

# PUBLIC UTILITY EXCISE TAX

The public utility excise tax, a tax for the privilege of doing business in Ohio, is payable by virtually all companies classified by statute as public utilities. Companies liable for this tax do not pay the corporation franchise tax. Utilities owned by municipal corporations are exempt from the public utility excise tax.

Gross receipts comprise the tax base for the utility classes, with rates of 6.75 percent for pipeline companies and 4.75 percent for all others.

Companies with a preceding year's tax liability of \$1,000 (\$325,000 for natural gas companies) or more are liable during each calendar year for three advance payments -- each in an amount equal to one-third of the previous year's certified tax liability. When the current year's total tax liability exceeds the sum of the three advance payments, a final payment is due in December for the difference. A refund is issued if the advance payments exceed the total liability.

Total public utility excise taxes of \$690.0 million were certified in November 1997 for tax year 1997. Electric companies accounted for about 63 percent of total taxes levied, while the telephone industry and natural gas industry combined accounted for almost 34 percent. These three main industries were responsible for nearly 97 percent of the total excise taxes on public utilities.

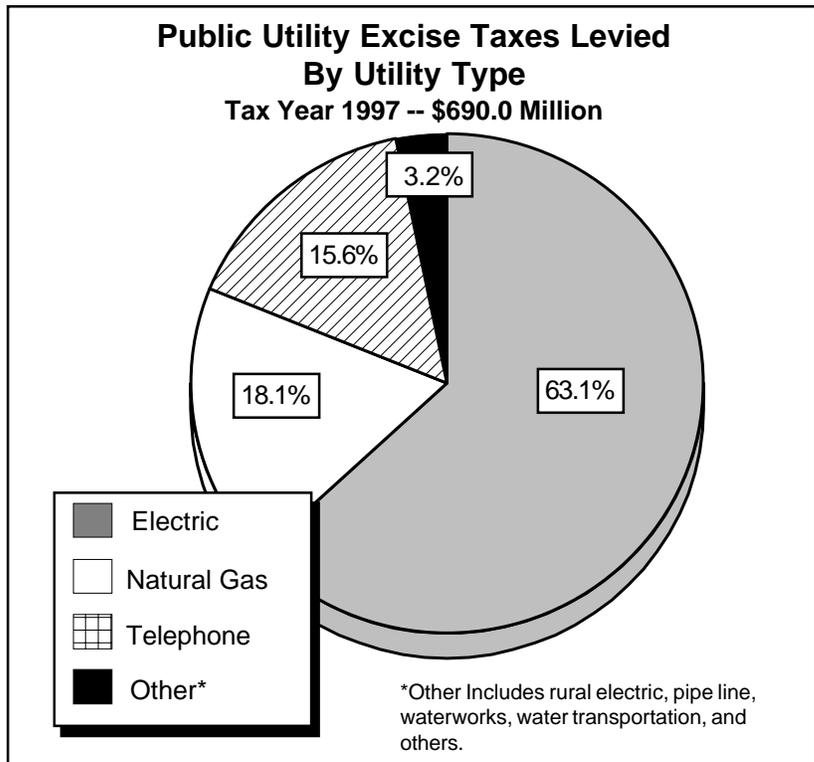
## TAX BASE (R.C. 5727.01):

Gross receipts for all utilities

## EXEMPTIONS AND DEDUCTIONS (R.C. 5709.35, 5727.05, 5727.33, 5727.34):

### *Exempt Utilities:*

1. Municipally-owned utilities
2. Nonprofit water companies
3. Telephone companies not primarily engaged in providing local exchange service



### *Deductions from Gross Receipts:*

1. Twenty-five thousand dollars for all companies
2. Amounts attributable to sales of merchandise
3. Receipts derived wholly from interstate business
4. Sales to other public utilities for resale
5. Receipts from business done for the federal government
6. Receipts from facilities used to convert coal to gaseous, liquid, or solid fuels -- for a period of 30 years
7. Amounts billed on behalf of other entities by telephone companies
8. Receipts of telephone companies from sales to other telephone companies for resale
9. Amounts billed on behalf of other entities by natural gas companies

### **CREDITS (R.C. 5727.39):**

Telephone companies are allowed a credit against the excise tax equal to the non-recurring (start-up) costs of a 911 telephone system (emergency service telephone system). The credit must be claimed in the year the system becomes available for use. Any excess credit may be carried over to following years until completely used. The total amount of the credit that may be taken (for all companies combined) is limited to 25 percent of the total excise tax levied on

telephone companies in 1984. This credit ceiling is adjusted annually for increases in the consumer price index. Once the total credits allowed equal the credit ceiling, no additional credits will be allowed.

