NATURAL RESOURCES DIVISION

Groundwater Tax Credit Program Overview
Groundwater Management Overview

The State of Arkansas acknowledged its groundwater issues with the passing of the Groundwater Protection and Management Act of 1991, or 15-22-9. This act:

• Ordered the establishment of a comprehensive groundwater protection program that includes:
  1. Assessment and monitoring of groundwater resources
  2. Establishment of groundwater criteria and standards
  3. The management of groundwater; including the issuance of water rights, protection of groundwater quality, and establishment of an education and information program.

• Created the Critical Groundwater Area designation
  • Applies to area identified by the NRD to have groundwater depletion or quality degradation
  • A non-regulatory designation that seeks to increase conservation efforts through expanded benefits through various State and Federal programs

• The NRD produces the Groundwater Protection and Management Report annually in accordance with this act
South Arkansas for Sparta in 1996
Grand Prairie for Sparta & Alluvial in 1998
Cache for Sparta/Memphis Sand & Alluvial in 2009
Phillips County for Alluvial in 2015
Monroe County for Alluvial & Sparta Aquifers 2019
Critical Groundwater Area for Groundwater Conservation Tax Credits
Groundwater Conservation Tax Credit Program


• Purpose is to encourage water users to invest in practices that reduce groundwater use by utilizing surface water resources and improving irrigation efficiency.

• Currently applies to reservoir/impoundment construction, installation or restoration, land leveling, and surface water conversion projects, and water meters

• Increasing investments throughout the decades from the General Assembly of the State of Arkansas, ie. increasing credit limits and carry over time
Types of Projects

• **Impoundment:**
  • Minimum 20 acre feet capacity required
  • 50% of project cost
  • Maximum credit amount: $120,000

• **Land Leveling:**
  • 25% of project cost
  • Maximum credit amount: $35,000

• **Conversion to Surface Water:**
  • 50% of project cost in a Critical Groundwater Area county
  • 25% outside a Critical Groundwater Area
  • Water meter only projects do not require pre-approval
  • Max credit amount: $35,000
Application

• Must have:
  • Name of entity and Tax ID (farm, business, trust, corporation, partnership, etc.)
  • Farm #, Tract #, legal description of project site
  • Names and Tax IDs of persons/entities receiving tax credit and % issued to each
  • Application Fee (3% of estimated tax credit. Min $100, Max $1,500)
  • Plans, location map
    • Plans must be developed by an Arkansas registered P.E. or an agent of the USDA-NRCS
  • Estimation of groundwater use before and after project completion
  • Certified by a Conservation District Board Member
  • Signatures of all persons receiving a % of the credit
  • Notarization
Approval

- **Approval Certificate issued when:**
  - All required information on application is received
  - Dept. of Finance and Administration verifies tax info
  - NRD Director approval

- **Approval must be activated before work on the project begins**

- 5 years to complete an approved project

- Income tax credit can be claimed as soon as approval is received
  - $18,000 is the max amount that can be used in a taxable year
  - Unused credit can be carried over for a maximum of 15 years
Completion

- **Project must be completed within 5 years of approval date**

- **Must have:**
  - Break down of expenditures with receipts
  - Additional application fee (if required)
  - Inspection by P.E. or NRCS staff – signature

- If applicant has used the tax credit in the amount that exceeds the final tax credit amount, then DFA is owed the difference

- All projects must be maintained for a minimum of 10 years following issuance of completion
Groundwater Conservation Tax Credit Program