



**NATURAL RESOURCES
DIVISION**

Groundwater Tax Credit Program Overview

Groundwater Management Overview

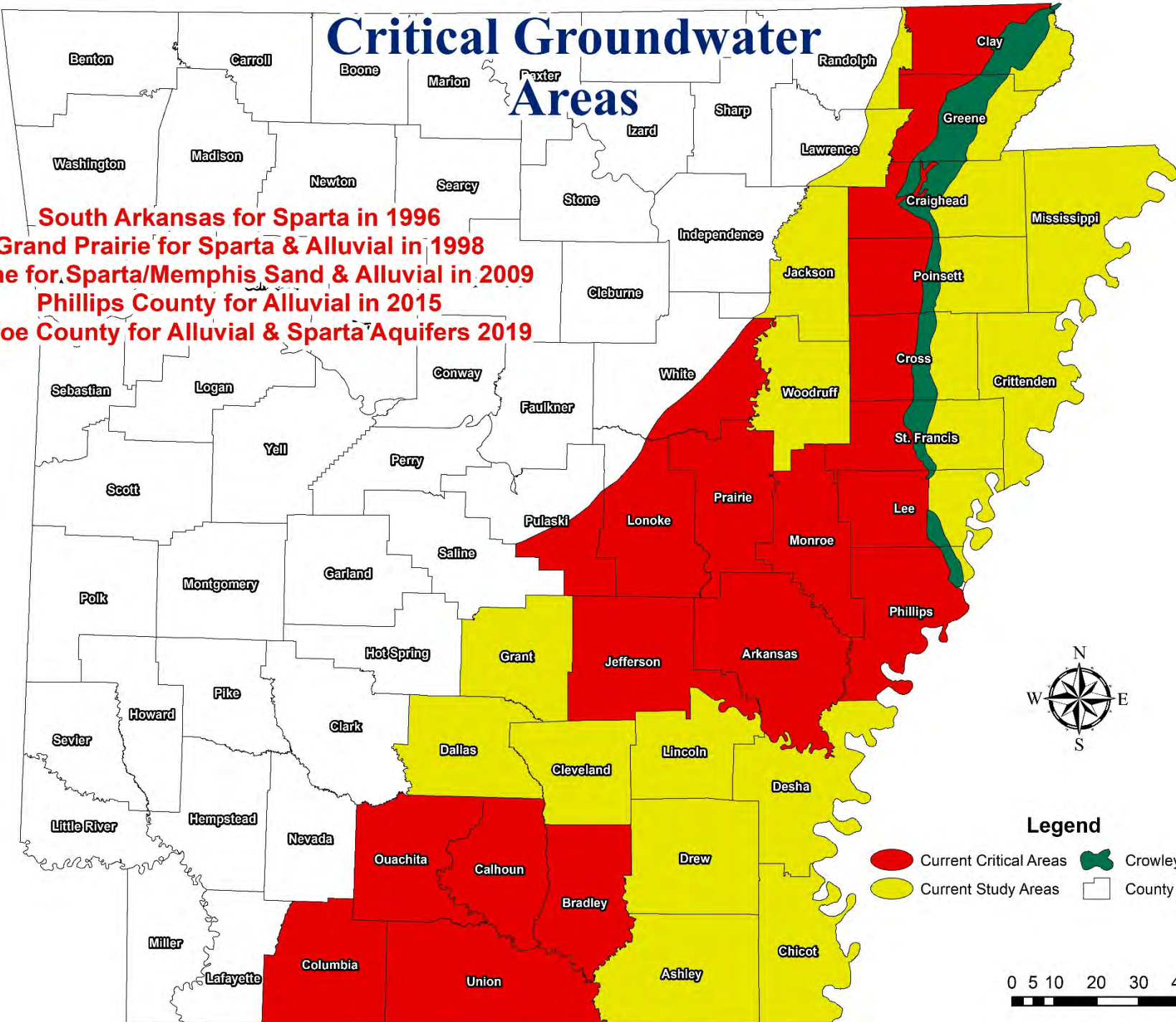
The State of Arkansas acknowledged its groundwater issues with the passing of the Groundwater Protection and Management Act of 1991, or **15-22-9**. This act:

