



Property Tax – Public Utility Property

This chapter deals largely with property taxes levied on the tangible personal property of public utilities. Public utility personal property is the only personal property that is subject to property taxation now that changes enacted by the Ohio General Assembly in 2005 are fully phased in. Some of these tax changes also apply to the taxation of public utility property and will, over time, decrease property tax revenue from some utilities.

This chapter also touches on the taxation of public utility real property, since the Department of Taxation has a role in assessing the real property of railroads. However, tables showing the taxes paid on public utility real property are located in the **Property Tax – Real Property** chapter.

The assessed value of public utility personal property was approximately \$10.2 billion in tax year 2011. Electric utilities accounted for 69.4 percent of total public utility personal property value in 2011 and the natural gas industry accounted for 9 percent.

Revenue from the public utility property tax amounted to about \$784.5 million in calendar year 2011 (see Table 1 in Revenue from Taxes Administered by the Tax Commissioner). This revenue was distributed to counties, municipalities, townships, school districts, and special districts, according to the individual millage levied locally, less local administrative deductions. For tax years 2000 and 2010, the final remnant of the tangible personal property tax consisted of property used by telephone companies and inter-exchange telecommunications companies. Although such property is not subject to the public utility property tax, for simplicity's sake a table is provided in this chapter showing information on that tax.

Taxpayer

Public utilities subject to taxation on their tangible personal property include electric, rural electric, natural gas, pipeline, water works, water transportation, heating, and telegraph companies.

Railroads formerly paid tax on tangible personal property, but saw the tax eliminated as part of a three-year phase-out that also applied to general business taxpayers. The assessment rate on railroad personal property was reduced from 25 percent of true value in 2005 to 18.75 percent for 2006, 12.5 percent for 2007, 6.25 percent for 2008 and zero percent for 2009 and thereafter.

The tax on tangible personal property was phased out for telephone companies and inter-exchange telecommunications companies, which were reclassified as general business taxpayers as of Jan. 1, 2007. The assessment rate for telephone companies and inter-exchange telecommunications companies was 20 percent of true value for 2007, 15 percent for 2008, 10 percent for 2009 and 5 percent for 2010. In 2011

and thereafter, the assessment rate became zero percent of true value.

Changes for 2011

House Bill 153 extended until Jan. 1, 2014 by when construction of a renewable energy facility must begin in order to qualify as a "qualified energy project"; and extended until Jan. 1, 2015 (or Jan. 1, 2019 for nuclear, clean coal, and cogeneration projects) by when energy must be produced.

Changes for 2010

Renewable energy facilities that are not financed through the Ohio Air Quality Development Authority can be exempt from the tangible personal property tax if certified by the Director of Development as a "qualified energy project." Such a facility will require a payment in lieu of taxes on the basis of each megawatt of production capacity. In order to be certified as a "qualified energy project," among other requirements, construction must begin before Jan. 1, 2012, energy produced by 2013 (or 2017 for nuclear, clean coal and cogeneration projects) and Ohio jobs created. (R.C. 5727.75)

Changes for 2009

Beginning in 2009, any person or entity that is not a public utility or an inter-exchange telecommunications company and that leases its personal property to a public utility is considered a "public utility lessor" and is required to report and pay tax on its property in the same manner as the utility to which it leases its property. This treatment applies to all such leased property that would otherwise be subject to public utility property tax if it were owned and used directly by the utility except property leased to a public utility in a sale and leaseback transaction, and property leased to a railroad, water transportation, telephone, or telegraph company (R.C. 5727.01(M)).

Also, beginning in 2009, a taxpayer that produces electricity for its own (non-utility) business and sells excess electricity to others will be treated as an electric company for property taxation purposes. Those taxpayers are required to report and pay the tax on a percentage of the true value of their eligible equipment based on the amount of electricity generated in the preceding year that was sold to other parties (R.C. 5727.031).

Tax Base

(Ohio Revised Code 5715.01, 5727.01, 5727.06, 5727.10, 5727.11, 5727.111, 5727.12, 5727.14, 5727.15)

For most public utilities, the personal property tax base consists of all tangible personal property owned and located in Ohio on Dec. 31 of the preceding year. The exceptions:

- For water transportation companies, the tax base consists of all tangible personal property, except watercraft

owned or operated in Ohio on Dec. 31 of the preceding year and all watercraft owned or operated by the water transportation company in Ohio during the preceding calendar year.

- Railroad property, both real and personal, is valued according to the unitary method described under **Determining true value**, below.

