

LEGISLATIVE BILL 605

Approved by the Governor May 25, 1999

Introduced by Stuhr, 24; D. Pederson, 42

AN ACT relating to the Ethanol Development Act; to amend sections 66-1344 to 66-1345.02 and 66-1345.04, Reissue Revised Statutes of Nebraska; to provide, change, and eliminate ethanol production credit provisions; to change provisions relating to the Ethanol Production Incentive Cash Fund and an excise tax on corn and grain sorghum; to eliminate provisions relating to written agreements and powers and duties of the board and department; to harmonize provisions; to provide an operative date; to repeal the original sections; and to outright repeal sections 66-1343 and 66-1347, Reissue Revised Statutes of Nebraska.

Be it enacted by the people of the State of Nebraska,

Section 1. Section 66-1344, Reissue Revised Statutes of Nebraska, is amended to read:

66-1344. (1) ~~Each producer of ethanol shall receive a credit pursuant to this section of twenty cents per gallon of ethanol produced in Nebraska, which credit shall be in the form of a nonrefundable transferable motor vehicle fuel tax credit certificate. After July 1, 1994, no such credit shall be given for ethanol produced at an ethanol facility which was in production on or before January 1, 1992, unless on or before July 1, 1994, the name plate design capacity for the production of ethanol, before denaturing, at the facility has been expanded to equal at least two times the name plate design capacity for production of ethanol, before denaturing, existing at the facility as of January 1, 1992.~~

~~(2) Any ethanol facility which is in production at the rate of at least twenty-five percent of its name plate design capacity for the production of ethanol, before denaturing, on or before December 31, 1992, shall receive a credit of twenty cents per gallon of ethanol produced beginning with the first month for which it is eligible to receive such credit and ending not later than December 31, 1997.~~

~~(3) Any ethanol facility which is not in production on or before December 31, 1992, but which is in production at the rate of at least twenty-five percent of its name plate design capacity for the production of ethanol, before denaturing, on or before December 31, 1995, shall receive a credit of twenty cents per gallon of ethanol produced for sixty months beginning with the first month for which it is eligible to receive such credit and ending not later than December 31, 2000, if the ethanol facility maintains an average production rate of at least twenty-five percent of its name plate design capacity for at least six months after the first month for which it is eligible to receive such credit.~~

~~(2) (4) Any ethanol facility eligible for a credit under subsection (1), (2), or (3) of this section shall also receive a credit of twenty cents per gallon of ethanol produced in excess of the original name plate design capacity which results from expansion of the facility completed on or before December 31, 1995. Such credit shall be for sixty months beginning with the first month for which production from the expanded facility is eligible to receive such credit and ending not later than December 31, 2000.~~

(3) Beginning June 1, 2000, during such period as funds remain in the Ethanol Production Incentive Cash Fund, any ethanol facility shall receive a credit of seven and one-half cents per gallon of ethanol, before denaturing, for new production for a period not to exceed thirty-six consecutive months. For purposes of this subsection, new production means production which results from a new facility, a facility which has not received credits prior to June 1, 1999, or the expansion of an existing facility's capacity by at least two million gallons first placed into service after June 1, 1999, as certified by the facility's design engineer to the Department of Revenue. For expansion of an existing facility's capacity, new production means production in excess of the average of the highest three months of ethanol production at an ethanol facility during the twenty-four-month period immediately preceding certification of the facility by the design engineer. No credits shall be allowed under this subsection for expansion of an existing facility's capacity until production is in excess of twelve times the three-month average amount determined under this subsection during any twelve-consecutive-month period beginning no sooner than June 1, 2000. New production shall be approved by the Department of Revenue based on such ethanol production records as may be

necessary to reasonably determine new production. Ethanol production eligible for credits under this subsection shall be measured by a device approved by the Division of Weights and Measures of the Department of Agriculture. Confirmation of approval by the division shall be provided by the ethanol facility at the time the initial claim for credits provided under this subsection is submitted to the Department of Revenue. This credit must be earned on or before December 31, 2003.