- 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



Critical Groundwater Areas

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



Legend

- Current Critical Areas
- Current Study Areas
- Crowleys Ridge
- County Boundaries

0 5 10 20 30 40 Miles

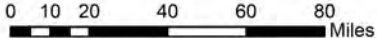


Critical Groundwater Area for Groundwater Conservation Tax Credits



Legend

- Critical Groundwater Water Area for Groundwater Conservation Tax Credits
- County Boundaries



Tax Credit Program Overview

- Water Resource Conservation and Incentives Act passed in 1995, Ark. Code Ann Sections 26-51-1001 et seq., commonly referred to as 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





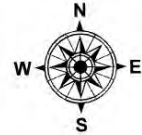
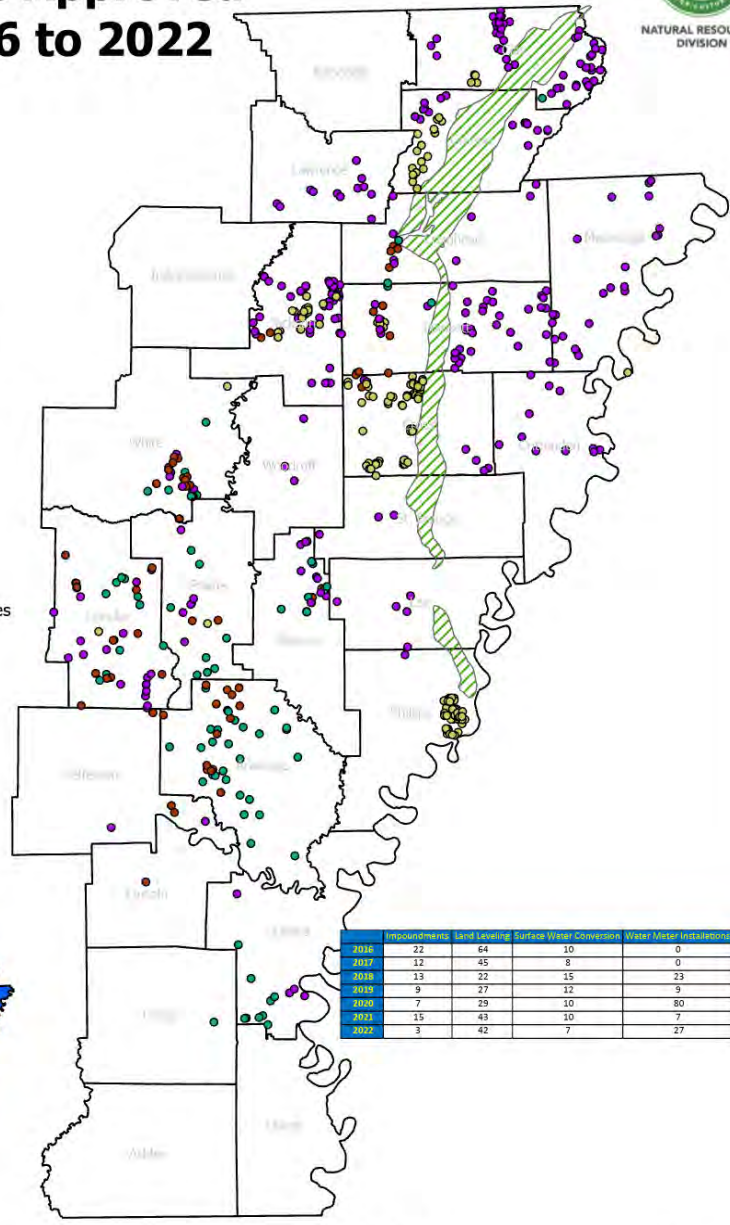
Water Conservation Tax Credits Approved from 2016 to 2022



Legend

Project Type

- Impoundment
- Land Leveling
- Surface Water Conversion
- Water Meter
- Crowley's Ridge
- East Arkansas Counties



	Impoundment	Land Leveling	Surface Water Conversion	Water Meter	Total
2016	22	64	10	0	96
2017	12	45	8	0	65
2018	13	22	15	23	73
2019	9	27	12	9	57
2020	7	29	10	80	126
2021	15	43	10	7	75
2022	3	42	7	27	79

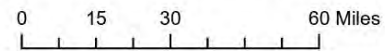


Figure 41

