



Tax Certification Program for Recycling or Resource Recovery

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DEQ, Division of Waste Management

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Overview

- DEQ handles certificates for Local Government real or personal property tax exemptions
- Questions regarding any other types of tax benefits go to DOR
- Local Economic Development should be sure to include this tax benefit in incentive packages
- Statutes for tax certification:
 - G.S. 105-275(8)
 - (a) Air or Water Pollution Abatement,
 - (a)(1) Animal Waste Management Systems,
 - (b) Recycling or Resource Recovery of or from a solid waste,
 - (c) Cotton Dust,
 - (d) Major Recycling Facility

Statutes

- 105-275(8)(a) and (a)(1): Applications for certification for pollution abatement are processed by the Division of Air Quality or the Division of Water Resources. They would certify equipment or facilities included under the permits they issue.
- Applicants seeking certification under the DWR program should contact John Hennessy at 919-807-6377, john.hennessy@ncdenr.gov.
- Applicants seeking certification under the DAQ program should contact DAQ staff at their regional office
- Respective program info and applications can be found on their respective webpages, also linked to from our SWS page: <http://deq.nc.gov/about/divisions/waste-management/solid-waste-section/tax-certification-program>

Statutes

- **105-275(8)(b)**: Applications for certification for facilities or equipment used for recycling or resource recovery of or from a solid waste, or for the reduction of hazardous waste generated are processed by the Division of Waste Management, under Solid Waste Rules 15A NCAC 13B Section .1500 – Standards for Special Tax Treatment of Recycling and Resource Recovery Equipment and Facilities
- **105-275(8)(d)**: Major Recycling Facility defined in G.S. 105-129.25 through 129.27 (Ex: Nucor Steel) – DWM does not make this determination

15A NCAC 13B .1500 Rules Summary

- Solid Waste Rules for Special Tax Treatment – basically provides definitions
- Rules were first effective in 1976, last small changes made in 1991.
- All 13B SW Rules will be going through Periodic Rule Review in 2017-2018, meaning .1500 rule set will be put out to public comment before being readopted.
- Re-adoption is just for the rules – the statutes would still apply and can only be changed by the NC General Assembly
- Tax Certification Guidance document provides further details and instruction on applying rules (link on webpage)

Department of Environmental Quality



NC DEQ - DWM
Solid Waste Section - Field Operations Branch

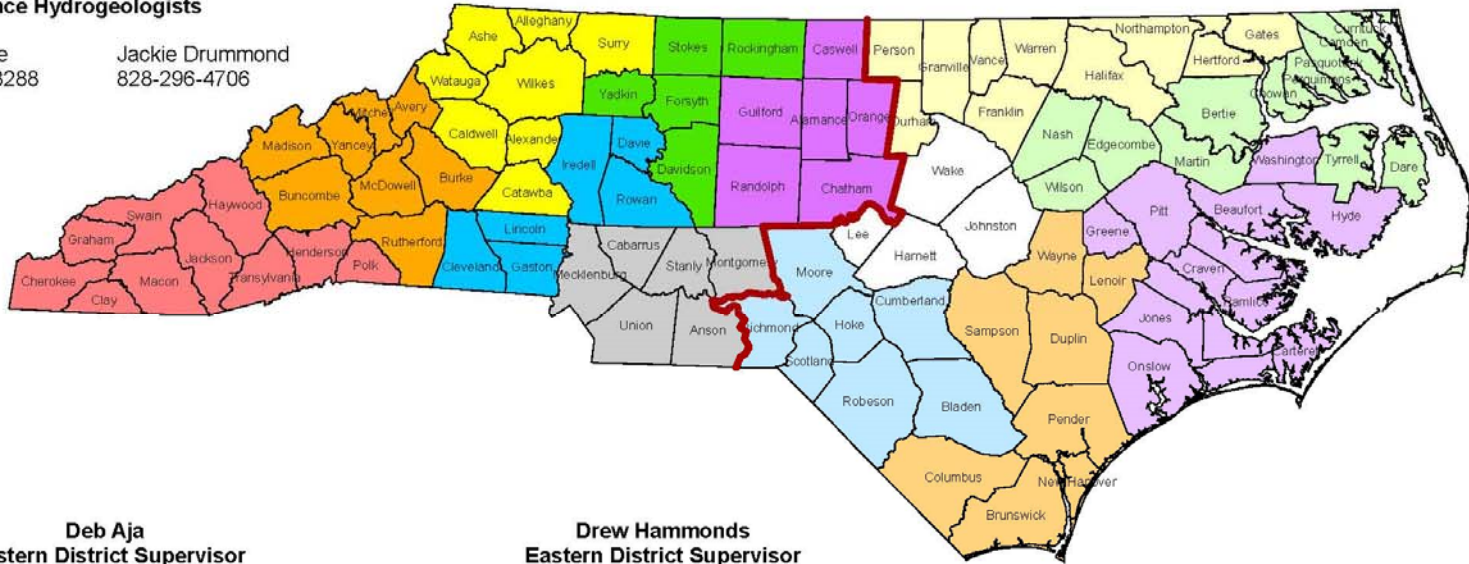
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rev. 9/2/2016

