

Stricken language would be deleted from and underlined language would be added to present law.

State of Arkansas
95th General Assembly
Regular Session, 2025

A Bill

HOUSE BILL 1702

By: Representative Wooldridge

By: Senator J. Petty

For An Act To Be Entitled

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

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.

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

SECTION 1. Arkansas Code § 26-52-402(c)(2)(B), concerning the machinery and equipment that is included in the list of machinery and equipment that is used directly in the manufacturing process for purposes of the sales tax exemption on certain machinery and equipment, is amended to add an additional subdivision to read as follows:

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

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

(2) Used to convert post-use materials



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into raw materials, work-in-process materials, or a finished product; and

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

(b) As used in this subdivision

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

(1) "Closed-loop circular process" means 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;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) "Closed-loop circular process" means 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;

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

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

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

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

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

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

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

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

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

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