

1 State of Arkansas
2 95th General Assembly
3 Regular Session, 2025
4

A Bill

HOUSE BILL 1702

5 By: Representative Wooldridge
6 By: Senator J. Petty
7

For An Act To Be Entitled

8
9 AN ACT TO AMEND THE SALES AND USE TAX EXEMPTIONS FOR
10 CERTAIN MACHINERY AND EQUIPMENT USED IN
11 MANUFACTURING; TO PROVIDE A SALES AND USE TAX
12 EXEMPTION FOR MACHINERY AND EQUIPMENT USED IN CLOSED-
13 LOOP RECYCLING; AND FOR OTHER PURPOSES.
14

Subtitle

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17 TO AMEND THE SALES AND USE TAX
18 EXEMPTIONS FOR CERTAIN MACHINERY AND
19 EQUIPMENT USED IN MANUFACTURING; AND TO
20 PROVIDE A SALES AND USE TAX EXEMPTION
21 FOR MACHINERY AND EQUIPMENT USED IN
22 CLOSED-LOOP RECYCLING.
23

24 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
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26 SECTION 1. Arkansas Code § 26-52-402(c)(2)(B), concerning the
27 machinery and equipment that is included in the list of machinery and
28 equipment that is used directly in the manufacturing process for purposes of
29 the sales tax exemption on certain machinery and equipment, is amended to add
30 an additional subdivision to read as follows:

31 (vii)(a) Machinery and equipment used to
32 mechanically recycle post-use materials in a closed-loop circular process,
33 including without limitation machinery and equipment:

34 (1) Used to identify, gather, transport,
35 and store post-use materials;

36 (2) Used to convert post-use materials



1 into raw materials, work-in-process materials, or a finished product; and
 2 (3) That convey converted post-use
 3 materials directly to where it is reintroduced into the taxpayer's
 4 manufacturing process.

5 (b) As used in this subdivision

6 (c)(2)(B)(vii):

7 (1) "Closed-loop circular process" means
 8 a manufacturing process in which reclaimed post-use materials are converted
 9 and reintroduced into the original process and become a recognized component
 10 of the finished product;

11 (2)(A) "Mechanically recycle" means to
 12 reclaim and convert post-use materials into materials that are recognized in
 13 the finished product using a series of physical processes.

14 (B) "Mechanically recycle"
 15 includes without limitation washing, drying, grinding, regranulating, and
 16 compounding; and

17 (3) "Post-use material" means a material
 18 that is:

19 (A) Generated and reclaimed
 20 directly from the taxpayer's manufacturing process;

21 (B) Managed as an item of value in
 22 a controlled manner;

23 (C) Intended to be mechanically
 24 recycled into an item of raw materials, work-in-process material, or a
 25 finished product;

26 (D) Not originated as a post-
 27 consumer waste material; and

28 (E) Not mixed with any other solid
 29 waste or hazardous waste onsite or during processing; and

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 31 SECTION 2. Arkansas Code § 26-53-114(c)(3)(B), concerning the
 32 machinery and equipment that is included in the list of machinery and
 33 equipment that is used directly in the manufacturing process for purposes of
 34 the use tax exemption on certain machinery and equipment, is amended to add
 35 an additional subdivision to read as follows:

36 (vi)(a) Machinery and equipment used to mechanically

1 recycle post-use materials generated directly from the manufacturing
 2 operation in a closed-loop circular process, including without limitation
 3 machinery and equipment:

4 (1) Used to identify, gather, transport,
 5 and store post-use materials;

6 (2) Used to convert post-use materials
 7 into raw materials, work-in-process materials, or a finished product; and

8 (3) That convey converted post-use
 9 materials directly to where it is reintroduced into the taxpayer's
 10 manufacturing process.

11 (b) As used in this subdivision (c)(3)(B)(vi):

12 (1) "Closed-loop circular process" means
 13 a manufacturing process in which reclaimed post-use materials are converted
 14 and reintroduced into the original process and become a recognized component
 15 of the finished product;

16 (2)(A) "Mechanically recycle" means to
 17 reclaim and convert post-use materials into materials that are recognized in
 18 the finished product using a series of physical processes.

19 (B) "Mechanically recycle"
 20 includes without limitation washing, drying, grinding, regranulating, and
 21 compounding; and

22 (3) "Post-use material" means a material
 23 that is:

24 (A) Generated and reclaimed
 25 directly from the taxpayer's manufacturing process;

26 (B) Managed as an item of value in
 27 a controlled manner;

28 (C) Intended to be mechanically
 29 recycled into an item of raw materials, work-in-process material, or a
 30 finished product;

31 (D) Not originated as a post-
 32 consumer waste material; and

33 (E) Not mixed with any other solid
 34 waste or hazardous waste onsite or during processing; and

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 36 SECTION 3. EFFECTIVE DATE. Sections 1 and 2 of this act are effective

1 on the first day of the calendar quarter following the effective date of this
2 act.

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