

**FISCAL NOTE**  
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2008-09		FY 2009-10	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	16,000			18,877,000 to 38,500,000
FEDERAL FUNDS				
OTHER FUNDS			(8,000)	
TOTAL FUNDS	16,000		(8,000)	18,877,000 to 38,500,000

\*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 946 would create an excise tax on ethanol production in Nebraska and eliminate an excise tax on corn and grain sorghum. The fiscal impact of LB 946 includes:

**Ethanol production excise tax** -- Beginning July 1, 2009, a two cent per gallon excise tax would be imposed on ethanol production in Nebraska. The estimates regarding potential ethanol production in Nebraska in 2009 range from 1.75 to 2.3 billion gallons annually. Because the tax would be collected on quarterly basis, it is estimated that the FY09-10 revenue may range from \$26,377,000 to \$34,500,000. Annualized revenue beginning in FY10-11 may range from \$35,000,000 to \$46,000,000. The revenue from the excise tax would be placed in the Ethanol Production Incentive Cash Fund through December 31, 2012, and in the Water Resources Cash Fund beginning January 1, 2013.

**Elimination of an excise tax on corn and grain sorghum** – The 7/8 cent excise tax currently levied on corn and grain sorghum and deposited in the Ethanol Production Incentive Cash Fund would be eliminated on June 30, 2009. Because of the final quarter of FY08-09 would be remitted in FY09-10, the revenue loss in FY09-10 would be \$7,500,000. On an annualized basis, the elimination of this fee would result in a \$10,000,000 revenue loss to the Ethanol Production Incentive Cash Fund.

**Department of Revenue expenses** -- The Department of Revenue would be responsible for collection of the ethanol production excise tax. There is no basis to disagree with the estimate of a one-time cost of \$16,000 Cash Funds.

**Department of Agriculture expenses** -- Because the Department of Agriculture collects the corn and grain sorghum excise tax, there would be a reduction in expenditures if this tax was eliminated. A reduction of \$8,000 in revolving fund expenditures and revenue would occur in FY09-10.

**Cash Flow of the Ethanol Production Incentive Cash Fund** – The December 2007 EPIC Report, prepared by the Department of Revenue and the Nebraska Ethanol Board, estimates that there may be a \$15,379,144 shortfall in the Ethanol Production Incentive Cash Fund at the end of the tax credit program, assuming that all eligible plants claim credits. Net revenue to the Ethanol Production Incentive Cash Fund in FY09-10 is estimated to be \$18,877,000 to \$38,500,000.

DEPARTMENT OF ADMINISTRATIVE SERVICES

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COMMENTS			
Dept. of Agriculture response is reasonable. Actual revenue loss will vary by year.			
No fiscal impact to the Ethanol Board. It is assumed the first year of the tax will include only three quarterly tax payments and, therefore, would be less than estimated by the Ethanol Board. (Lyn Heaton)			