Telephone companies are also allowed credit for discounts provided to low-income elderly customers and expenses for speech and hearing impaired telephone systems. This lifeline program allows qualified low-income elderly persons a waiver of monthly access charges and connection/reconnection services. Telephone companies would receive a credit equal to the services provided.

Beginning in tax year 1995, electric companies that have installed qualified pollution control devices after tax year 1991 are allowed a credit of \$1 per ton of Ohio coal used to generate electric power at that plant. The electric companies may receive the credit until the total credits equals 20 percent of the total cost of the materials and installation of the pollution control device.

**RATES:**

Utility Class	Base	Tax Rate
Electric, rural electric, natural gas, waterworks, local telephone, heating, telegraph and water transportation (R.C. 5727.38)	Gross receipts	4.75%
Pipeline (R.C. 5727.38)	Gross receipts	6.75%

There is a minimum tax of \$10 for each tax year (R.C. 5727.38).

**FILING AND PAYMENT DATES:**

**October 15, March 1, and June 1: (R.C. 5727.31)**- Reports and advance payments to State Treasurer for liability to be certified for tax collection in December. Each payment equal to one-third of previous year’s liability. These reports and payments are due from each utility with an excise tax liability for the previous year in excess of \$1,000 (\$325,000 for natural gas companies).

**TAX REPORTING AND CERTIFICATION DEADLINES:**

The following deadlines apply to all utility companies:

Utility Class	Deadline	For
All public utilities (R.C. 5727.31, 5727.32, 5727.33, 5727.38)	August 1*	Company's annual statement to the Tax Commissioner for year ending April 30 (June 30 for telephone and telegraph companies).
	First Monday in November	Commissioner assesses tax and certifies amount to company and Treasurer of State.
* Subject to time extension of 60 days (R.C. 5727.48). A public utility that fails to file a report by the due date is subject to a penalty of \$10 per day for each day late (R.C. 5727.60)		

**20-30 days from date tax bill is mailed (March 15 for natural gas companies not required to make advance payments): (R.C. 5727.42)**-Final payment equal to total tax assessed for collection for the current year, less advance payments made (refund is made if advance payments exceed assessment).

**RECENT LEGISLATION:**

**Senate Bill 5, effective February 4, 1998**  
Extends the lifeline credit for two additional years (through 1999)

**DISPOSITION OF REVENUE (R.C. 5727.45):**

The Local Government Fund receives 4.2 percent, the Local Government Revenue Assistance Fund 0.6 percent, and the General Revenue Fund 95.2 percent of public utility excise tax collections.

**OHIO REVISED CODE CITATIONS:**

Chapter 5727

**Table 60**  
**Public Utility Excise Taxes Levied By Class of Utility,**  
**Calendar Years 1993-1997\***

Primary Class of Utility	Number of Utilities	Tax Rate 1997	Calendar Year				
			1993	1994	1995	1996	1997
Electric	13	4.75%	\$399,913,786	\$425,310,131	\$432,592,590	\$430,464,846	\$435,441,740
Natural Gas	28	4.75	103,813,040	115,522,640	107,452,193	105,959,500	124,902,926
Telephone	53	4.75	105,488,761	106,557,939	108,528,535	108,196,041	107,893,555
Rural Electric	29	4.75	14,551,929	15,405,711	16,500,403	17,228,748	17,183,490
Waterworks	27	4.75	2,233,830	2,440,287	2,527,921	2,527,940	2,633,123
Pipe Line	20	6.75	1,297,609	913,428	474,101	451,920	485,963
Water							
Transportation	6	4.75	325,269	441,841	467,314	468,931	513,057
Heating	(a)	4.75	_____ (a)				
Total			\$628,254,702	\$667,304,390	\$669,228,474	\$666,221,582	\$690,005,625

\* Amount of tax certified for collection

(a) Not reported due to confidentiality requirements. Taxes levied are included in the column totals.