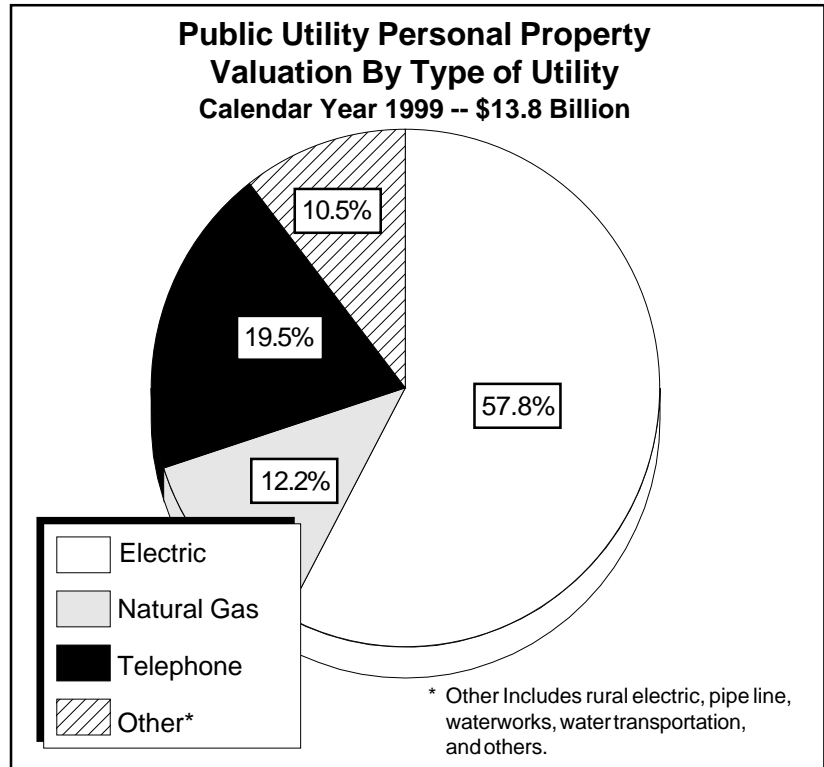


PUBLIC UTILITY PROPERTY TAX

Note: The material below describes the taxes levied on both the real and personal property of public utilities. The data in the tables in this section pertain to only the personal property of utilities. Data for public utility real property are included in the tables in the **Real Property Tax** section.

The assessed valuation of public utility personal property was about \$13.8 billion in calendar year 1999, which was a decrease of 4.9 percent over the previous year. Electric utilities accounted for about 57.8 percent of the total public utility personal property valuation in 1999, and the telephone industry accounted for 19.5 percent of the total valuation.



TAX BASE (R.C. 5715.01, 5727.01, 5727.06, 5727.10, 5727.11, 5727.111, 5727.12, 5727.14, 5727.15):

The property tax base of all public utilities except railroads and water transportation companies consists of real and tangible personal property owned and located in Ohio on December 31 of the preceding year. The railroad property tax base consists of real and tangible personal property owned or operated in Ohio on December 31 of the preceding year. The water transportation company tax base consists of all tangible personal property, except watercraft, owned or operated in Ohio on December 31 of the preceding year and all watercraft owned or operated by the water transportation company in Ohio during the preceding calendar year.

Real property includes land and improvements, and personal property includes all plant and equipment either owned or leased by the utility under a sale-leaseback agreement and not classified as real property or intangible property.

For most public utility personal property, true value is the capitalized cost less the composite annual allowances that vary according to the actual

age and expected life of the property. It should be noted that most utilities are valued by this method. The true value of electric company production equipment and all taxable property of a rural electric company is 50 percent of capitalized cost. The true value of current gas stored underground is the cost of such gas, while the true value of non-current gas stored underground is 35 percent of cost.

To determine the true value of railroad real and personal property, the unitary method is used to value the company's entire railroad system, and the valuation is apportioned to this state in the proportion that the length of track in this state bears to the whole length of track. Values for railroad real property used in operation are apportioned on the basis of their relative value while values for railroad personal property used in operation are apportioned on the basis of miles of track in each taxing district weighted according to traffic density. Values for railroad real and personal property not used in operation are apportioned on the basis of their physical location.

