

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

2 95th General Assembly

A Bill

3 Regular Session, 2025

SENATE BILL 568

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5 By: Senators Crowell, Gilmore, Stone

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

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For An Act To Be Entitled

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AN ACT TO AMEND THE LAW CONCERNING THE TAXES

10

APPLICABLE TO LITHIUM EXTRACTION AND DEVELOPMENT; TO

11

INCLUDE ELECTRONIC WASTE IN THE DEFINITION OF "SOLID

12

WASTE" FOR PURPOSES OF THE SALES AND USE TAX

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EXEMPTION FOR WASTE REDUCTION, REUSE, OR RECYCLING

14

EQUIPMENT; TO PROVIDE A SALES AND USE TAX EXEMPTION

15

FOR LITHIUM RESOURCE DEVELOPMENT; TO AMEND THE LAW

16

CONCERNING THE SEVERANCE TAX ON LITHIUM; AND FOR

17

OTHER PURPOSES.

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Subtitle

21

TO AMEND THE LAW CONCERNING THE TAXES

22

APPLICABLE TO LITHIUM EXTRACTION AND

23

DEVELOPMENT; TO PROVIDE A SALES AND USE

24

TAX EXEMPTION FOR LITHIUM RESOURCE

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DEVELOPMENT; AND TO AMEND THE LAW

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CONCERNING THE SEVERANCE TAX ON LITHIUM.

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

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SECTION 1. Arkansas Code § 19-6-301(61) and (62), concerning the

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enumeration of special revenues, are amended to read as follows:

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(61) Brine taxes imposed upon all brine produced in the state

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for the purpose of bromine or lithium extraction, as enacted by Acts 1979,

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No. 759, and all laws amendatory thereto, § 26-58-301;

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(62) Oil and Gas Commission fees, including oil assessments, gas

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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);

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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;

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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
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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.

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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.

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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.

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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.

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