

Kilowatt-Hour Tax

Taxpayer

Taxpayers include:

- Electric distribution companies.
- End users that self-assess.

Tax Base

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

Rates

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

For end users above 45 million kWh in annual consumption, there is an option to self-assess the tax. As of January 1, 2011, self-assessors pay a flat rate of 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.

Major Exemptions

The tax does not apply to:

- The federal government.
- End users located at a federal facility.
- Qualified end users.
- Qualified regeneration facilities.

Revenue

(In Millions)

Fiscal Year	General Revenue Fund	Revenue Sharing ¹	School District Property Tax Repl. Fund	Local Gov't Prop. Tax Repl. Fund	Total
2009	\$136.0	\$207.1	\$138.3	\$63.2	\$544.6
2010	156.3	170.3	131.7	60.1	518.4
2011	153.9	183.8	136.1	62.2	536.0
2012	294.8	178.6	48.4	16.1	537.9
2013	307.2	174.6	49.3	16.4	547.5

¹ Refers to Public Library Fund transfers.

Disposition of Revenue

Beginning in fiscal year 2012, the General Revenue Fund receives 88 percent of the kilowatt-hour tax revenue, with the School District Property Tax Replacement Fund and Local Government Property Tax Replacement Fund receiving 9 percent and 3 percent, respectively.

Payment Date

The payment date is the 20th day of each month for both electric distribution companies and end users that self-assess. Payment is based on the amount of electricity distributed to end users during the preceding month.

Special Provisions/Credits

Revenues received by municipal electric companies from customers within their municipal boundaries are retained by that municipality.

Sections of Ohio Revised Code

Chapter 5727.

Responsibility for Administration

Tax Commissioner.

History of Major Changes

1999 Kilowatt-hour tax is enacted effective May 1, 2001.

2000 The General Assembly enacts the following changes:

- Lowers the self-assessor tax threshold from 120 million kWh of annual consumption to 45 million kWh.
- Caps the consumption portion of the self-assessor tax formula at 504 kWh of annual consumption.
- Establishes an exemption for “qualified regeneration facilities.”
- Allows businesses to declare that they will have enough electricity consumption in the upcoming year to self-assess and provides for a “recapture” tax if the taxpayer fails to meet the self-assessor threshold.
- Requires self-assessors served by a municipal electric company and located within the municipal boundary to remit the self-assessor tax to the municipality.

2002 Effective June 2, 2002, the School District Property Tax Replacement Fund’s share is reduced from 25.9 percent to 25.4 percent and the Local Government Property Tax Replacement Fund’s share is increased from 11.1 percent to 11.6 percent.

2007 After several local government fund freezes, the General Revenue Fund’s share of kilowatt-hour tax revenue is permanently changed to 63 percent. Also, the General Assembly reduces the price component of the tax paid by self-assessing purchasers from 4 percent to 3.5 percent effective July 1, 2008.

2009 House Bill 1 amends R.C. 5727.81 to eliminate the price-based component of the self-assessment calculation effective Jan. 1, 2011 in favor of a flat rate of 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.

2011 House Bill 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.

Comparisons with Other States

(As of July, 2013)

Florida, Indiana, Kentucky, Michigan, New York, Pennsylvania and Texas do not have specific taxes on the volume of electricity consumed or distributed. In these states, electric companies are subject to both utilities gross receipts taxes (excluding Michigan) and general business taxes. In other states, rates on sales of electricity by volume are the following:

California

California’s rate is 0.029 cents per kilowatt hour of electricity consumed.

Illinois

End users pay on a declining cents-per-kilowatt-hour basis, ranging from 0.33 cents to 0.202 cents on consumption, or 5.1 percent of the purchase price for self-assessors. Electricity purchased from municipal systems and electric cooperatives is taxed at the lesser of 0.32 cents per kilowatt-hour or 5.0 percent of gross receipts. Distributors pay on an increasing cents-per-kilowatt-hour basis ranging from 0.031 cents to 0.131 cents on kilowatt-hours distributed.

Massachusetts

End users pay 0.5 mills per kilowatt hour to support the development and promotion of renewable energy projects, except those served by a municipal lighting plant which does not supply generation service outside its own service territory or does not open its service territory to competition at the retail level. There is a mandatory charge of 2.5 mills per kilowatt-hour for all consumers, except those served by a municipal lighting plant, to fund energy efficiency programs.

New Jersey

Electric companies pay a tax on kilowatt-hours sold to New Jersey consumers based on rates established by the Board of Public Utilities. The tax is scheduled to be phased out by the end of 2013.

Ohio

Electric distribution companies pay tiered rates on a sliding scale based on the amount of kilowatt-hours consumed each month by individual end users. Rates are 0.465 cents for the first 2,000 kWh used, 0.419 cents for 2,001 to 15,000 kWh, and 0.363 cents for 15,001 or more kilowatt-hours. End users who opt to self-assess pay a flat rate of 0.257 cents per kWh on the first 500 million used and 0.1832 cents per kWh in excess of 500 million.

West Virginia

Distributors of electricity produced outside the state generally pay a unit tax on distribution at a rate of 0.19 cents per kilowatt-hour; however, electric power sold to large users (200,000 kWh per year) is taxed at 0.05 cents per kilowatt hour. Distributors of electricity produced in-state are not subject to the tax, but suppliers are subject to a tax on generating capacity.