



Property Tax – Public Utility Tangible

Taxpayer

Public utilities that are subject to taxation on their tangible personal property include electric, rural electric, natural gas, pipeline, water works, water transportation, heating and telegraph companies.

Railroads formerly paid tax on tangible personal property, but saw the tax eliminated as part of a three-year phase-out that also applied to general business taxpayers.

The tax on tangible personal property is also being phased out for telephone companies and inter-exchange telecommunications companies, which were classified as general business taxpayers as of Jan. 1, 2007. The assessment rate for telephone companies and inter-exchange telecommunications companies is 20 percent of true value for 2007, 15 percent for 2008, 10 percent for 2009 and 5 percent for 2010. In 2011 and thereafter, the assessment rate will be zero percent of true value.

For details on both the general business phase-out and the phase-out for telephone companies and inter-exchange telecommunications companies, see the **Property Tax – Tangible Personal Property** chapter.

Tax Base

The tax is levied on tangible personal property used in business in Ohio by a public utility taxpayer in providing a public utility service.

The true value of tangible personal property is based on composite annual allowances and is assessed at 25 percent, except:

- All personal property of pipelines, water works, and heating companies is assessed at 88 percent.
- Beginning Jan. 1, 2006, electric transmission and distribution personal property is assessed at 85 percent and electric production personal property is assessed at 24 percent.
- Rural electric transmission and distribution property is assessed at 50 percent.

Apportionment of Tax Base:

Generally, public utilities are valued as statewide units and the values are distributed to the taxing districts in which utilities operate. Personal property values are apportioned among the taxing districts based on a specific apportionment base, generally the taxable cost of property located in a taxing district as a proportion of such property located in the state.

Electric production equipment is apportioned 100 percent in the taxing district where it is located.

Rates

Property tax rates vary with taxing jurisdictions. The total tax rate includes all levies, enacted by legislative authority or approved by the voters, for all taxing jurisdictions within which the property is located. These include counties, townships, municipal corporations, school districts, joint vocational school districts and special service districts.

The 2007 average statewide gross tax rate was 86.61 mills. The gross tax rate is the rate that applies to tangible property. For real property, the application of "tax reduction factors" results in a lower "effective" tax rate.

Major Exemptions

- Property of municipally-owned utilities.
- Certified air, water, and noise pollution control equipment.
- Licensed motor vehicles.
- Tangible personal property under construction.
- Qualified electric generating property may qualify for a property tax reduction if located in an enterprise zone.

Revenue (In Millions)

Calendar Year	Taxes Levied
2003	\$751.8
2004	775.4
2005	755.2
2006	745.8
2007	621.2

Disposition of Revenue

Revenue is distributed to counties, municipalities, townships, school districts and special districts according to the taxable values and total millage levied by each. Statewide, school districts receive approximately 70 percent of the public utility tangible personal property tax revenue.

Payment Dates

- Dec. 31: at least one-half of total tax liability due.
- June 20: balance of tax liability due.

Extensions are automatically granted to counties for 30 days in the case of certain delays affecting property tax administration. The Tax Commissioner may grant further extensions upon application by a county auditor and county treasurer. An approved application extends the due date for the tax and provides the county treasurer an extension of time to collect the taxes.

Special Provisions/Credits

None.

Sections of Ohio Revised Code

Chapters 319, 321, 323, 5701, 5705, 5709, 5711, 5713, 5715, 5717, 5719, 5727, and 6111.

Responsibility for Administration

Tax Commissioner assesses personal property of all public utilities and inter-exchange telecommunications companies. The tax is collected by county treasurers and reported by county auditors.

History of Major Changes

- 1910** The newly-created Tax Commission of Ohio is charged with assessment of public utility property.
- 1939** Responsibility for assessing public utility property shifts to the Ohio Department of Taxation, which replaces the state Tax Commission.
- 1941** The assessment level for personal property of rural electric companies is reduced from 100 percent to 50 percent of true value. All other public utility property continues to be assessed at 100 percent.
- 1963** Certified air pollution control facilities are exempted.
- 1965** Certified water pollution control facilities are exempted.
- 1973** Certified noise pollution control facilities are exempted.
- 1979** Personal property of railroads begins to be assessed annually at the same percentage of true value as the tangible personal property of general businesses, which at the time was 42 percent of true value.
- 1985** General Assembly changes apportionment of electric company production plant equipment so that 70 percent is apportioned to the taxing district in which the property is physically located. The remaining 30 percent is apportioned to each taxing district according to the distribution base, meaning the percentage of the total cost of transmission and distribution property located in each district. Previously, production plant equipment had been apportioned entirely according to the value of overhead and underground lines.
- 1989** General Assembly enacts legislation that:
- Bases the true value of most public utility personal property on the cost as capitalized on the utility's books less composite annual allowances as prescribed by the Tax Commissioner.
 - Reduces the taxable value of most public utilities from 100 percent to 88 percent of true value.
 - Defines the true value of electric company production equipment as 50 percent of original cost, while

maintaining the 100 percent assessment rate on such property.