Listing percentages

The percentage of true value at which personal property is listed for taxation varies according to the type of public utility. The percentages are as follows:

Electric companies:

Production personal property	24%
Transmission and distribution personal property	85%
All other tangible personal property	24%

Rural electric companies:

Transmission and distribution personal property	50%
All other tangible personal property ¹	25%

Natural gas companies

25%

Heating, pipeline, and water works companies

88%

Water transportation companies

25%

The table above does not include the listing percentages for the personal property of railroads, and telephone companies and inter-exchange telecommunications companies, whose rates were to fall to zero in 2009 and 2011, respectively, according to schedules described in the Taxpayer section.

The above table also does not apply to real property. All public utilities also pay tax on real property, which is uniformly listed at 35 percent of true value in Ohio. Real property includes land and improvements. Personal property includes all plant and equipment either owned or leased by the utility under a sale-lease back agreement, and not classified as real property or intangible property.

Determining true value

For most public utility personal property, true value is the capitalized cost less the composite annual allowances, which vary according to the actual age and expected life of the property. Exceptions:

The true value of electric company production equipment and all taxable property of a rural electric company is 50 percent of capitalized cost, except for the production equipment of electric or rural electric companies purchased, transferred or sold after July 6, 1999, the date when the electric deregulation legislation known as Senate Bill 3 became effective. The true value of production equipment purchased, transferred or sold after this date is the capitalized cost on the books and records, less composite annual allowances.

The true value of current gas (gas available for market) stored underground is the monthly average value of such gas, determined by dividing the cost of the ending monthly balances by the number of months in business. The true value of non-current gas (gas not available for market that provides pressure for cycling current gas) stored underground is 35 percent of cost on the tax lien date.

To determine the true value of railroad real and personal property used in railroad operations, the unitary method is used to value the company's entire railroad system property as a whole. The value is apportioned to Ohio in the proportion that the length of track in this state bears to the whole length of track. The value of railroad personal property not used in operations is assessed by the Tax Commissioner, while real property not used in operations is assessed by county auditors, both using the normal means of valuing each type of property.

Apportionment of value

Real property values of all utilities except railroads are assigned to local taxing districts throughout Ohio according to the physical location of the property.

The taxable personal property values of all utilities are apportioned among the taxing districts as described below:

- Natural gas, heating, pipeline, water works, rural electric, and water transportation companies: taxable value is apportioned according to the cost of all taxable personal property physically located in each taxing district as a proportion of the total cost of all such taxable personal property physically located in the state.
- Electric companies: for production equipment, the total taxable value is apportioned to the taxing district in which the property is physically located. For all other property, the taxable value is apportioned according to the cost of this property physically located in each taxing district as a proportion of the total cost of all such taxable personal property physically located in the state.
- Telephone and inter-exchange telecommunications companies: taxable value is apportioned in proportion to the total miles of wire located in each taxing district as compared to the miles of wire for the entire state. For companies that have no miles of wire in the state, the taxable value is apportioned according to the cost of all taxable personal property physically located in each taxing district as a proportion of the total cost of all taxable personal property physically located in the state.
- Railroads: taxable value of all railroad property used in operations in the state (in this case, both real and personal) is apportioned to Ohio according to the miles of track in each taxing district and trackage rights, weighted by use, compared to the miles of track in the entire system. Values for railroad real and personal property not used in operations are situated on the basis of their physical location.

¹ Including production equipment.

Rates

(R.C. 319.30, 319.301, 5705.02 – .05, 5705.19)

Tax rates vary by taxing jurisdiction. The total tax rate is the sum of all levies enacted by legislative authority or approved by voters for all taxing jurisdictions in which the property is located or to which it is apportioned. Examples of taxing jurisdictions include counties, townships, municipal corporations, school districts, joint vocational school districts and special service districts.

These total rates, or gross tax rates, apply to personal property. For real property, the application of tax reduction factors according to R.C. 319.301, commonly known as “House Bill 920” results in lower “effective” tax rates. For details on tax reduction factors, see the section on credits in the **Property Tax – Real Property** chapter.

Exemptions and Credits

(R.C. 319.302, 5701.03, 5709.111, 5709.25, 5709.61, 5727.01, 5727.05, 6111.31)

The following types of public utility property are exempt:

- municipally-owned utilities.
- certified air, water, and noise pollution control facilities.
- licensed motor vehicles.
- tangible personal property under construction.
- the real and personal property of nonprofit corporations and political subdivisions used exclusively in the treatment, distribution, and sale of water to consumers.

An allowance is available for funds used during construction and interest used during construction. This does not apply to electric company and rural electric company property, except transmission and distribution property first placed into service after Dec. 31, 2000. It also does not apply to the taxable property a person purchases, which includes transfers, if that property was used in business by the seller prior to the purchase.

Also, qualified electric generating property may qualify for a property tax reduction if placed in an enterprise zone.

Reporting, Certification, and Payment Dates

Annual reports are due by March 1, but the Tax Commissioner may grant an extension of up to 60 days (R.C. 5727.08 and 5727.48).