.1500 Rules for Special Tax Treatment

.1501 RESOURCE RECOVERING FACILITIES

(a) A resource recovering facility is a building, or buildings, or parts thereof, and includes any equipment exclusively and integrally used therein for obtaining material or energy resources from solid waste. The facility also includes land occupied by the buildings and equipment.

(b) Facilities used to collect, sort, or otherwise prepare solid waste for reuse or recycling are resource recovering facilities.

(c) Incidental or supportive facilities and equipment as defined in .1506(a) of this Section do not qualify for special tax treatment as resource recovering facilities.

.1502 RESOURCE RECOVERING EQUIPMENT

Resource recovering equipment is equipment exclusively and integrally used in the actual process of recovering material or energy resources from solid waste. To qualify, the equipment need not be specially designed for the resource recovery process.

.1500 Rules for Special Tax Treatment

.1503 RECYCLING FACILITIES

(a) A recycling facility is a building, or buildings, or parts thereof, and includes any equipment exclusively and integrally used in a process by which recovered resources are transformed into new products in such a manner that the original materials lose their identity. Recovered resources are materials that have been recovered from solid waste. The facility also includes the land occupied by the buildings and equipment.

(b) Incidental or supportive facilities and equipment as defined in .1506(a) of this Section do not qualify for special tax treatment as recycling facilities.

.1504 RECYCLING PROCESS

(a) To constitute recycling, the recovered materials must be so altered in form that the original materials lose their identity and a new product is formed. A physical rather than a chemical change may be all that occurs but a substantial change in the form of the materials must occur.

(b) The recycling process ends when a new product has been created from the recovered materials, even though the complete manufacturing process involving the recycled products has not concluded.

.1500 Rules for Special Tax Treatment

.1505 RECYCLING EQUIPMENT

Recycling equipment is equipment exclusively and integrally used in the actual process by which recovered resources are transformed into new products in such a manner that the original materials lose their identity. The equipment need not be specially designed for the recycling process.

.1506 INCIDENTAL OR SUPPORTIVE FACILITIES AND EQUIPMENT

(a) Incidental or supportive facilities and equipment consist of a building, buildings, or parts thereof, land or equipment, which provide administrative or maintenance services to the resource recovery or recycling process or which provides a comfort or convenience for the employees.

(b) Buildings, land and equipment are used in the actual resource recovering or recycling process if they are an integral part of the process by which:

- (1) material or energy resources are obtained from solid waste, or
- (2) recovered resources are transformed into new products in such a manner that the original products lose their identity.

(c) Qualifying equipment and facilities must be used in a mechanical or chemical process, in transportation, or in storage.