Public utility real property is assessed at 35 percent of true (market) value while public utility personal

Type of Utility	Assessment Percentage
Electric companies-production equipment only	100%
Electric companies-distribution and transmission property	88%
Electric companies-all other tangible property	88%
Rural electric companies	50%
Natural gas, pipe-line, waterworks or heating company	88%
Railroads	25%
Inter-exchange telephone companies	25%
Local exchange telephone companies (only property added for tax year 1995 and thereafter)	25%
All other existing telephone property (prior to 1995)	88%
Water transportation companies	25%

property is assessed at varying ratios. Production equipment of electric companies is assessed at 100 percent of true value (50 percent of cost), rural electric companies are assessed at 50 percent of true value, and railroads are assessed at 25 percent. All inter-exchange telephone personal property and local exchange telephone personal property added to the tax rolls during tax year 1995 and thereafter, are assessed at 25 percent of true value. However, local exchange telephone personal property listed prior to tax year 1995 is assessed at 88 percent. All other public utility personal property is assessed at this ratio as well. Each of the public utility personal property assessment ratios are shown above.

Real property values of all utilities except railroads are placed into the various taxing districts according to the physical location of the property.

Personal property values of all utilities except railroads are apportioned (using a specific base) among the taxing districts in which the utilities operate. The bases for distributing personal property values among taxing districts for the various classes of utilities are shown in the table (next column).

A major change occurred in the electric utility industry during the 123rd General Assembly. Sub. S.B. 3 created numerous changes to the electric utility property tax structure. Effective tax year 2001, the assessment rates for all electric and rural

Class of Utility	Distribution Base
Electric companies	Cost of transmission, distribution property, and cost of product equipment Taxable cost
Natural gas, heating pipeline, waterworks, rural electric, water transportation	Miles of wire/taxable cost
Telephone and interchange telephone companies	Miles of track and trackage rights weighted by use
Railroads	

electric property that is not distribution or transmission property is lowered to 25 percent. Distribution and transmission property will remain at the current 88 percent assessment rate. Also effective in tax year 2001, the method in which the electric property is apportioned is changed. Production equipment will be situated 100 percent where located, and remaining property will be situated based upon value of remaining property in each district to all remaining property in the state. Various other electric property tax changes will be brought about under this bill as well.

RATES (R.C. 319.30, 319.301, 5705.02-5705.05, 5705.19):

Tax rates vary with taxing jurisdiction. Total tax rate includes all levies enacted by legislative authority or approved by voters for all taxing jurisdictions within which the property is located or to which it is apportioned (e.g., county, township, municipal corporation, and school district). Although the nominal tax rates applied to public utility real and personal property are the same, the effective rates on the two types of property may differ substantially because of the effects of the tax reduction factor applied to real property taxes. Public utility real property taxes (in addition to other real property taxes) are reduced by a computed reduction factor whenever real property values increase due to reappraisal. This reduction factor does not apply to taxes levied on public utility personal property. State law also requires that all real property tax bills (but not personal property tax bills) be reduced by ten percent — with the cost of the reduction reimbursed from state funds.

REPORTING, CERTIFICATION, AND PAYMENT DATES:

Dates	O.R.C.	Description
March 1 (a)	5727.08 5727.48	Company's annual report to Tax Commissioner
On or before the first Monday in October	5727.10 5727.23	Tax Commissioner notifies utilities and county auditors of values.
December 31 (b)	323.12 323.17	At least half of total tax liability due.
June 20 (b)	323.12 323.17	Balance of tax liability due.

(a) Tax Commissioner may grant extension of up to 60 days.
(b) These deadlines may be extended by 45 days (longer in certain circumstances).