(4) The credits described in this section ~~(5)~~ The credit shall be given only for ethanol produced at a plant in Nebraska at which all fermentation, distillation, and dehydration takes place. No credit shall be given on ethanol produced for or sold for use in the production of distilled spirits. Not less than two million gallons and not more than twenty-five million gallons of ethanol produced annually at an ethanol facility shall be eligible for the credit credits in subsections (1) and (2) of this section, and the credit credits may only be claimed by a producer for the period periods specified in subsections (1) and (2) ~~subsection (2), (3), or (4)~~ of this section. Not more than ten million gallons of ethanol produced during any twelve-consecutive-month period at an ethanol facility shall be eligible for the credit described in subsection (3) of this section, and the credit may only be claimed by a producer for the periods specified in subsection (3) of this section. Not more than one hundred twenty-five million gallons of ethanol produced at an ethanol facility by the end of the sixty-month period set forth in subsection (1) or (2) ~~(3) or (4)~~ of this section shall be eligible for the credit under such subsection. An ethanol facility which receives a credit for ethanol produced under subsection (1) or (2) of this section shall not receive a credit under subsection (3) of this section until its eligibility to receive a credit under subsection (1) or (2) has been completed. During any fiscal year, if the amount of money in the fund is not sufficient to pay all the credits applied for under this section during such year, each applicant shall receive a proportionate share of the amount in the fund equal to the portion derived by dividing the amount in the fund by the aggregate number of gallons eligible for the credit for all applicants. The credits described in this section shall be in the form of a nonrefundable, transferable motor vehicle fuel tax credit certificate. ~~subsection, in addition to the ethanol entitled to credit under subsection (1) or (2) of this section.~~

(5) ~~(6)~~ The Department of Revenue shall prescribe an application form and procedures for claiming the credit and shall adopt and promulgate rules and regulations to carry out credits under this section.

(6) ~~(7)~~ For purposes of ascertaining the correctness of any application for claiming the a credit provided in this section, the Tax Commissioner (a) may examine or cause to have examined, by any agent or representative designated by him or her for that purpose, any books, papers, records, or memoranda bearing upon such matters, (b) may by summons require the attendance of the person responsible for rendering the application or other document or any officer or employee of such person or the attendance of any other person having knowledge in the premises, and (c) may take testimony and require proof material for his or her information, with power to administer oaths or affirmations to such person or persons. The time and place of examination pursuant to this subsection shall be such time and place as may be fixed by the Tax Commissioner and as are reasonable under the circumstances. In the case of a summons, the date fixed for appearance before the Tax Commissioner shall not be less than twenty days from the time of service of the summons. No taxpayer shall be subjected to unreasonable or unnecessary examinations or investigations. All records obtained pursuant to this subsection shall be subject to the confidentiality requirements and exceptions thereto as provided in section 77-27,119.

Sec. 2. Section 66-1345, Reissue Revised Statutes of Nebraska, is amended to read:

66-1345. (1) There is hereby created the Ethanol Production Incentive Cash Fund which shall be used by the board to pay the credits created in section 66-1344 to the extent provided in this section. Any money in the fund available for investment shall be invested by the state investment officer pursuant to the Nebraska Capital Expansion Act and the Nebraska State Funds Investment Act. The State Treasurer shall transfer to the Ethanol Production Incentive Cash Fund such money as shall be (a) appropriated to the Ethanol Production Incentive Cash Fund by the Legislature, (b) given as gifts, bequests, grants, or other contributions to the Ethanol Production Incentive Cash Fund from public or private sources, (c) made available due to failure to fulfill conditional requirements pursuant to investment agreements entered into prior to April 30, 1992, (d) received as return on investment of the Ethanol Authority and Development Cash Fund, (e) credited to the Ethanol

Production Incentive Cash Fund from the fertilizer fee pursuant to section 77-4401, (f) credited to the Ethanol Production Incentive Cash Fund from the excise taxes imposed by section 66-1345.01, and (g) credited to the Ethanol Production Incentive Cash Fund pursuant to section 66-1345.04.