.1500 Rules for Special Tax Treatment

.1507 OPERATIONAL REQUIREMENTS FOR FACILITIES AND EQUIPMENT

All resource recovering and recycling facilities and equipment shall be in full compliance with the rules on solid waste management in 15A NCAC 13B adopted by the Commission for Public Health. (now the Environmental Management Commission). [NOTE: Statute states applicant must be in compliance with all DEQ rules, not just solid waste rules]

.1508 APPLICATION FOR TAX CERTIFICATION

.1509 APPEALS

.1510 SEVERABILITY

.1511 PAMPHLET

Application Requirements

- DWM has application for certification and exemption (link on website)
- Applicant must fill out completely, sign, include all attachments, and send to both DWM and to local tax assessor, along with any additional exemption application documents for local assessor.
- DWM accepts/prefers e-mail/electronic submittal

DIVISION OF WASTE MANAGEMENT APPLICATION FOR TAX CERTIFICATION & EXEMPTION		For DWM Use: TCN: _____	
Solid Waste Recycling or Resource Recovery Facility or Equipment		TC-WM Rev. 07/2010	
<p>DIRECTIONS: Complete and mail to: North Carolina Department of Environment and Natural Resources, Division of Waste Management, Solid Waste Section, Attn: Compliance Officer, 1646 Mail Service Center, Raleigh, NC 27699-1646. Please provide a copy of your completed application to the county tax office in which the facility and/or equipment is located. Type or print in blue or black ink. A separate application is required for each facility where property proposed for tax certification is located. You must submit two (2) copies of the completed application and any other supplemental enclosure.</p> <p>INSTRUCTIONS FOR LEASED PROPERTY: Submit separate applications for leased and non-leased property located at the same address. An application for leased property shall specify the name, address, and telephone number of the lessor. Attach a copy of the Lease Agreement to the application.</p> <p>THIS APPLICATION WILL NOT BE PROCESSED WITHOUT COMPLETE INFORMATION. If you have any questions regarding this application, please call the Compliance Officer at (919) 707-8200.</p> <p>Please Note: You must also contact your county tax assessor for county application requirements.</p>			
<p>A. Applicant (Applicant is the individual person(s) or legal entity, which is the owner of, and taxpayer for, the property described in this application for tax certification.)</p>			
Name of Applicant: _____		Name of Facility where property located: _____	
Email address: _____		Physical Address of Facility where property located (no P.O. Box): _____	
Address of Applicant, if different from facility where property located: _____		_____	
(address)	(city)	(zip)	(street address) (city) (zip)
Business Relationship of Applicant to facility where property located (e.g. owner, parent company): _____		County where property located: _____	
Does the Applicant hold any NC Department of Environment and Natural Resources Permits? <input type="checkbox"/> Yes / <input type="checkbox"/> No		Name of Contact Person at Facility where property located (person to contact for inspection appointment): _____	
If yes, please list: _____		Title: _____	
Is this the first Tax Certification for this Facility? <input type="checkbox"/> Yes / <input type="checkbox"/> No		Phone Number: _____	
If no, list all dates of previous tax certification: _____			
<p>B. Complete this Section only if the Operator/User of the facility and/ or equipment is different from the Owner of the facility and/ or equipment.</p>			
Name of Operator/User: _____			
Operator/User Address: _____			
(address)	(city)	(zip)	
Operator/User Contact Name: _____			
Relationship between Operator/User of facility and equipment and Applicant: _____			
<p>C. Description of User Operations</p>			
Describe main business and recycling/resource recovery activities: _____			
What Material is recycled/recovered? _____			
Describe the source of the material: _____			
What is the material recycled into? _____			
Was the material ever discarded? <input type="checkbox"/> Yes / <input type="checkbox"/> No			



