



# 2022 Recycle Credit/Deduction

15-32-603 and 15-32-610, MCA

Form RCYL  
V1 6/2022

Name (as it appears on your Montana tax return)

Social Security Number

OR

Federal Employer Identification Number

### Part I. Partners in a Partnership or Shareholders of an S Corporation

Enter your portion of the recycle credit here. See instructions. \$ \_\_\_\_\_

Business Name of Partnership or S Corporation Federal Employer Identification Number

### Part II. Qualifications for the Recycle Credit

1. Was the qualifying machinery/equipment purchased on or after the first day of the current tax year and before the last day of the current tax year?.....  Yes  No
2. Was the machinery/equipment located and operating in Montana on the last day of the tax year for which the credit is claimed? .....  Yes  No  
If you answered *No* to questions 1 or 2, stop here. You do not qualify.
3. Is the machinery/equipment used in Montana to produce energy from reclaimed material? .....  Yes  No  
If you answered *Yes* to question 3, stop here. You do not qualify.
4. Answer all of the following questions (a, b, and c). If you answer *No* to all of them, you do not qualify.
  - a. Is the machinery/equipment used in Montana primarily for collections or processing reclaimed material? ...  Yes  No
  - b. Is the machinery/equipment used in Montana primarily for the manufacturing of finished products from reclaimed materials? .....  Yes  No
  - c. Is the machinery/equipment used to treat soils contaminated by hazardous waste? .....  Yes  No

**If you do not qualify for the credit, go to Part V.**

### Part III. For equipment used in Montana

1. Please explain in detail the equipment purchased and how it is used and include a copy of any pamphlets or other related supporting information  
\_\_\_\_\_
  2. Date of purchase \_\_\_\_\_ (A copy of sales receipt is required.)
  3. Cost of equipment (the total cost of equipment in Part III and Part IV may not exceed \$1,000,000) ..... \$ \_\_\_\_\_
  4. Computation of credit (multiply the cost of the equipment by the following percentages):
    - Multiply the first \$250,000 by 25% (0.25) ..... \_\_\_\_\_
    - Multiply the next \$250,000 by 15% (0.15) ..... \_\_\_\_\_
    - Multiply the next \$500,000 by 5% (0.05) ..... \_\_\_\_\_
- Total Credit..... \$ \_\_\_\_\_

SSN

OR

FEIN

**Part IV. For qualifying specialized mobile equipment used in and out of Montana**

1. Please explain in detail the equipment purchased and how it is used. Include a copy of any pamphlets or other related supporting information

\_\_\_\_\_

\_\_\_\_\_

2. Date of purchase \_\_\_\_\_ (A copy of sales receipt is required.)

3. Cost of equipment (The total cost of equipment in Part III and Part IV may not exceed \$1,000,000)..... \$ \_\_\_\_\_

4. Number of days used in Montana for the year ..... \_\_\_\_\_

5. Total days used for the year ..... \_\_\_\_\_

6. Divide amount on line 4 by amount on line 5..... \_\_\_\_\_

7. Computation of credit:

Multiply the ratio on line 6 by 25% (0.25); then multiply the first \$250,000 of line 3... \_\_\_\_\_

Multiply the ratio on line 6 by 15% (0.15); then multiply the next \$250,000 of line 3 ... \_\_\_\_\_

Multiply the ratio on line 6 by 5% (0.05); then multiply the next \$500,000 of line 3 .... \_\_\_\_\_

Total Credit..... \$ \_\_\_\_\_

8. Add total credit from Part III to total credit from Part IV. **This is your total credit available.**

Enter the amount from this line on your tax return. The amount of credit may not exceed your tax liability ..... \$ \_\_\_\_\_

**Where to Report Your Credit**

- ▶ Individuals: Form 2, Nonrefundable Credits Schedule
- ▶ C corporations: Form CIT, Schedule C
- ▶ S corporations: Form PTE, Schedule II
- ▶ Partnerships: Form PTE, Schedule II

**Part V. Deduction for purchase of recycled material**

1. Type of recycled material purchased \_\_\_\_\_

2. Cost of recycled material..... \$ \_\_\_\_\_

3. Multiply the amount on line 2 by 10% (0.10). **This is the amount of your additional deduction.**

Enter the amount from this line on your tax return ..... \$ \_\_\_\_\_

**Where to Report Your Deduction**

- ▶ Individuals: Form 2, Page 5, Montana Subtractions Schedule
- ▶ C corporations: Form CIT, page 3, line 3c
- ▶ S corporations: Form PTE, page 1, line 16a, and Montana Adjustment Worksheet
- ▶ Partnerships: Form PTE, page 1, line 16a, and Montana Adjustments Worksheet

If you file your Montana tax return electronically, you do not need to mail this form to us unless we ask you for a copy. When you file electronically, you represent that you have retained the required documents in your tax records and will provide them upon the department's request.

