



ARKANSAS NATURAL RESOURCES COMMISSION

101 East Capitol Avenue, Suite 350 Little Rock, AR 72201

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www.anrc.arkansas.gov

Claiming Tax Incentives Available under the Water Resource Conservation and Development Incentives Act

Description of incentives:

The purpose of this program is to encourage water users to invest in (1) the construction of impoundments to use available surface water, thereby reducing their dependence on ground water; (2) the conversion from ground water use to surface water use; and (3) land leveling to reduce agricultural irrigation water use. Tax credits may pass through partnerships, corporations, etc.

AVAILABLE TAX CREDITS:

1. IMPOUNDMENTS

For the construction of impoundments of at least 20 acre-feet, an income tax credit of 50 percent of the project cost incurred in construction, installation, or restoration is available. The impoundments must be used for the storage of water to be used primarily for agricultural irrigation. The maximum credit in one taxable year is the lesser of the taxpayer's income tax due or \$9,000. Unused credit may be carried over for a maximum of nine years.

2. CONVERSION

A. For the conversion from ground water use to surface water use outside a critical groundwater area, an income tax credit of 10 percent of the project cost is available. The maximum credit in one year is the lesser of the taxpayer's income tax due or \$9,000. Unused credit may be carried over for 2 years.*

B. For the conversion from ground water use to surface water use within a critical groundwater area, an income tax credit of 50 percent of the project cost is available. The maximum credit in one year is the lesser of the taxpayer's income tax due or \$9,000 for **agricultural** and **recreational** uses and \$200,000 for **industrial** and **commercial** uses. Unused credit may be carried over for a maximum of 2 years by **agricultural** and **recreational** users and for 4 years for **industrial** and **commercial** users.*

3. LEVELING

For agricultural land leveling projects that conserve irrigation water, an income tax credit of 10 percent of the project cost is available. The maximum credit in one year is the lesser of the taxpayer's income tax due or \$9,000. Unused credit may be carried over for a maximum of 2 years.

An application must be approved by your county conservation district, then submitted to the Commission and approved **before a taxpayer may begin construction** of a project and claim credits. All projects must be maintained for a minimum of 10 years following issuance of the Certificate of Completion, or benefits will be subject to recapture. An application fee of three percent of the total approved tax credit must be paid, and there is a minimum fee of \$100 and a maximum fee of \$1,500.

Within three years of the issuance of your Certificate of Tax Credit Approval, the project must be completed, and you must submit an application for a Certificate of Completion to your local Conservation District for final inspection.

Taxpayers may be eligible for a tax deduction in an amount equal to the difference between the project cost and the credit used.

*Installation of devices on wells to indicate water use entitles a well owner to tax credit for conversion.

Contact:

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