



**State of Arkansas
Department of Finance and Administration
Fiscal Impact Statement**

Bill: HB1702

Bill Subtitle: TO AMEND THE SALES AND USE TAX EXEMPTIONS FOR CERTAIN MACHINERY AND EQUIPMENT USED IN MANUFACTURING; AND TO PROVIDE A SALES AND USE TAX EXEMPTION FOR MACHINERY AND EQUIPMENT USED IN CLOSED-LOOP RECYCLING.

Sponsors:

Rep. Wooldridge and Sen. Petty

Basic Change:

HB1702 expands the sales and use tax exemption for manufacturing machinery and equipment to include machinery and equipment used to mechanically recycle post-use materials in a closed-loop circular process.

A closed-loop circular process is a manufacturing process in which reclaimed post-use materials are converted and reintroduced into the original process and become a recognized component of the finished product.

"Post-use material" is material that is:

- Generated and reclaimed directly from the taxpayer's manufacturing process;
- Managed as an item of value;
- Intended to be mechanically recycled for use in the manufacturing process;
- Not post-consumer waste; and
- Not commingled with solid waste or hazardous waste onsite or during processing.

HB1702 exempts machinery and equipment from the sales and use tax when used to:

- Identify, gather, transport, and store post-use materials;
- Convert post-use materials into raw material, work in process materials, or final products to be sold; and
- Convey converted post-use materials to where they are reintroduced into the manufacturing process.

HB1702 is effective on the first day of the calendar quarter following the effective date of the act.

Fiscal Impact:

DFA is unable to determine a fiscal impact for the number of manufacturers who may be engaged in some aspect of closed loop manufacturing in Arkansas that would be eligible for the sales and use tax exemption under HB1702.

Taxpayer Impact:

Manufacturers will be eligible for additional sales and use tax exemptions on an expanded list of machinery and equipment used in closed-loop recycling.



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Resources Required:

None.

Time Required:

Adequate time is allowed for implementation.

Procedural Changes:

Websites and training manuals will need to be updated to account for the changes.

Other Comments:

None.

Legal Analysis:

None.