(2) The Department of Revenue shall, at the end of each calendar ~~quarter~~ month, notify the State Treasurer of the amount of motor fuel tax that was not collected in the preceding calendar ~~quarter~~ month due to the credits provided in section 66-1344. The State Treasurer shall transfer from the Ethanol Production Incentive Cash Fund to the Highway Trust Fund an amount equal to such credits less the following amounts:

(a) For 1993, 1994, and 1995, the amount generated during the calendar quarter by a one-cent tax on motor fuel pursuant to sections 66-489, 66-668, and 66-6,107;

(b) For 1996, the amount generated during the calendar quarter by a three-quarters-cent tax on motor fuel pursuant to such sections;

(c) For 1997, the amount generated during the calendar quarter by a one-half-cent tax on motor fuel pursuant to such sections; and

(d) For 1998, 1999, and 2000 through 2004, no reduction.

The amounts shall be transferred through ~~December 31, 2000~~ June 30, 2004. For 1993 through 1997, if the amount generated pursuant to subdivisions (a), (b), and (c) of this subsection and the amount transferred pursuant to subsection (1) of this section are not sufficient to fund the credits provided in section 66-1344, then the credits shall be funded through the Ethanol Production Incentive Cash Fund but shall not be funded through either the Highway Cash Fund or the Highway Trust Fund. For 1998, 1999, and 2000 through 2004, the credits provided in such section shall be funded through the Ethanol Production Incentive Cash Fund but shall not be funded through either the Highway Cash Fund or the Highway Trust Fund.

(3) The State Treasurer shall transfer from the Ethanol Production Incentive Cash Fund to the Management Services Expense Revolving Fund the amount reported under subsection (4) of section 66-1345.02 for each calendar ~~quarter~~ month of the fiscal year as provided in such subsection.

(4) The board shall monitor all receipts to and reimbursements from the Ethanol Production Incentive Cash Fund and notify the Department of Revenue prior to the beginning of the fiscal year in which the board projects that there will be insufficient funds available within the fund to satisfy all valid ethanol production credit claims submitted pursuant to section 66-1344.

(5) On February 15, 2001 June 30, 2004, the State Treasurer shall transfer ~~any~~ one-half of the unexpended and unobligated funds from the Ethanol Production Incentive Cash Fund to the Nebraska Corn Development, Utilization, and Marketing Fund and Grain Sorghum Development, Utilization, and Marketing Fund in the same proportion as funds were collected pursuant to section 66-1345.01 from corn and grain sorghum. The Department of Agriculture shall assist the State Treasurer in determining the amounts to be transferred to the funds. The remaining one-half of the unexpended and unobligated funds shall be transferred to the General Fund.

Sec. 3. Section 66-1345.01, Reissue Revised Statutes of Nebraska, is amended to read:

66-1345.01. An excise tax is levied upon all corn and grain sorghum sold through commercial channels in Nebraska or delivered in Nebraska. ~~The tax is three-fourths cent per bushel for corn and three-fourths cent per hundredweight for grain sorghum. For any sale or delivery of corn or grain sorghum occurring on or after July 1, 1995, and before January 1, 2000, the tax is three-fourths cent per bushel for corn and three-fourths cent per hundredweight for grain sorghum. For any sale or delivery of corn or grain sorghum occurring on or after January 1, 2000, and before January 1, 2001, the tax is one-half cent per bushel for corn and one-half cent per hundredweight for grain sorghum.~~ The tax shall be in addition to any fee imposed pursuant to sections 2-3623 and 2-4012. ~~The excise tax shall be imposed on any sale or delivery occurring on or after July 1, 1995, and before January 1, 2001.~~ The Legislature finds and declares that those in production agriculture have contributed sufficiently to support the Ethanol Production Incentive Cash Fund by the imposition of the excise tax. If additional funds are needed in the future to meet the Legislature's obligation to fully fund the Ethanol Production Incentive Cash Fund, those funds should come from sources other than production agriculture.

