



2024 Recycle Credit/Deduction

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

Form RCYL
V1 7/2024

Name (as it appears on your Montana tax return)

FEIN
or SSN

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

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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).
 - 4a Is the machinery/equipment used in Montana primarily for collections or processing reclaimed material? Yes No
 - 4b Is the machinery/equipment used in Montana primarily for the manufacturing of finished products from reclaimed materials? Yes No
 - 4c Is the machinery/equipment used to treat soils contaminated by hazardous waste? Yes No
If you answer *No* to all of them, you do not qualify.

If you do not qualify for the credit but want to claim the deduction for purchasing recycled material, go to Part V.

Part III. For equipment used in 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

M	D	D	Y	Y	Y	M	Y
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3 Cost of equipment (Do not enter more than \$1,000,000)

3 \$ _____

4 Computation of credit (multiply the cost of the equipment by the following percentages):

4a Multiply the first \$250,000 by 25% (0.25) 4a \$ _____

4b Multiply the next \$250,000 by 15% (0.15) 4b \$ _____

4c Multiply the next \$500,000 by 5% (0.05) 4c \$ _____

Total Cost 4 \$ _____

Name	FEIN																
	or SSN																

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 (Do not enter more than \$1,000,000) 3 \$ _____

4 Number of days used in Montana for the year 4 _____

5 Total days used for the year 5 _____

6 Divide amount on line 4 by amount on line 5 6 _____

7 Computation of credit:

7a Multiply the ratio on line 6 by 25% (0.25); then multiply the first \$250,000 of line 3 7a \$ _____

7b Multiply the ratio on line 6 by 15% (0.15); then multiply the next \$250,000 of line 3 7b \$ _____

7c Multiply the ratio on line 6 by 5% (0.05); then multiply the next \$500,000 of line 3 7c \$ _____

Total Credit 7 \$ _____

8 Add total credit from Part III to total credit from Part IV but do not enter more than \$125,000. **This is your total credit available.** 8 \$ _____

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

Part V. Deduction for purchase of recycled material

1 Type of recycled material purchased _____

2 Cost of recycled material 2 \$ _____

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

Enter the amount from this line on your tax return

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 the Montana Schedule K-1 (PTE) it issues to you.

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 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 which 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 applicable for depreciable machinery and equipment only (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 provided by the seller for 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. For specialized mobile equipment used in more than one state, the credit is prorated by the ratio of the number of days used in Montana over the total days used everywhere.

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 must contain recycled material at a level consistent with industry standards or with any standards established by the federal Environmental Protection Agency.

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.