EXEMPTIONS AND CREDITS (R.C. 319.302, 5701.03, 5709.111, 5709.25, 5709.61, 5727.01, 5727.05, 6111.31):

1. Utilities owned by municipalities.
2. Certified air, water, and noise pollution control facilities.
3. Motorized, licensed motor vehicles.
4. Tangible personal property under construction.
5. Real property tax bills are reduced by 10 percent as provided by state law.
6. Real and personal property of nonprofit corporations and political subdivisions used exclusively in the treatment, distribution and sale of water to consumers.
7. Qualified electric peaking units may qualify for property tax reduction if placed in an enterprise zone.

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. The Tax Commissioner also assesses the real estate of railroads, however, county auditors assess all other public utility real estate.

OHIO REVISED CODE CITATIONS:

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

RECENT LEGISLATION:

House Bill 640; effective June 15, 2000.

R.C. 5727, et al. - Harmonizes Sub. S.B. 3 (Electric Utility Deregulation) and H.B. 283 (Budget Bill).

House Bill 283; effective July 1, 1999 (Biennial Budget Bill).

R.C. 5711.22 - A provision in the Biennial Budget Bill phases in a reduction in the assessment rate on inventories beginning tax year 2002. This applies to railroad inventories.

Substitute Senate Bill 3; effective October 3, 1999 (Electric Deregulation Bill).

R.C. 5727.111 - Beginning January 1, 2001, electric and rural electric utility personal property, except for distribution and transmission property, will be assessed at 25 percent.

R.C. 5727.15 - Changes the method of situsing electric generation equipment from the current 70/30 method to 100 percent of location.

R.C. 5727.85-5727.86 - Creates two separate funds to offset local government and school district property tax revenue losses due to changes in electric property valuation and situsing.

House Bill 27; effective September 24, 1999.

R.C. 5709.61 - Allows a qualified electric peaking unit (cannot operate more than 4,350 hours per year) to qualify for a property tax reduction if placed into an enterprise zone and an agreement is reached with the proper local authority. Only the value of the property that is apportioned to the taxing district where the property is located is subject to the reduction.

R.C. 5709.61 - Extends the Enterprise Zone program to electric peaking units.

RECENT SIGNIFICANT COURT CASES:

Columbia Gas of Ohio v Tracy (August 6, 1999), BTA Nos. 97-545, 97-546, 97-547. (Appealed to Supreme Court) - The taxpayer, a public utility, contended that it was unfairly discriminated against by having its personal property assessed at a rate of 88 percent, rather than 25 percent, which is generally applicable to other personal property taxpayers. The BTA held that such a constitutional question is beyond its jurisdiction.

Table 60
Public Utility Personal Property: Certified Assessed Value by Class of Utility and Total Taxes Levied, Calendar Years 1995-1999

Class of Utility	Number of Taxpayers (1999)	Assessed Values				
		1995	1996	1997	1998	1999
Electric	14	\$8,109,170,030	\$8,083,160,490	\$8,158,462,140	\$8,258,860,220	\$8,000,621,430
Telephone	551	3,583,915,130	3,391,740,380	3,176,308,180	3,164,339,630	2,697,475,190
Natural Gas	33	1,591,867,720	1,604,488,940	1,692,036,890	1,725,046,810	1,690,044,870
Railroad	42	307,403,850	344,478,190	396,314,610	412,527,370	432,912,370
Pipe Line	20	715,356,780	740,849,180	633,074,530	623,232,570	640,480,550
Rural Electric	28	225,995,940	236,461,870	247,461,560	260,847,430	276,794,540
Waterworks	25	73,222,370	76,373,460	81,111,280	87,702,970	89,342,190
Other*	<u>11</u>	<u>11,484,870</u>	<u>12,365,760</u>	<u>12,831,610</u>	<u>6,780,840</u>	<u>5,977,590</u>
Totals	724	\$14,618,416,690	\$14,489,918,270	\$14,397,600,800	\$14,539,337,840	\$13,833,648,730
Taxes Levied		\$983,387,775	\$991,221,097	\$985,948,671	\$1,002,191,092	\$960,237,298

* Includes Water Transportation, and Heating

Source: Ohio Department of Taxation

Table 62
Assessed Value of Public Utility Personal Property and Taxes Levied,
by County, Calendar Year 1999

