



Hundredth Legislature - First Session - 2007
Introducer's Statement of Intent
LB 648

Chairperson: Ray Janssen
Committee: Revenue
Date of Hearing: February 8, 2007

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

LB 648 increases the renewable energy credit on each kilowatt generated from a renewable energy facility depending on the year of generation. For energy generated:

After October 1, 2007 and before January 1, 2010 the credit is expanded from .075 cent per kilowatt hour to .1 cent;
After January 1, 2010 and before January 1, 2013 the credit is expanded from .05 cent per kilowatt hour to .075 cent;
After January 1, 2013 and before January 1, 2018 the credit is expanded from .025 cent per kilowatt hour to .05 cent.

The bill also removes the 1 megawatt qualifying size of the facility so the credit is available for energy generated from any size renewable energy facility. This makes the credit available not only to larger scale projects but also to individuals who install a renewable energy facility to generate electricity for their own use. LB 648 expands the available funds for these sales tax credits from \$400,000 to \$750,000.

A second incentive is created in LB 648 which is available to community-based wind energy projects (C-BED). A C-BED project is defined by its qualified owners and based on a defined percentage of ownership. A qualified owner includes a Nebraska resident, limited liability company whose members are Nebraska residents, Nebraska nonprofit organization, Nebraska cooperative association (other than a rural electric cooperative or generation and transmission cooperative), a political subdivision (other than a municipal electric utility or power agency), and a tribal council.

C-BED project would be eligible for a sales tax exemption on materials used to manufacture, install, construct, repair or replace wind turbines that convert wind energy to a form of usable energy. C-BED projects are not eligible for the renewable energy tax credit.

Tax incentives are used throughout state government to stimulate and encourage behavior and investments. The rural economic development benefits from wind energy are multiple. Wind energy projects generate more new jobs than conventional fossil fuel projects. Studies have shown that wind energy produces 27% more jobs per kilowatt-hour than coal plants and 66% more jobs than natural gas. In addition, wind energy offers rural landowners a new cash crop. Royalties vary but typically range between \$2,000 to \$4,000 per year per wind turbine or 2% to 3% of the project's gross revenues. Given typical wind turbine spacing requirements, a 250-acre farm could increase annual farm income by \$14,000 per year – income that is not dependent on weather or commodity prices.

Wind power has the potential to displace substantial amounts of natural gas consumption (from natural gas powered plants). Natural gas accounts for 80% to 90% of the cost of producing anhydrous ammonia for nitrogen fertilizers. When natural gas prices increase, farmers and ranchers are forced to pay higher production costs and both urban and rural natural gas customers pay higher utility bills. Less money spent on production costs and natural gas utility bills means more money available to spend in the local economy. The tax incentives in LB 648 are good investments in Nebraska rural development.

Principal Introducer:

Senator Don Preister