

NATURAL GAS CONSUMPTION TAX

The natural gas consumption tax was enacted as a result of Amended Substitute Senate Bill 287 (123rd General Assembly, effective July 1, 2001) as part of tax reform of the natural gas industry. It was designed to replace the tax losses from a reduction in natural gas utility personal property tax assessment rates.

Taxpayer

Natural gas distribution companies.

Tax Base

Amount of natural gas distributed to an end user.

Rates

The natural gas consumption tax (the "Mcf tax") is based on a tier schedule as follows:

Mcf Distributed to End User	Rate per Mcf
For the first 100 Mcf per month	\$0.1593
For the next 101 to 2,000 Mcf per month	0.0877
For 2,001 and above Mcf per month	0.0411
Flex customer	0.0200

Note: "Mcf" means 1,000 cubic feet.

Major Exemptions

- Distribution of natural gas to the federal government.
- Natural gas produced by an end user in Ohio that is consumed by the end user or its affiliates and is not distributed through the facilities of a natural gas distribution company.

Revenue (In Millions)

This tax began July 1, 2001. Only nine months' collections occurred in Fiscal Year 2002.

Fiscal Year	School District Property Tax Replacement Fund	Local Government Property Tax Replacement Fund	Total
2002	\$39.2	\$16.8	\$56.0
2003	57.5	26.2	83.7
2004	52.4	23.9	76.3
2005	50.6	23.1	73.7
2006	47.5	21.6	69.1

Disposition of Revenue

- School District Property Tax Replacement Fund receives 68.7%.



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- Local Government Property Tax Replacement Fund receives 31.3%.

Payment Dates

Payments of the natural gas consumption tax are due by November 20, February 20, May 20, and August 20.

Special Provisions/Credits

Large commercial and industrial consumers of natural gas are taxed at a flat rate of \$0.02 per Mcf. These consumers are considered flex customers and have made a special purchase agreement with a natural gas distribution company. Natural gas distribution companies are responsible for collection and remission of the tax from flex customers.

Section of Ohio Revised Code

Chapter 5727.

Responsibility for Administration

Tax Commissioner.

History of Major Changes

- 2000 • Enacted. Natural gas consumption tax receipts remain as revenue in the tax base of the public utility excise tax.
- 2002 • Distribution to School District Property Tax Replacement Fund reduced from 70% to 68.7%, and distribution to Local Government Property Tax Replacement Fund increased from 30% to 31.3%.

Comparisons with Other States (As of 05/07) **California**

Tax rate is variable and is set each year by the State Board of Equalization. The default rate charged for calendar year 2007 ranges from \$0.00170 to \$0.13034 per therm, depending on territory, customer class, and rate program.

Illinois

Gas companies pay \$0.024 per therm sold to customers; self-assessing purchasers pay \$0.024 per therm or 5.0% of gross receipts, whichever is less. A gas use tax is imposed at the same rate on the purchase of natural gas from outside of Illinois for use or consumption in Illinois.



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New Jersey

Gas companies pay a tax for therms sold based on rates derived by the Board of Public Utilities. The tax is scheduled to be phased out by the end of 2010.

Florida, Indiana, Kentucky, Massachusetts, Michigan, New York, Pennsylvania, Texas, and West Virginia

do not have a consumption-based tax on natural gas.