



Kilowatt-Hour Tax

The kilowatt-hour tax was created by the Ohio General Assembly in 2001 as part of a broader legislative effort to deregulate electric utilities. The tax, effective May 1, 2001, replaced the public utility excise tax on electric and rural electric companies. It was also designed to replace revenues lost from the reduction of assessment rates on electric and rural electric tangible personal property.

The kilowatt-hour tax is levied on electric distribution companies with end users in this state. The tax has tiered rates that vary according to the kilowatt-hour consumption of individual end users of electricity. For certain large consumers of electricity, a self-assessor option exists that is partially based on price and partially based on consumption. Companies that provide both electric and other services must separate the charges for electricity from the other services they provide.

The tax is paid monthly. During fiscal year 2012, the tax generated approximately \$537.9 million in total revenue.

Taxpayer

Electric distribution companies with end users in Ohio are subject to the kilowatt-hour tax. The tax is also paid by certain large commercial and industrial end users (self-assessing purchasers) that consume more than 45 million kilowatt-hours of electricity during a calendar year. Self-assessing purchasers must qualify and register to self-assess the tax.

Tax Base

(Ohio Revised Code 5727.81)

The kilowatt-hour tax has two bases with payment determined by the number of kilowatt hours (kWh) distributed to end users in Ohio.

Rates

(R.C. 5727.81)

Electric distribution companies pay rates based on their monthly distribution to each end user. The rates are tiered according to the amount of kilowatt-hours the individual end user consumes, as shown in the schedule below:

Monthly Distribution	Rate per kWh
The first 0 – 2,000 kWh	0.465 cents
The next 2,001 – 15,000 kWh	0.419 cents
For 15,001 kWh and above	0.363 cents

End users above 45 million kWh in annual consumption may register to self-assess the tax.

The self-assessment calculation was changed effective Jan. 1, 2011. The price-based portion of the tax was dropped. Instead, self-assessors pay 0.257 cents per kWh on the first 500 million kWh and 0.1832 cents per kWh for each kWh in

excess of 500 million (see recent legislation).

Exemptions

(R.C. 5727.80, 5727.81)

The kWh tax does not apply to:

- the federal government;
- end users located at a federal facility that uses electricity to process uranium;
- qualified use of electricity by qualified end users in qualified manufacturing processes; and
- qualified regeneration facilities.

Credits

None.

Special Provisions

In cases where self-assessing purchasers are served by a municipal electric utility and are located within that municipality, the tax is remitted to the municipality rather than the state.

Filing and Payment Dates

(R.C. 5727.82)

For kilowatt-hour and self-assessing taxpayers, the filing date is the 20th day of each month. Payments reflect the amount of electricity distributed to the end users during the preceding month.

To register as a self-assessing purchaser, end users must submit an application and pay a \$500 fee before May 1. The registration year begins on May 1 and ends on the following April 30.

Disposition of Revenue

(R.C. 5727.84)

House Bill 153, enacted by the 129th General Assembly, changed the fund distribution beginning in fiscal year 2012. The bill changed the percentage of distribution to the General Revenue Fund, School District Property Tax Replacement Fund and the Local

Government Property Tax Replacement Fund as follows:

For January 2008 through July 2011	
Fund	Percentage
General Revenue Fund	63.0%
School District Property Tax Replacement Fund	25.4%
Local Government Property Tax Replacement Fund	11.6%
Total Distribution	100%
For fiscal years 2012 and thereafter:	
General Revenue Fund	88.0%
School District Property Tax Replacement Fund	9.0%
Local Government Property Tax Replacement Fund	3.0%
Total Distribution	100%

When obligations to school districts have been met, excess revenues in the School District Property Tax Replacement Fund are to be transferred by the Office of Budget and Management to the half-mill equalization fund. Amounts in excess of that required to make the payments described in R.C. 3318.18 are then to be transferred to the General Revenue Fund.

Administration

The Tax Commissioner administers the kilowatt-hour tax and makes revenue payments to the various funds.

Ohio Revised Code Citations

Chapter 5727.

Recent Legislation

House Bill 1, 128th General Assembly

Change to self-assessment computation – H.B. 1 amended R.C. 5727.81 to eliminate the price component of the self-assessment calculation and modify the calculation of tax liability for end users who elect to self-assess. Effective Jan. 1, 2011, end users who self-assess will pay 0.257 cents per kWh on the first 500 million kWh consumed annually and 0.1832 cents per kWh for each kWh in excess of 500 million kWh consumed.

House Bill 153, 129th General Assembly

Change to the distribution of revenue H.B. 153 changed the percentage of distribution to 88% (from 63%) to the General Revenue Fund, 9.0% (from 25.4%) to the School District Property Tax Replacement Fund, and 3% (from 11.6%) to the Local Government Property Tax Replacement Fund.

Table

Fiscal Year	Total Collections	State General Revenue Fund	Local Government Fund	Local Government Revenue Assistance Fund	Public Library Fund ¹	School District Property Tax Replacement Fund	Local Government Property Tax Replacement Fund
2008	\$570,676,257	\$231,217,687	\$6,232,333	\$890,333	\$121,218,846	\$144,915,698	\$66,201,360
2009	544,575,469	135,956,975	0	0	207,084,157	138,354,866	63,179,471
2010	518,409,440	156,289,002	0	0	170,308,945	131,675,998	60,135,495
2011	535,988,378	153,874,661	0	0	183,798,018	136,141,048	62,174,652
2012	537,948,994	294,828,747	0	0	178,565,617	48,415,333	16,139,298

Source: State of Ohio accounting system.

¹ One-half of all General Revenue Fund transfers to the Public Library Fund are credited against kilowatt-hour tax GRF revenue.