The excise tax shall be imposed at the time of sale or delivery and shall be collected by the first purchaser. The tax shall be collected, administered, and enforced in conjunction with the fees imposed pursuant to sections 2-3623 and 2-4012. The tax shall be collected, administered, and enforced by the Department of Agriculture. No corn or grain sorghum shall be subject to the tax imposed by this section more than once.

In the case of a pledge or mortgage of corn or grain sorghum as security for a loan under the federal price support program, the excise tax shall be deducted from the proceeds of such loan at the time the loan is made. If, within the life of the loan plus thirty days after the collection of the excise tax for corn or grain sorghum that is mortgaged as security for a loan under the federal price support program, the grower of the corn or grain sorghum so mortgaged decides to purchase the corn or grain sorghum and use it as feed, the grower shall be entitled to a refund of the excise tax previously paid. The refund shall be payable by the department upon the grower's written application for a refund. The application shall have attached proof of the tax deducted.

The excise tax shall be deducted whether the corn or grain sorghum is stored in this or any other state. The excise tax shall not apply to the sale of corn or grain sorghum to the federal government for ultimate use or consumption by the people of the United States when the State of Nebraska is prohibited from imposing such tax by the Constitution of the United States and laws enacted pursuant thereto.

Sec. 4. Section 66-1345.02, Reissue Revised Statutes of Nebraska, is amended to read:

66-1345.02. (1) The first purchaser, at the time of sale or delivery, shall retain the excise tax as provided in section 66-1345.01 and shall maintain the necessary records of the excise tax for each sale or delivery of corn or grain sorghum. Records maintained by the first purchaser shall provide (a) the name and address of the seller or deliverer, (b) the date of the sale or delivery, (c) the number of bushels of corn or hundredweight of grain sorghum sold or delivered, and (d) the amount of excise tax retained on each sale or delivery. The records shall be open for inspection and audit by authorized representatives of the Department of Agriculture during normal business hours observed by the first purchaser.

(2) The first purchaser shall render and have on file with the department by the last day of each January, April, July, and October on forms prescribed by the department a statement of the number of bushels of corn and hundredweight of grain sorghum sold or delivered in Nebraska. At the time the statement is filed, the first purchaser shall pay and remit to the department the excise tax.

(3) The department shall remit the excise tax collected to the State Treasurer for credit to the Ethanol Production Incentive Cash Fund within thirty days after the end of each quarter.

(4) For each fiscal year beginning with fiscal year 1995-96 through fiscal year 2000-01, the department shall calculate its costs in collecting and enforcing the excise tax imposed by section 66-1345.01 and shall report such costs to the Department of Administrative Services within thirty days after the end of the fiscal year. Sufficient funds to cover such costs shall be transferred from the Ethanol Production Incentive Cash Fund to the Management Services Expense Revolving Fund at the end of each calendar ~~quarter~~ month. Funds shall be transferred upon the receipt of a report of costs incurred by the Department of Agriculture for the previous calendar ~~quarter~~ month by the Department of Administrative Services.

Sec. 5. Section 66-1345.04, Reissue Revised Statutes of Nebraska, is amended to read:

66-1345.04. (1) The State Treasurer shall transfer from the General Fund to the Ethanol Production Incentive Cash Fund, on or before the end of each of fiscal years 1995-96 and 1996-97, \$8,000,000 per fiscal year.

(2) It is the intent of the Legislature that the following General Fund amounts be appropriated to the Ethanol Production Incentive Cash Fund in each of the following years:

(a) For each of fiscal years 1997-98 and 1998-99, \$7,000,000 per fiscal year;

(b) For fiscal year 1999-2000, \$6,000,000; and

(c) For fiscal year 2000-01, ~~\$6,000,000~~ \$5,000,000.

Sec. 6. This act becomes operative on October 1, 1999.

Sec. 7. Original sections 66-1344 to 66-1345.02 and 66-1345.04, Reissue Revised Statutes of Nebraska, are repealed.

Sec. 8. The following sections are outright repealed: Sections 66-1343 and 66-1347, Reissue Revised Statutes of Nebraska.