NE Court Denies $1.6M Tax Break To Ethanol Plant

Josh Funk, Associated Press

OMAHA, Neb. (AP) — A western Nebraska ethanol producer won't receive a sales tax refund for equipment and material used to build a new plant because it did not qualify for the $1.6 million in tax breaks it sought, the state Supreme Court ruled Friday.

Bridgeport Ethanol hired the wrong kind of contractor and incorrectly structured the contract for its $67.5 million plant in Bridgeport.

Bridgeport Ethanol couldn't claim the tax break because the contractor who built the plant actually bought the equipment, the court said. State law doesn't allow Bridgeport Ethanol to appoint the contractor as its purchasing agent.

"Under the plain language of the statutes, Bridgeport is not entitled to the exemption, because it was not the purchaser of the manufacturing machinery and equipment," the court said in its ruling.

So the company is only entitled to a $6,324.84 tax break instead of the $1.6 million sales tax exemption it wanted.

Attorney William Peters, who represented Bridgeport Ethanol, said the ruling clarifies regulations on sales tax refunds for manufacturers in the state. But he said company officials were concerned about losing the tax refund.

"We had hoped for a different result," Peters said.

The court said Bridgeport Ethanol's contractor, ICM Inc., paid all the sales tax on the materials and equipment purchased during construction of the ethanol plant.

"Bridgeport cannot obtain a refund of taxes that it never paid," the court said in its ruling.

The other problem the court identified is that the contractor used by Bridgeport chose to be taxed as a consumer of all the materials it bought. The court said Bridgeport may have been eligible for the tax breaks if it had used contractor that is treated like a retailer under state law.

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