The Tax Commissioner notifies utilities and county auditors of values on or before the first Monday in October (R.C. 5727.10 and 5727.23).

Tax payments are due according to the same first- and second-half due dates for real property taxes. According to statute, at least one half of a real property tax bill is due by Dec. 31, with the balance due by June 20. In practice, these deadlines may be extended by 45 days, or even longer in certain circumstances, on a county-by-county basis (R.C. 323.12 and 323.17).

Disposition of Revenue

(R.C. 319.54, 321.24, 321.26, 321.261, 321.31, 321.34)

After local administrative deductions, revenue is distributed to counties, municipalities, townships, school districts, and special districts according to the taxable values and total millage levied by each.

Administration

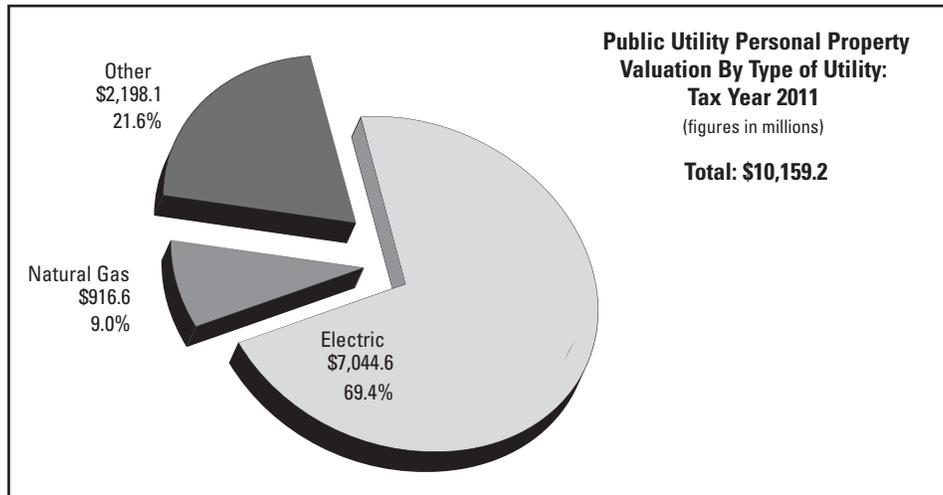
(R.C. 5713.01, 5727.06)

The Tax Commissioner assesses the tangible personal property of all public utilities and inter-exchange telecommunications companies. The Tax Commissioner also assesses the real estate of railroads. County auditors assess all other public utility real estate.

Ohio Revised Code Citations

Chapters 319, 321, 323, 5701, 5705, 5709, 5715, 5719, 5727, and 6111.

Chart



1 Includes railroad, pipeline, rural electric, water works, water transportation and heating.

Table 1

Class of Utility	Number of Taxpayers 2011	Public Utility Personal Property - Certified Assessed Value by Class Of Utility and Total Taxes Levied: Tax Years 2007 - 2011				
		2007	2008	2009	2010	2011
Electric	20	\$6,139,587,280	\$6,390,727,590	\$6,665,194,420	\$7,020,695,660	\$7,044,584,850
Telephone	-	-	-	-	-	-
Natural Gas ¹	27	687,377,830	713,082,350	763,148,170	819,544,930	916,554,800
Railroad	-	166,453,130	133,631,890	0	-	-
Pipeline	16	718,061,960	713,799,520	742,391,230	1,461,255,730	1,576,986,300
Rural Electric	27	356,232,540	391,893,760	379,305,110	415,791,840	421,504,940
Water Works	14	155,095,100	153,161,070	151,025,180	159,717,810	158,444,090
Lease/Rental ²	12	-	-	36,472,560	36,063,820	38,444,700
Other ³	5	3,148,860	4,619,360	4,168,520	2,406,410	2,686,560
Totals⁴	121	\$8,225,956,700	\$8,500,915,540	\$8,886,519,380	\$9,915,476,200	\$10,159,206,240
Taxes Levied		\$621,194,887	\$645,176,010	\$676,598,501	\$747,249,291	\$784,469,930

Source: Department of Taxation.

1 Assessment of natural gas company property was lowered from 88 percent to 25 percent in 2001; also the valuation method for gas storage was changed from current monthly cost to 12-month average.

2 This category consists of tangible personal property leased by or rented to a public utility property taxpayer. Such property was included in tangible personal property values for 2008 and prior tax years. Because of the repeal of the tangible personal property tax in 2009, this type of property has been added to this table.