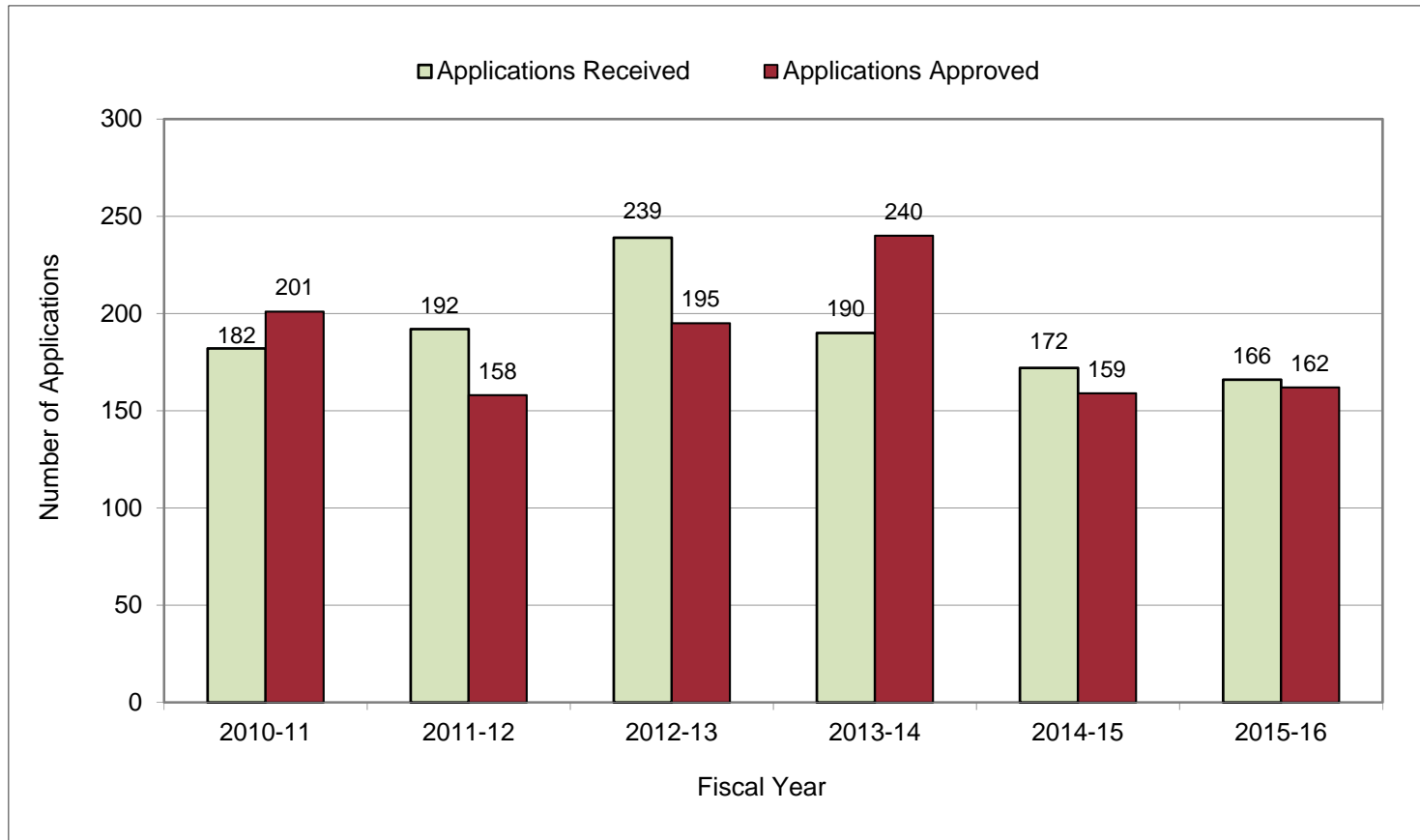
Inspections

- DWM staff conduct inspection and review of applicant and facility to determine if requested items meet definition of the rules by determining only the following:
 - If application is complete and properly signed, and has all attachments
 - If facility and applicant are compliant with DEQ rules
 - If feedstock is a solid waste by rule definition
 - If facility's process is considered a recycling process or resource recovery process
 - If requested equipment, building space, or land area is used 100% exclusively and integrally in the recycling or resource recovery process

Processing

- Items DWM DOES NOT review or verify includes but is not limited to:
 - Any reported cost or value of any property – original cost is asked for as record keeping and reference only!
 - Anything related to state or federal tax laws
 - Whether the applicant has submitted the proper application to local assessor on time (all deadlines are determined by and would be enforced by local assessor – DWM has no deadlines for certifications - can submit application at any time)
 - Anything at all regarding the exemption itself or what tax years the exemption should apply to - DWM certificate will show date complete application received (not date initial/incomplete app rec'd), date of inspection or verification, and date our review was complete/approval. Assessor determines which tax year it applies to.
 - Anything regarding property listing, whether all applicable or correct property was applied for (DWM is not auditing equipment listing).

