



Public Utility Property Tax Replacement Fund

This chapter deals with two revenue-sharing funds, the School District Property Tax Replacement Fund and the Local Government Property Tax Replacement Fund. These public utility property tax replacement funds were created by the 123rd General Assembly in 1999 as part of Senate Bill (SB) 3, which was amended by Senate Bill 287. SB 3 restructured the regulation of energy prices in Ohio by permitting supplier competition. SBs 3 and 287 reduced public utility personal property taxes for certain tangible personal property of electric utilities and all tangible personal property of gas utilities. SB 3 reduced to 25% from 88% the percentage of true value used to determine the assessed value of all tangible personal property of an electric company or a rural electric company, except transmission and distribution property, beginning in tax year 2001. Also for tax year 2001, SB 287 reduced the assessment percentage for all natural gas company personal property from 88% of true value to 25%.

State consumption taxes were enacted to replace reduced personal property tax revenue, a kilowatt-hour tax (kWh tax) on electricity and a thousand cubic foot tax on natural gas (Mcf tax). With the enactment of House Bill (HB) 66, effective June 30, 2005, the listing percentages were changed to those currently in use. Beginning with tax year 2006, the percentage of true value used to determine assessed value of taxable personal property of electric companies was reduced to 85% for transmission and distribution property and to 24% for all other property. For rural electric companies, the percentage of true value was reduced to 25% for all non-transmission and distribution property.

Public utility personal property tax was a source of local government revenue. Reimbursement to schools and local governments were established to replace local revenue loss attributed to the reduced assessment rate on certain property. Local revenue reductions were calculated as the product of the applicable tax rate and value. For electric utilities, the loss was determined by calculating the difference between the actual valuations for 1998 and what the valuations would have been in 1998 had the 2001 property tax structure been in effect. For gas utilities, the same calculation was done but for 1999. The tax rates used are generally from the same years as the valuation losses, but with some adjustments. For electric property the tax rates in effect for 1998 are used, except that the 1999 rates are used if they are higher than the 1998 rates (not including levies passed after June 30, 1999). For gas property, the

higher of the 1999 and 2000 tax rates are used, regardless of the dates of elections.

The fiscal year 2012-2013 biennial budget bill, HB 153 of the 129th General Assembly, made significant changes to the phase-out of reimbursement payments in August 2011 and thereafter. The changes implemented a measure of relative need in determining the level of reimbursement for school districts and local governments.

During fiscal year 2015, approximately \$27.94 million was distributed to schools and joint vocational districts from the School District Property Tax Replacement Fund. Approximately \$9.56 million was distributed to counties, municipalities, townships and special districts from the Local Government Property Tax Replacement Fund in calendar year 2014.

Revenue Sources

(Ohio Revised Code 5727.84 (B) & 5727.01 et seq.)

Nine percent of kilowatt-hour receipts are to be deposited in the School District Property Tax Replacement Fund and three percent in the Local Government Property Tax Replacement Fund. A transfer from the General Revenue Fund will be made if the replacement funds are insufficient to make the calculated reimbursement payments. Any balance in the replacement funds, after reimbursements are distributed, is allocated to the General Revenue Fund.

Distributions to Schools & Local Governments

(R.C. 5727.85 & 5727.86)

Local government replacement payments are calculated on a calendar year basis and school district replacement payments are calculated on a fiscal year basis. Original qualifying levies must be charged and payable to remain eligible for reimbursement.

In calendar year 2014, replacement payments for the fixed-rate levies of counties, townships and special districts as well as municipal operating levies were equal to the sum of 2011 reimbursement less six percent of the local government's calculated 2011 total resources. Reimbursement for municipal non-operating levies, including pension and capital improvement levies, for calendar year 2015 was equal to 25 percent of the levy's 2011 reimbursement.

In fiscal year 2015, replacement payments to schools and joint vocational districts for fixed-rate operating lev-

ies were equal to fiscal year 2011 reimbursement less four percent of the district's total resources. Reimbursement for non-operating fixed-rate levies, including permanent improvement and classroom facilities levies, was equal to 50 percent of the fiscal year 2011 reimbursement. Reimbursement for fixed-sum levies (including emergency and voted bond levies) is not subject to phase-out; final reimbursement for emergency levies is to be made in 2017.

