

2002 Recycling Equipment Credit

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General Instructions

CORPORATE TAXPAYERS: Laws 1999, Ch. 318, §§ 8 and 10, repealed the corporate tax credit (ARS § 43-1164), effective for taxable years beginning from and after December 31, 1999. Corporate taxpayers, including S corporations and corporate partners of a partnership, no longer qualify for the recycling equipment credit. Since an S corporation no longer qualifies for the credit, an S corporation cannot pass the credit through to its shareholders. A partnership cannot pass the credit through to its corporate partners.

However, Laws 1999, Ch. 318, § 9, provides that corporate taxpayers may claim carryovers of unused tax credits from taxable years beginning prior to January 1, 2000, consistent with the provisions of the repealed credit (ARS § 43-1164). The carryovers can be claimed for taxable years beginning on or before December 31, 2005. Corporate taxpayers cannot claim carryovers after taxable year 2005. Any remaining carryovers of unused credits from taxable years beginning before January 1, 2000, are lost after the taxable year 2005.

The carryforward period applies separately for each piece of recycling equipment for which a credit was computed in taxable years beginning before January 1, 2000. If the recycling equipment has been in service for less than 5 taxable years and ceases to be recycling equipment or is transferred to another person, the portion of the unused credit carryovers relating to that recycling equipment is lost.

The portion of the total available credit carryover that may be claimed by the corporate taxpayer is limited to the *lesser* of 25 percent of the amount of tax entered on Form 300, Part II, line 29 or \$5,000.

INDIVIDUAL TAXPAYERS: ARS § 43-1076 provides a nonrefundable tax credit for individuals who acquire and place in service recycling equipment in this state. This credit is allowed for taxable years beginning after December 31, 1992.

To Qualify for the Credit:

- The equipment must be used exclusively to process post-consumer select solid waste materials including paper, plastic, scrap metal and iron, glass, and rubber, **or**
- The equipment must be used exclusively to produce finished products which are composed of at least 25 percent post-consumer select solid waste materials.

This credit is equal to 10 percent of the installed cost of the equipment. The amount of credit claimed in a tax year cannot exceed the lesser of \$5,000 or 25 percent of the current year's tax liability without applying the credit.

Individual co-owners of a business, including individual partners in a partnership, may each claim only the pro rata share of the credit allowed under ARS § 43-1076 based on the ownership interest. The total of the credits allowed all owners may not exceed the amount that would have been allowed for a sole owner of the business.

An individual taxpayer who elects to take a credit pursuant to ARS § 43-1076 shall not deduct any amount for depreciation or amortization of the cost of the recycling equipment in determining taxable income for any taxable year.

Recycling equipment is new or used equipment purchased during the taxable year and used exclusively to process post-consumer select solid waste materials and manufacturing machinery used exclusively to produce finished products, the composition of which is at least 25 percent post-consumer select solid waste materials.

If the allowable credit exceeds the current taxable year's income tax liability, the individual taxpayer may carry over any unused amount to each of the following 15 taxable years, until the qualified equipment ceases to be recycling equipment or is transferred to another person. If the recycling equipment for which a credit was claimed ceases to be recycling equipment or is transferred to another person during any taxable year, the tax imposed for that taxable year shall be increased by the amount of the credit claimed for the recycling equipment multiplied by the recapture percentage prescribed for that year.

The recycling equipment credit for individual taxpayers is in lieu of:

- The environmental technology facility credit, under ARS § 43-1080, with respect to the same recycling equipment; and
- The pollution control credit, under ARS § 43-1081, with respect to the same equipment.

Specific Instructions

Complete the name and federal employer identification/social security number section at the top of the form. Indicate the period covered by the taxable year (in an MM/DD/YYYY format). Attach the completed form to the tax return.

All returns, statements, and other documents filed with the department require a taxpayer identification number (TIN). The

TIN for a corporation, S corporation, or a partnership is the taxpayer's federal employer identification number. The TIN for an individual is the taxpayer's social security number or an IRS individual taxpayer identification number. Taxpayers that fail to include their TIN may be subject to a penalty.

Part I - Schedule of Cost of Equipment Placed Into Service in Current Year and Calculation of Current Year's Credit

NOTE: Corporate taxpayers cannot claim the credit for recycling equipment placed into service in taxable years beginning from and after December 31, 1999.

Enter description of item, date placed in service, and cost for each item of new recycling equipment placed into service in the current taxable year.

Line 1 -

Enter the total cost of the items placed in service during the current taxable year.

Line 2 -

Multiply the amount on line 1 by 10 percent and enter the result.

Part II - Individual Partner's Share of Credit

NOTE: A partnership cannot pass the credit through to its corporate partners.

Lines 3 through 5 -

The partnership must complete Part I. Then, complete Part II, lines 3 through 5, separately for each individual partner. The partnership must furnish each individual partner with a copy of the completed Form 307.

Each individual partner must complete Part III and Part IV.

Part III - Available Credit Carryover

NOTE: An individual taxpayer is allowed to carry forward the amount of the unused recycling equipment credit for a period not to exceed 15 taxable years, provided the equipment remains recycling equipment and is not transferred to another person. (Corporate taxpayers may claim a carryover of unused recycling equipment credits from taxable years beginning before January 1, 2000, for taxable years beginning on or before December 31, 2005.) However, if any equipment for which the credit was claimed ceases to be recycling equipment or is transferred to another person, the carryover for that equipment is lost.

Calculate the total available carryover of the recycling equipment credit on page 2, Part III, lines 6 through 21. Complete these lines if the taxpayer claimed the credit on a prior taxable year's tax return and had excess credit.

Enter the applicable taxable year(s) in column (a) of lines 6 through 20. Enter the original amount of recycling credit available for the taxable year in column (b). Enter the amount of credit previously used in column (c). Subtract column (c) from column (b) and enter the amount of the credit available for

carryover in column (d). Add the amounts entered on lines 6 through 20, column (d). Enter the total on line 21, column (d).

Part IV - Total Available Credit

Line 22 -

Individuals - Enter the amount from Part I, line 2.

Individual partners of a partnership - Enter the amount from Part II, line 5.

Line 23 -

Enter the amount of available credit carryover from Part III, line 21, column (d).

Line 24 -

Individuals: Add lines 22 and 23. Enter the total here and on Form 301, Part I, line 5.

The entire amount of the unused credit shall be carried forward to the earliest of the taxable years to which the unused credit may be carried. Credits for a taxable year shall be applied in the following order:

- Unused credit carryovers.
- Current year credits.

Corporations (including S corporations): Enter the amount from line 23 here and on Form 300, Part I, line 5.

Part V - Recapture of Recycling Equipment Credit (Individual Taxpayers Only)

If recycling equipment for which a credit has been claimed ceases to be recycling equipment or is transferred to another person during any taxable year, the tax imposed for that taxable year shall be increased by the amount of the credit claimed for the recycling equipment multiplied by the recapture percentage prescribed in the following instructions. A taxpayer shall not carry over any unused credit relating to recycling equipment which ceases to be recycling equipment or is transferred to another person.

Recycling equipment is in service, for determining the percentage of credit recapture, from the time it is placed in service until it ceases to be recycling equipment or is transferred to another person. Refer to the table below for the applicable percentage of credit recapture.

Credit Recapture Percentage	
Less than 1 year	100% (1.00)
1 year or more, but less than 2 years	80% (.80)
2 years or more, but less than 3 years	60% (.60)
3 years or more, but less than 4 years	40% (.40)
4 years or more, but less than 5 years	20% (.20)
5 years or more	No recapture

Enter the total credit recapture from Part V, line 29, on Form 301, Part II, line 30.