derived from the same salt water used in the bromine or lithium  
29 production, two dollars and forty-five cents (\$2.45) per one thousand (1,000)  
30 barrels, forty-two thousand United States gallons (42,000 U.S. gals.); and  
31

32           SECTION 5. Arkansas Code § 26-58-124(a), concerning distribution of  
33 the severance tax, is amended to read as follows:

34                   (a) All taxes, penalties, and costs collected by the Secretary of the  
35 Department of Finance and Administration under the provisions of this  
36 subchapter, except for the taxes, penalties, and costs collected on natural

1 gas and salt water, shall be deposited into the State Treasury to the credit  
2 of the State Apportionment Fund.

3  
4 SECTION 6. Arkansas Code § 26-58-124, concerning distribution of the  
5 severance tax, is amended to add an additional subsection to read as follows:

6 (d) All taxes, penalties, and costs collected by the secretary on salt  
7 water shall be deposited into the State Treasury as follows:

8 (1) The Treasurer of State shall allocate the first three  
9 hundred twenty-five thousand dollars (\$325,000) collected each fiscal year in  
10 the following manner on or before the fifth of the month next following the  
11 month during which funds under this subsection are received by the Treasurer  
12 of State:

13 (A) Forty-five cents (45¢) of the fee levied per one  
14 thousand (1,000) barrels shall be deposited and credited as provided in § 26-  
15 58-125; and

16 (B) Of the amount remaining after the allocation under  
17 subdivision (d)(1)(A) of this section:

18 (i) Three percent (3%) shall be allocated to the  
19 General Revenue Fund Account of the State Apportionment Fund to be used for  
20 defraying the necessary expenses of the state government; and

21 (ii) Ninety-seven percent (97%) shall be allocated  
22 as follows:

23 (a) Seventy-five percent (75%) shall be  
24 general revenues and shall be allocated to the various State Treasury funds  
25 participating in general revenues in the respective proportions to each as  
26 provided by and to be used for the respective purposes set forth in the  
27 Revenue Stabilization Law, § 19-5-101 et seq.; and

28 (b) Twenty-five percent (25%) shall be special  
29 revenues and shall be allocated to the County Aid Fund; and

30 (2) The Treasurer of State shall allocate funds collected each  
31 fiscal year in excess of three hundred twenty-five thousand dollars  
32 (\$325,000) in the following manner on or before the fifth of the month next  
33 following the month during which funds under this subsection are received by  
34 the Treasurer of State:

35 (A) Forty-five cents (45¢) of the fee levied per one  
36 thousand (1,000) barrels shall be deposited and credited as provided in § 26-

1 58-125; and

2 (B) Of the amount remaining after the allocation under  
3 subdivision (d)(2)(A) of this section:

4 (i) Three percent (3%) shall be allocated to the  
5 General Revenue Fund Account of the State Apportionment Fund to be used for  
6 defraying the necessary expenses of the state government; and

7 (ii)(a) Ninety-seven percent (97%) shall be special  
8 revenues and shall be allocated to the County Aid Fund.

9 (b) On or before the tenth of the month  
10 following the end of each calendar quarter, the Treasurer of State shall  
11 remit by state warrants to the various county treasurers all funds under  
12 subdivision (d)(2)(B)(ii)(a) of this section then received by him or her  
13 during the quarterly period and transferred to the County Aid Fund in the  
14 proportions of the funds as between the respective counties that, as  
15 certified by the secretary to the Treasurer of State, the salt water  
16 severance tax produced from each respective county bears to the total of the  
17 taxes produced from all counties.

18 (c) Upon receipt of any taxes under  
19 subdivision (d)(2)(B)(ii)(b) of this section, each county treasurer shall  
20 credit the entire amount to the county road fund for use for the same  
21 purposes as other moneys credited to the county road fund.

22  
23 SECTION 7. Arkansas Code § 26-58-301(b)(1), concerning the tax levied for  
24 the benefit of the Arkansas Museum of Natural Resources Fund, is amended to  
25 read as follows:

26 (b)(1) There is levied upon all brine produced in the state for the  
27 purpose of bromine or lithium extraction a tax of twenty cents (20¢) per one  
28 thousand (1,000) barrels.

29  
30 SECTION 8. Arkansas Code § 26-58-302(b)(1), concerning the additional  
31 tax levied for the benefit of the Arkansas Museum of Natural Resources Fund,  
32 is amended to read as follows:

33 (b)(1) There is levied a tax of ten cents (10¢) per one thousand  
34 (1,000) barrels on all brine produced in this state for the purpose of  
35 bromine or lithium extraction.



1       SECTION 9. EFFECTIVE DATE. Sections 1-8 of this act are effective on  
2 and after October 1, 2025.

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4                               */s/Crowell*

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7                               **APPROVED: 4/22/25**  
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