Distribution Procedure

(R.C. 5727.85 C (3))

Distributions are made from the state to counties on or before the 28th day of February and 31st day of August. The county treasurer/auditor then distributes payments to the appropriate local government within 30 days.

Direct payments from the Ohio Department of Education are made to school and joint vocational districts on or before the 28th day of February and 31st day of August.

Use of Funds

Reimbursements to schools and local governments are to be utilized for the purpose of the originally qualifying levy.

Recent Legislation

House Bill 64, 131st General Assembly (FY 2016-2017 biennial budget bill; budget provisions effective July 1, 2015)

- Combines calculation and distribution of payments to schools and local governments related to the loss of local tax revenue from the phase-out of the tax on general business tangible personal property and reductions in the tax on public utility tangible personal property.
- Resumes a reliance based phase-out for reimbursement of fixed-rate operating levies.
- Ends reimbursement of municipal non-operating levies in FY 2015 and school and joint vocational school non-operating levies in FY 2016.
- Extends reimbursement of school district fixed-sum operating levies.
- Effective July 1, 2015, eliminates School District Property Tax Replacement Fund and Local Government Property Tax Replacement Fund.
- In FY 2016 and thereafter, distributions to schools and joint vocation distributions are funded by 20 percent of Commercial Activity Tax revenue. Distributions to local governments are funded by 5 percent of CAT revenue.

Table 1			
Public Utility Personal Property Tax Replacement Payments by County, Fiscal Year 2015			
County	Tax Replacement Payments ^{1,2}	County	Tax Replacement Payments ^{1,2}
Adams	\$4,093,773	Licking	\$1,155
Allen	\$34,189	Logan	\$10,277
Ashland	\$9,707	Lorain	\$584,081
Ashtabula	\$28,624	Lucas	\$59,664
Athens	\$8,658	Madison	\$2,256
Auglaize	\$126	Mahoning	\$90,243
Belmont	\$117,540	Marion	\$2,952
Brown	\$4,045	Medina	\$17,250
Butler	\$278,672	Meigs	\$84,425
Carroll	\$240	Mercer	\$194
Champaign	\$232	Miami	\$16,931
Clark	\$3,936	Monroe	\$12
Clermont	\$9,605,006	Montgomery	\$217,188
Clinton	\$1,357	Morgan	\$95,234
Columbiana	\$15,002	Morrow	\$51
Coshocton	\$313,498	Muskingum	\$3,077
Crawford	\$1,128	Noble	\$189
Cuyahoga	\$1,122,050	Ottawa	\$5,325,990
Darke	\$703	Paulding	\$152
Defiance	\$671	Perry	\$307
Delaware	\$7,136	Pickaway	\$2,503
Erie	\$22,478	Pike	\$2,636
Fairfield	\$7,135	Portage	\$3,921
Fayette	\$3,718	Preble	\$305
Franklin	\$74,401	Putnam	\$454
Fulton	\$11,461	Richland	\$1,329
Gallia	\$299,196	Ross	\$686
Geauga	\$3,922	Sandusky	\$265
Greene	\$49,750	Scioto	\$4,801
Guernsey	\$23,581	Seneca	\$2,932
Hamilton	\$1,011,859	Shelby	\$14,404
Hancock	\$12,253	Stark	\$19,069
Hardin	\$124	Summit	\$69,479
Harrison	\$24,494	Trumbull	\$54,014
Henry	\$4,564	Tuscarawas	\$56,372
Highland	\$593	Union	\$569
Hocking	\$201	Van Wert	\$3,584
Holmes	\$120	Vinton	\$249
Huron	\$397	Warren	\$15,632
Jackson	\$244	Washington	\$136,313
Jefferson	\$1,704,514	Wayne	\$523
Knox	\$276	Williams	\$2,204
Lake	\$11,663,594	Wood	\$11,751
Lawrence	\$9,338	Wyandot	\$251
		Grand Total	\$37,490,378

¹ Consists of payments made to school districts, joint vocational schools and local governments.

² Schools represent approximately \$27.94 million and local governments represent approximately \$9.56 million of the total and is reported on a calendar year basis (2014).

Source: Ohio Department of Taxation