



Ninety-Eighth Legislature - Second Session - 2004
Committee Statement
LB 1065

Hearing Date: January 29, 2004
Committee On: Revenue

Introducer(s): (Baker, Kremer, Wehrbein)
Title: Change provisions relating to motor fuel taxes and ethanol incentive funding

Roll Call Vote – Final Committee Action:

- Advanced to General File
 - X Advanced to General File with Amendments
 - Indefinitely Postponed
-

Vote Results:

5	Yes	Senators Baker, Connealy, Hartnett, Landis and Redfield
1	No	Senator Bourne
1	Present, not voting	Senator Raikes
1	Absent	Senator Janssen

Proponents:

Senator Tom Baker
Steve Nelson
Gary Kuester
Loran Schmit
Clifford Mesner
Chuck Woodside
Paul O'Hara
Russ Zeeck
Jay Rempe (on behalf of Jack Moors)

Representing:

Introducer
Nebraska Farm Bureau Federation
Husker Ag LLC
Ethanol producers
City of Central City
KAAPA Ethanol LLC
Kinder Morgan and Aquila Energy, Inc.
Nordic Biofuels of Ravenna
Nebraska Corn Growers Association

Opponents:

Tim Keigher

Terry King
Mike Hybl
Mike Schardt

Representing:

Nebraska Petroleum Marketers and
Convenience Store Association
Associated General Contractors of America
Nebraska Trucking Association
Oregon Trail Ethanol Coalition

Neutral:

Mark McColley

Representing:

Steamfitters & Plumbers Local Union 464

Summary of purpose and/or changes:

LB 1065 is to provide additional funding for the Ethanol Production Incentive Cash fund to pay for ethanol production incentives. The tax increases proposed by LB 1065 are, 1) a 1¼ cent per gallon reduction in the income tax credit available for off road use of gasoline, 2) an increase in the commodity check-offs from ½ cent per bushel of corn or hundredweight of sorghum to ¾ cent, and 3) a 1/10 cent tax on all diesel and 3/10 cent tax on all gasoline to be collected as an increase in the petroleum release remedial action fee. (Leaking underground storage tanks.) The bill also provides that, if the EPIC fund is not sufficient to pay for all credits due, credits are to be pro-rated among the claimants.

Section by section summary

Sections 1 through 3 and 6 through 11 would amend sections 66-489, 489.01, 4,105, 668, 672, 674, 6,107, 6,109.01, and 6,111 to strike references to section 66-4,142, which is to be repealed outright by the bill. Section 66-4,142 is an arguably obsolete section that calls for increasing the gas tax to make up for revenue lost when there are not sufficient funds in the Ethanol Production Incentive Cash Fund to reimburse the Highway Trust Fund for ethanol production incentives.

Section 4 would amend section 66-4,124 to decrease the income tax credit available for use of gasoline for non-highway purposes by 1¼ cents. Currently, any motor vehicle fuel tax paid on such gasoline entitles the purchaser to a credit for the tax paid, less an amount equal to 2¼ cents. Under LB 1065, from January 1, 2005 through December 31 2009, the reduction would be 3½ cents.

Section 5 would amend section 66-4,134 to provide that the additional 1¼ cents retained on tax credit gasoline be deposited in the Ethanol Production Incentive Cash Fund. The 1¼ cents currently deposited in the Agricultural Alcohol Fuel Tax Fund for use by the Ethanol Board would be retained.

Section 12 would amend section 66-1345, which creates the Ethanol Production Incentive Cash Fund to authorize the fund to receive funds from retained tax credit gasoline and from the petroleum release remedial action fee statutes. This section also provides that if the EPIC fund is insufficient to reimburse the Highway Trust Fund for production credits claimed, the Department of Revenue is to suspend the credits and, at the end of each month, pay that month's refund claims from funds available on a pro-rated basis.

Section 13 would amend section 66-1345.01 to increase the corn and sorghum check-off for purposes of EPIC from ½ cent per bushel of corn or hundredweight of sorghum to ¾ cent beginning October 1, 2004. The check-off would also be extended for one year, from October 1, 2009 to October 1, 2010.

Section 14 would amend section 66-1521 to increase the petroleum release remedial action fee from 0.9 cents per gallon of gasoline and 0.3 cents for diesel, to 1.2 cents for gasoline and 0.4 cents for diesel from October 1, 2004 through September 30, 2010. The additional funds are to be deposited in the EPIC Fund.

Section 15 would repeal the original sections and Section 16 would repeal section 66-4,142 outright.

Section 17 would declare an emergency.

Explanation of amendments, if any:

The Committee amendments 1) provide that for applications received on or after the effective date of the act, ethanol producers that receive the production credits are ineligible for benefits under the Employment and Investment Growth Act (LB 775, 1987) and the Invest Nebraska Act (LB 620, 2001), and 2) prohibit any new applications for ethanol incentives after the effective date of the act.

Senator David Landis, Chairperson