



Natural Gas Distribution Tax

The natural gas distribution tax was enacted by the Ohio General Assembly effective July 1, 2001 as part of a larger series of tax changes involving the natural gas industry. The tax was designed to replace the revenue lost by school districts and local governments when the assessment rate on the personal property of natural gas distribution companies was reduced from 88 percent to 25 percent. Effective July 1, 2011, H.B. 153 (129th General Assembly) established that all revenue from the natural gas distribution tax is to be credited to the General Revenue Fund. During fiscal year 2014, the tax generated approximately \$76.1 million in total revenue.

Taxpayer

The tax is paid by companies that distribute natural gas in Ohio.

Tax Base

(Ohio Revised Code 5727.811)

The base of the tax is the amount of natural gas distributed through the meter of an end user in this state.

Rates

(R.C. 5727.811)

In most cases, a three-bracket rate schedule applies to the amount of natural gas distributed to each end user, as measured in 1,000 cubic feet (Mcf):

Distribution to end user	Rate per Mcf
First 100 Mcf per month	15.93 cents
Next 101 to 2,000 Mcf per month	8.77 cents
2,001 or more Mcf per month	4.11 cents

Small distribution companies

A natural gas distribution company with 70,000 or fewer customers may elect to apply the standard rate schedule outlined above to the total amount of natural gas distributed to all its Ohio customers, as if all distribution was made to a single customer. This results in a lower tax rate for the distribution company.

Flex customers

The rate on natural gas distributed to flex customers is 2 cents per Mcf. A flex customer is an industrial or com-

mercial facility that consumed more than one billion cubic feet of natural gas a year at a single location during any of the previous five years, or that purchases natural gas distribution services at a discount as part of:

- a special arrangement subject to review and regulation by the Ohio Public Utilities Commission under R.C. 4905.31;
- a special arrangement with a natural gas distribution company pursuant to a municipal ordinance; or
- a variable rate schedule that permits rates to vary between defined amounts, provided that the schedule is on file with the Public Utilities Commission.

Exemptions

(R.C. 5727.811)

The natural gas distribution tax does not apply to:

- the distribution of natural gas to the federal government;
- natural gas produced by an end user, consumed by that end user or its affiliates, and not distributed through the facilities of a natural gas company.

Filing and Payment Dates

(R.C. 5727.82)

Returns and payments are due according to the following schedule:

Quarterly Returns	Due Date
January - March	May 20
April - June	August 20
July - September	November 20
October - December	February 20

Disposition of Revenue

(R.C. 5727.84 – R.C. 5727.85)

For fiscal years 2012 and thereafter, the General Revenue Fund receives 100 percent of revenue.

Administration

The Tax Commissioner administers the tax and is responsible for the distribution of revenue.

Ohio Revised Code Citations

Chapter 5727.

Recent Legislation

House Bill 492, 130th General Assembly Interest on refund claims – H.B. 492, effective on Sept. 17, 2014, amended R.C. 5727.91 to require the payment of interest on all Mcf refund claims. Under prior law, interest was only authorized on refunds of taxes paid on an illegal or erroneous assessment.

House Bill 508, 129th General Assembly (effective June 6, 2012) Revenue Disposition – Makes technical changes to the formula used to reimburse taxing units for public utility tangible personal property tax fixed-rate levy losses and makes other minor adjustments to the formula.

Comparisons with Other States

(As of July 1, 2014)

Georgia, Kentucky, Indiana, Michigan, North Carolina, Pennsylvania, Tennessee, Texas and West Virginia do not have comparable natural gas distribution based taxes.

History of Major Changes

2000	Legislature enacts House Bill 287, creating the tax effective July 1, 2001. The tax is designed to replace local tax revenue that will be lost from a reduction in natural gas utility personal property tax assessment percentages.
2002	The distribution formula is changed. The share to the School District Property Tax Replacement Fund falls from 70 percent to 68.7 percent; the share to the Local Government Property Tax Replacement Fund is increased from 30 percent to 31.3 percent.
2011	The 129th General Assembly enacted H.B. 153 which allocated 100 percent of the revenue to the state’s General Revenue Fund (effective July 1, 2011).

Table 1

Natural Gas Distribution Tax Collections & Distributions				
Fiscal Years 2010 - 2014				
Fiscal Year	Total Collections	School District Property Tax Replacement Fund	Local Government Property Tax Replacement Fund	General Revenue Fund
2010	\$66,372,536	\$45,597,932	\$20,774,604	-
2011	67,141,739	46,126,375	21,015,364	-
2012	60,190,655	-	-	\$60,190,655
2013	57,804,017	-	-	57,804,017
2014	76,109,967	-	-	76,109,967

Source: Office of Budget & Management OAKS financial report