- Revises the apportionment of production equipment at an electric utility plant with a cost exceeding \$1 billion so that all of the cost in excess of \$420 million is apportioned according to the distribution base. Previously, 70 percent of the amount above \$420 million would have been apportioned to the taxing district in which the property is physically located.

1995 All inter-exchange telecommunications company personal property begins to be assessed at 25 percent of true value. Local telephone company personal property is added to the tax rolls during tax year 1995 and is thereafter assessed at 25 percent of true value.

1999 Beginning Jan. 1, 2001:

- all electric and rural electric utility personal property – except for transmission and distribution property – is assessed at 25 percent of true value.
- electric production equipment is situated 100 percent in the taxing district in which property is located.

2000 Beginning Jan. 1, 2001, the assessment percentage of natural gas personal property is lowered from 88 percent to 25 percent of true value.

2003 Beginning Jan. 1, 2005, the assessment rate of telephone personal property acquired before 1994 is phased down from 88 percent to 25 percent of true value over a three-year period.

2005 A number of significant changes are enacted as part of the 2006-07 state budget. Beginning Jan. 1, 2006:

- the assessment percentage on electric transmission and distribution personal property is lowered from 88 percent to 85 percent and the assessment percentage on electric production personal property is lowered from 25 to 24 percent.
- the tax on railroad personal property will begin a three-year phase-out according to the same schedule that applies to general business tangible personal property: listing percentages of 18.75 for 2006, 12.5 percent for 2007, 6.25 percent for 2008 and zero percent thereafter.
- railroad real property in a single county and not used in operations is valued and assessed by the county auditor.
- the taxable personal property of an electric company includes the cost of patterns, jigs, dies and drawings.

Also:

- Beginning Jan. 1, 2007, telephone companies and inter-exchange telecommunications companies are classified as general business taxpayers, with the

personal property for these companies to be phased out according to a four-year schedule.

- Beginning Jan. 1, 2009, persons that lease personal property to some public utilities are defined as public utility personal property lessors and are required to file returns listing this property.
- Beginning Jan. 1, 2009, persons that generate electricity and supply some of it to others, but whose primary business is not supplying electricity, will be required to report their electricity-related property as an electric company does.

Comparison with Other States (As of 12/08)

California

Assessor: State Board of Equalization.

Assessment: Fair market value, with special provisions for private railroad cars.

Tax Rate: Aggregate of all local levies.

Florida

Assessor: State Department of Revenue assesses railroad property. Remaining property is assessed by county officials.

Assessment: Full cash value.

Tax Rate: Aggregate of all local levies.

Illinois

Personal property is exempt from taxation.

Indiana

Assessor: Department of Local Government Finance assesses distributable property. Local officials assess fixed property.

Assessment: True tax value.

Tax Rate: Aggregate of all state and local levies (limitations imposed) for all public utility property, except railroad property which is taxed at a rate equal to the average levy in the state.

Kentucky

Assessor: Department of Revenue.

Assessment: Fair cash value.

Tax Rate: Aggregate of all state and local levies.

Massachusetts

Assessor: Division of Revenue.

Assessment: Fair cash value.

Tax Rate: Aggregate of all state, county, and local levies (limitations imposed).

Michigan

Assessor: State Board of Assessors.

Assessment: 50 percent of true cash value.

Tax Rate: Average rate of taxation upon all taxable property.

New Jersey

Assessor: Local officials.

Assessment: True value; only telecommunications personal property is subject to tax.

Tax Rate: Aggregate of all local levies.

New York

Assessor: State Board of Real Property Services values utility property in the public right of way; local officials value all other property. Taxable real property of utilities includes tangible utility property operating on, under, or above both privately and publicly owned rights of way.

Assessment: Determined locally.

Tax Rate: Aggregate of all local levies; limitations are imposed.

Ohio

(As described in the **Taxpayer, Tax Base** and **Rates** sections in this chapter.)

Pennsylvania

Tangible personal property is exempt from taxation.

Texas

Assessor: County appraisal districts.

Assessment: Utility is assessed at 100 percent of recognized unitary valuation.

Tax Rate: Aggregate of all local levies.

West Virginia

Assessor: State Board of Public Works.

Assessment: All property is assessed at 60 percent of its fair market value.

Tax Rate: Aggregate of state and local levies (limitations imposed).