



Lee Enterprises
Consulting

Case Study

Client

Law Firm

Project Number

19133

Team Members

Doug Rivers

Expert Witness for Ethanol Sales Tax Dispute

Summary of Client and Challenge They Faced

A law firm was defending a fuel ethanol plant in a state sales tax dispute. The state agency alleged the plant was not paying sales tax for process input items incorporated into multiple final products sold in the marketplace. The firm argued that because the inputs were taxed in the sales of the final product, they were exempt from sales tax when purchased. The law firm required an expert to review the ethanol production process in question and provide an expert opinion.

Our Approach to the Solution

The LEC expert witness worked with the law firm and ethanol plant to obtain a comprehensive list of all process inputs, as well as all other process-associated items not ending in salable products. Our expert then assessed the items based on the process inputs, output products, and output wastes. He provided a detailed report of the ethanol production process inputs and outputs to the law firm.



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Client Results and Benefits

Based on the list of inputs and costs provided in the LEC expert's report, the law firm was able to show that all process inputs did, in fact, go into the final products sold. The LEC expert witness helped the law firm prove that these inputs were exempt from state sales tax based on existing definitions in the state sales tax statutes. In addition, it was shown that the plant had paid all sales tax on items purchased that were not inputs into final products. As a result, the law firm was able to successfully resolve the dispute for the ethanol plant.

Following the successful resolution of the dispute, the state passed legislation to clarify that all inputs into the fuel ethanol production process were in fact sales tax exempt, creating a positive impact on the entire fuel ethanol industry in the state.