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Troy Bredenkamp
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RE: Update on Federal Highway Legislation

Dear Troy,

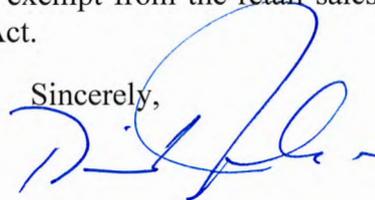
I was recently asked to provide an update on the Federal Highway legislation to confirm the status. The Highway Investment, Job Creation, and Economic Growth Act of 2012 was signed into law by President Obama on June 29, 2012. This legislation was enacted and there has been no additional amendment.

The bill, which was part of a much broader topic, includes language that extended the exemption of certain Federal excise taxes. The legislation addressed, in part, six separate excise taxes that are levied to finance the Federal Highway Trust Fund program. Three of these taxes are levied on highway motor fuels. The remaining three are a retail sales tax on heavy highway vehicles, a manufacturers' excise tax on heavy vehicle tires, and an annual use tax on heavy vehicles. The annual use tax on heavy vehicles was set to expire October 1, 2012. Except for 4.3 cents per gallon of the Highway Trust Fund fuels tax rates, which is permanent, the remaining taxes were scheduled to expire June 30, 2012. The legislation extended the motor fuel taxes and all three non-fuel excise taxes at their current rates through September 30, 2016.

Therefore, the exemption from the retail sales tax, Section 4221(a) of the Internal Revenue Code, has been extended to October 1, 2016. The exemption from the use tax, Section 4483(i) of the Code, has been extended through October 1, 2017.

Therefore, Public Power Districts continue to be exempt from the retail sales tax and from the use tax through these dates or further amendment of the Act.

Sincerely,



David A. Jarecke

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