Tax Certification Applications Received and Approved



Frequently Asked Questions

1. When will the applicant receive the approved Tax Certification?

Unfortunately, there is no straight forward answer to this question. The process may take several weeks to several months. There are many factors involved including completeness of the application, the work-load of the Waste Management Specialist, and their supervisor and if all information needed is readily available during the inspection. It is a long process with multiple review steps and there is no guarantee that the certification will meet the yearly deadlines set by counties. To meet deadlines set by the county, applications should be sent as early as possible. Tax assessors are welcome to contact the Division to check on the status of an application if needed.

2. Does previously certified property need to be listed on a new application?

No. The life of the Tax Certification is valid as long as it is owned by the applicant and continues to meet all the requirements of the statutes and rules. Therefore, if there is a change of ownership (such as sale, or lease expiration), the property must be re-applied for appropriately.

3. What if there is a dispute between the company and the County?

It is beyond the authority of our agency to be directly involved in any continuing dispute that might arise between the company and the County other than to assert our position relative to the standards.

4. Is it all or nothing, or can just portions of the facility or some of the equipment qualify?

Only the portions of the facility and equipment that meet the rule definitions and requirements can qualify. DWM determines which areas or equipment qualify and specifically lists them on the back of the certificate. For example, the facility may request their entire 20 acre parcel be certified. After removing office areas, restrooms, employee parking, and unused areas, etc., DWM determines that only 13 acres qualify and will list 13 acres on certificate). Or applicant applies for all 260 equipment items they own. DWM determines that 32 items do not qualify, and does not include those 32 items in the equipment list on the back of the certificate, but lists only the remaining 228 items that do qualify.

FAQ - Leased Property

- Example 1 - A real estate business owns land and facility space and leases it to a recycling business. Can they apply for certification?
 - Yes - the applicant would submit the application, indicating who the lessor and lessee are, and provide all contact information for both.
 - The application must be signed by appropriate responsible parties, can be dependent on who receives the tax benefit. Either lessee or lessor can submit application as long as signatures are appropriate.
 - They must provide a copy of the fully executed lease, clearly stating the expiration date.
 - The certification, if approved, will have name and contact info for both entities, and will expire when the lease expires, at which time the applicant will need to re-apply for certification.
- Example 2 – A recycling business leases a baler to a retail business, to be used exclusively for baling cardboard to be recycled. Can they apply for certification?
 - Yes – same requirements as above, with certification expiring upon lease expiration.

TC Example #1

A paper mill produces new paper from old newspaper. It shreds the old newspaper, makes a pulp, rolls and dries the pulp, and cuts sheets of paper.



The area of the mill where production takes place, plus the equipment used for these processes, should qualify for special tax treatment, provided the same equipment is not also used to manufacture product from non-recycled (virgin) materials. Recycling process ends once new paper has been created. Further packaging/shipping processes would not qualify. No office, administrative, maintenance, or employee comfort areas or equipment would qualify.

TC Example #2

A retail store designates an area in its building for baling paper and cardboard for recycling. A forklift is used to transport the paper and cardboard to a loading dock.



If used for no other purpose, the area of the store used for the baling and the baler would qualify for special tax treatment. The loading dock and the forklift would only qualify if they were not used for any other purpose.

TC Example #3



A paper recovery business owns large containers where paper is placed for recycling. The business operates a truck that picks up the paper and delivers it to its facility, where a baler, a forklift truck, other large containers, and a second truck are used to prepare and ship the paper to paper mills for recycling.

All of the containers, the forklift truck, the other two trucks and the baler qualify for special tax treatment. The operations area of the facility also qualifies. The rest rooms and office areas of the facility do not qualify.



Questions??



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<http://deq.nc.gov/about/divisions/waste-management/solid-waste-section/tax-certification-program>

Department of Environmental Quality