County	Assessed Value of Public Utility Personal Property	Taxes Charged on Public Utility Tangible Personal Property	County	Assessed Value of Public Utility Personal Property	Taxes Charged on Public Utility Tangible Personal Property
Adams	\$312,310,170	\$13,542,525	Logan	\$51,999,280	\$3,250,262
Allen	112,114,600	5,968,156	Lorain	341,785,190	26,040,684
Ashland	72,480,430	4,577,337	Lucas	453,059,740	37,903,414
Ashtabula	152,757,680	10,375,516	Madison	45,539,340	2,533,666
Athens	70,778,440	5,243,175	Mahoning	234,813,420	17,106,675
Auglaize	35,680,810	1,973,111	Marion	68,853,120	4,561,303
Belmont	116,409,370	6,782,496	Medina	138,282,990	11,880,197
Brown	48,134,300	2,380,719	Meigs	45,457,660	2,186,130
Butler	356,797,490	21,505,885	Mercer	29,859,420	1,504,353
Carroll	49,455,310	2,468,288	Miami	96,209,040	6,243,435
Champaign	37,151,650	2,231,846	Monroe	46,972,490	2,223,149
Clark	118,358,170	7,839,645	Montgomery	508,898,600	42,574,341
Clermont	567,279,530	34,274,089	Morgan	89,061,920	4,311,527
Clinton	46,986,560	2,406,265	Morrow	36,430,820	2,172,106
Columbiana	103,136,800	6,088,225	Muskingum	95,942,440	5,993,173
Coshocton	189,411,410	8,649,794	Noble	37,818,010	1,901,709
Crawford	36,225,150	2,572,209	Ottawa	318,572,810	15,897,234
Cuyahoga	1,223,334,800	114,244,152	Paulding	25,938,260	1,364,484
Darke	64,417,240	3,106,599	Perry	46,239,140	2,746,042
Defiance	66,001,840	3,870,476	Pickaway	83,774,550	4,648,725
Delaware	122,078,900	8,302,637	Pike	41,320,000	2,241,326
Erie	94,743,330	7,542,223	Portage	131,968,650	11,175,720
Fairfield	105,671,760	7,319,903	Preble	47,061,550	2,448,966
Fayette	50,002,820	2,694,999	Putnam	33,316,070	1,602,754
Franklin	898,746,050	79,468,978	Richland	120,968,610	9,012,485
Fulton	60,267,440	4,126,763	Ross	67,673,360	3,645,549
Gallia	270,933,540	9,294,808	Sandusky	67,172,900	3,709,299
Geauga	91,129,610	8,147,581	Scioto	82,537,190	4,674,476
Greene	148,241,540	10,746,532	Seneca	64,209,570	3,700,205
Guernsey	50,806,470	3,167,858	Shelby	54,861,660	2,846,317
Hamilton	979,686,970	81,291,068	Stark	343,184,260	24,388,176
Hancock	69,748,030	3,706,369	Summit	419,150,100	33,040,078
Hardin	28,541,700	1,541,056	Trumbull	203,409,830	13,869,820
Harrison	32,072,780	1,897,126	Tuscarawas	94,290,300	5,780,013
Henry	34,511,600	2,248,814	Union	66,455,010	4,258,441
Highland	30,777,930	1,389,412	Van Wert	23,209,750	1,449,185
Hocking	54,455,570	3,157,900	Vinton	23,017,490	954,610
Holmes	30,901,320	1,777,891	Warren	182,177,000	12,753,645
Huron	48,964,510	2,937,281	Washington	135,132,310	6,897,001
Jackson	40,823,390	1,869,641	Wayne	91,442,020	6,268,900
Jefferson	414,206,920	21,015,307	Williams	42,887,660	2,727,830
Knox	44,874,180	2,714,641	Wood	133,525,960	9,363,823
Lake	746,267,380	57,770,990	Wyandot	<u>18,040,780</u>	<u>918,694</u>
Lawrence	71,650,990	2,675,904			
Licking	147,994,830	8,561,184	Total	\$13,729,841,580	\$960,237,298

Source: Assessed valuation and taxes levied figures are from abstracts filed by county auditors with the Ohio Department of Taxation.