# Form RCYL Instructions

## Definitions

**Collect** refers to the collection and delivery of reclaimed materials to a recycling or reclaimable materials processing facility.

**Machinery or equipment** refers to property used in the collection or processing of reclaimable material or in the manufacturing of a finished product from reclaimed material. This property has a depreciable life of more than one year.

**Reclaimable material** refers to material that still has useful physical or chemical properties after serving its original purpose and that a consumer, processor, or manufacturer would normally treat as solid waste and dispose.

**Recycled material** refers to a substance that is produced from reclaimed material. The person who generated the reclaimed material that was collected, processed, or used to manufacture a product may not claim the tax credit.

## How do I claim my credit when I am a partner or shareholder in a partnership or an S corporation that invested in the depreciable property used for recycling?

Your partnership or S corporation will report the credit on its Form PTE and provide you with your portion of the credit on Montana Schedule K-1 (PTE).

If you are a partner, your portion of the credit is based on the same proportion you use to report your income or loss from the partnership for Montana tax purposes unless the partners have an agreement providing for a different allocation. If you are a shareholder, your portion of the credit is based on the pro rata share of the corporation's cost of investing in the equipment.

For example, if your business is an S corporation with four shareholders with equal ownership interest, each shareholder would be entitled to 25% of the total credit.

Only a taxpayer that owns an interest either directly or through a pass-through entity, such as a partnership or S corporation, and is operating the equipment as the primary user on the last business day of the year, may claim the credit.

## Part I. Partners in a Partnership or Shareholders of an S Corporation

If you complete Part I, do not complete Parts II, III, or IV unless you have additional credit amounts that you did not receive as a distribution from a partnership or S corporation. If you are a partner or shareholder in more than one partnership or S corporation, you must complete a separate Form RCYL for each entity from whom you are receiving a credit.

## Parts II, III and IV. Qualifications and Credit Computation

This credit is available to qualifying C corporations, S corporations, partnerships, and individuals.

### What costs do I use to calculate my recycling credit?

Use the costs of the investment that you have made in the qualifying equipment that you used to calculate your depreciation deduction for federal income tax purposes.

The tax credit is available only for machinery and equipment that is depreciable (defined in IRS Code Section 167). The machinery and equipment must be used in Montana, primarily for collecting or processing reclaimable material for manufacturing finished products from reclaimed material or for treating soils contaminated by hazardous wastes.

The basis for the credit is generally the cost of the property before any reduction you might have received from the seller by trading in old equipment. If, however, you received a previous credit on the equipment you traded in, the basis for the credit would be the cost of the property after factoring in the reduction you received on the trade-in. The basis includes the purchase price, transportation cost (if paid by the purchaser) and the installation cost before depreciation or other reductions. This credit does not increase or decrease the basis for tax purposes.

Recycling machinery and equipment must be located and operating in Montana on the last day of the taxable year for which the credit is claimed. The machinery must be used to collect, process, separate, modify, or treat solid waste so that it can be converted into a product that can be used in place of a raw material or be used to treat soils contaminated by hazardous wastes. This does not include transportation equipment unless it is specialized to the point that it can only be used to collect and process reclaimable material.

### If the credit exceeds my tax liability, can I carry any excess credit to another tax year?

No. The credit is limited to the amount of the taxpayer's individual or corporate income tax liability. Any excess credit is not refundable and cannot be carried back or forward to other tax years.

### Are there other limitations concerning the recycle credit?

The Department of Revenue may disallow a credit resulting from a sale or lease when the overriding purpose of the transaction is not to collect or process reclaimable material or to manufacture a product from reclaimed material.

The credit may not be claimed for an investment in property used to produce energy from reclaimed material.

### What information do I have to include with my tax return when I claim this credit?

Individuals and C corporations filing paper returns must include a completed Form RCYL. S corporations and partnerships filing paper information returns must include, in addition to a completed Form RCYL, a separate statement identifying each owner and their portion of the credit.

In addition, if you are claiming a credit in Part III or Part IV, you will also need to provide a copy of the sales receipt, any pamphlets on the equipment purchased, and any other information regarding what the equipment is and how it is used in collecting, processing or manufacturing reclaimed material.

## Part V. Recycling Deduction Instructions

You may deduct an additional amount equal to 10% of your expenditures for the purchase of recycled material that you could otherwise deduct as a business-related expense in Montana. The products have to contain recycled material at a level consistent with industry standards or with standards established by the federal Environmental Protection Agency (if those standards exist).

Include a statement from the manufacturer or supplier stating the amount of recycled material contained in the material or product purchased.

**Administrative Rules of Montana:** [42.4.2601 through 42.4.2605](#)  
**Questions?** Call us at (406) 444-6900, or Montana Relay at 711 for the hearing impaired.