3 Includes water transportation and heating.

4 Only companies with taxable property are included.

Table 2

Assessed Value of Public Utility Personal Property and Taxes Levied by County: Tax Year 2011					
County	Assessed Value of Public Utility Personal Property	Taxes Charged on Public Utility Personal Property	County	Assessed Value of Public Utility Personal Property	Taxes Charged on Public Utility Personal Property
ADAMS	\$218,059,920	\$9,744,687	LOGAN	\$33,630,750	\$2,111,113
ALLEN	\$90,070,640	\$5,192,780	LORAIN	227,164,330	19,359,449
ASHLAND	\$61,889,390	\$4,310,756	LUCAS	225,867,030	21,592,258
ASHTABULA	\$88,675,130	\$6,709,448	MADISON	31,814,890	2,156,685
ATHENS	\$87,755,110	\$6,329,389	MAHONING	161,529,770	13,392,300
AUGLAIZE	\$18,863,520	\$1,171,112	MARION	67,305,290	4,442,836
BELMONT	\$114,043,230	\$7,186,949	MEDINA	93,953,890	8,607,443
BROWN	\$35,369,240	\$1,861,986	MEIGS	42,789,100	2,107,461
BUTLER	\$357,985,500	\$26,431,409	MERCER	21,674,730	1,281,263
CARROLL	\$45,897,540	\$2,372,978	MIAMI	57,423,080	4,001,431
CHAMPAIGN	\$24,862,720	\$1,703,844	MONROE	92,052,190	5,034,371
CLARK	\$73,303,280	\$5,640,143	MONTGOMERY	308,638,740	31,935,366
CLERMONT	\$306,653,100	\$21,477,551	MORGAN	64,815,110	3,799,711
CLINTON	\$65,242,130	\$3,353,926	MORROW	22,748,200	1,284,890
COLUMBIANA	\$86,316,110	\$4,915,371	MUSKINGUM	179,244,210	11,626,675
COSHOCTON	\$141,217,600	\$7,182,970	NOBLE	73,050,550	3,567,207
CRAWFORD	\$24,544,880	\$1,886,010	OTTAWA	141,329,980	7,779,783
CUYAHOGA	\$698,069,270	\$75,547,870	PAULDING	27,571,690	1,591,897
DARKE	\$41,268,020	\$2,155,280	PERRY	89,902,390	5,581,831
DEFIANCE	\$54,811,090	\$3,434,241	PICKAWAY	127,618,000	7,298,243
DELAWARE	\$152,300,850	\$13,686,910	PIKE	42,695,430	2,379,124
ERIE	\$55,210,740	\$4,712,001	PORTAGE	82,363,890	7,466,180
FAIRFIELD	\$173,329,260	\$12,780,062	PREBLE	34,032,980	1,935,831
FAYETTE	\$88,004,964	\$4,710,392	PUTNAM	27,524,440	1,383,455
FRANKLIN	\$654,908,400	\$70,924,498	RICHLAND	94,684,350	7,728,737
FULTON	\$37,958,950	\$2,870,036	ROSS	61,574,450	3,857,393
GALLIA	\$229,694,780	\$9,534,595	SANDUSKY	48,822,960	2,897,981
GEAUGA	\$68,054,380	\$6,739,500	SCIOTO	78,252,170	4,592,555
GREENE	\$100,504,090	\$7,937,181	SENECA	51,454,730	3,390,401
GUERNSEY	\$106,706,400	\$5,863,674	SHELBY	32,431,570	1,985,439
HAMILTON	\$653,505,310	\$64,356,113	STARK	272,760,010	21,948,681
HANCOCK	\$60,824,010	\$3,743,234	SUMMIT	249,247,440	23,165,697
HARDIN	\$23,948,670	\$1,421,770	TRUMBULL	118,228,290	9,345,787
HARRISON	\$27,060,410	\$1,661,198	TUSCARAWAS	76,705,110	4,941,523
HENRY	\$17,068,960	\$1,231,210	UNION	54,514,150	4,221,019
HIGHLAND	\$31,140,270	\$1,464,373	VAN WERT	20,694,960	1,371,063
HOCKING	\$56,017,410	\$3,371,980	VINTON	33,041,310	1,477,186
HOLMES	\$29,954,330	\$1,732,041	WARREN	262,234,740	21,892,264
HURON	\$30,380,330	\$1,858,167	WASHINGTON	128,302,720	7,451,149
JACKSON	\$46,307,970	\$1,991,847	WAYNE	74,876,910	5,803,338
JEFFERSON	\$245,842,831	\$13,283,331	WILLIAMS	20,155,890	1,420,527
KNOX	\$42,857,580	\$2,796,801	WOOD	75,887,300	6,116,740
LAKE	\$339,982,500	\$28,880,162	WYANDOT	14,023,090	749,878
LAWRENCE	\$83,744,540	\$2,931,425			
LICKING	\$139,238,910	\$9,304,565	TOTAL	\$10,174,077,075	\$784,469,930