

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 \$14.5 billion in calendar year 1998, which was an increase of 1.3 percent over the previous year. Electric utilities accounted for about 56.8 percent of the total public utility personal property valuation in 1998, and the telephone industry accounted for 21.8 percent of the total valuation.

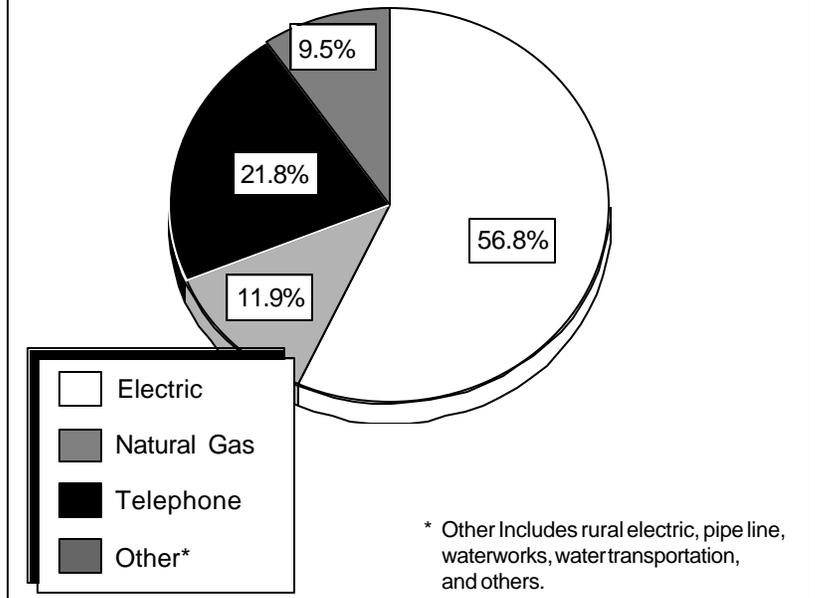
TAX BASE (R.C. 5715.01, 5727.01, 5727.06, 5727.10, 5727.11, 5727.111, 5727.12, 5727.14, 5727.15):

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 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

Public Utility Personal Property Valuation By Type of Utility
Calendar Year 1998 -- \$14.5 Billion



noted that all interexchange and local telephone companies 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%
Rural electric companies	50%
Natural gas, pipe-line, waterworks or heating company	88%
Railroads	25%
Interexchange 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 company	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 interexchange 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). Actual location of property is used to distribute values for water transportation and toll bridge utility classes.

Class of Utility	Distribution Base
Electric and rural electric companies	Cost of transmission and distribution property
Artificial gas, natural gas, heating, cooling, and waterworks	Value of pipeline
Telephone and interchange telephone companies	Miles of wire
Railroads	Miles of track and trackage rights weighted by use

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

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.

EXEMPTIONS AND CREDITS (R.C. 319.302, 5701.03, 5709.111, 5709.25, 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.

REPORTING, CERTIFICATION, AND PAYMENT DATES:

Dates	O.R.C.	Description
March 1 (a)	5727.08 5727.48	Company's annual report to Tax Commissioner
Prior to 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.)		

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 SIGNIFICANT COURT CASES:

United Telephone Co. of Ohio v. Tracy (1999), 84 Ohio St. 3d 506

In 1994 the Supreme Court remanded this case to the BTA to determine the amount and value of

“dead pairs” (unused but operable telephone lines) and “bad pairs” (damaged, inoperable telephone lines). The BTA made the determination on the basis of statistical sampling presented by the taxpayer. The Supreme Court ruled that statistical estimates determined from random samples cannot be used to meet the burden of proving the amount of dead and bad pairs when there are documents available from which an accurate count of the number of dead and bad pairs can be obtained.

Duquesne Light Co. v. Tracy (Nov. 6, 1998), BTA No. 95-40

BTA held that capitalized engineering drawing costs were excludable from the public utility property tax base under R.C. 5701.03. This matter has been appealed to the Ohio Supreme Court.

Indiana Hi-Rail Corp. v. Tracy (Oct. 30, 1998), BTA No. 94-1367

The BTA held that the property the appellant railroad leased from the city of Tiffin was includable on its return, as R.C. 5727.06 subjects to assessment all property owned or used by a railroad in the state of Ohio.

Ohio Edison v. Tracy (Nov. 6, 1998), BTA No. 95-50 *Pennsylvania Power Co. v. Tracy* (Nov. 6, 1998), BTA No. 95-49

The Tax Commissioner issued to the taxpayers air pollution control certificates for portions of their properties, effective as early as 1974. Through this appeal of those certificates to the BTA, the taxpayers sought to obtain refunds for taxes previously paid on property now said to be exempted by the certificates. The BTA ruled that it had no jurisdiction to grant such relief. These cases have been appealed to the Supreme Court.

RECENT LEGISLATION:

House Bill 283; effective June 30, 1999 (Biennial Budget Bill).

RC 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).

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

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

RC 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.

Substitute House Bill 27; effective September 24, 1999.

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

Table 61						
Public Utility Personal Property: Certified Assessed Value by Class of Utility and Total Taxes Levied, Calendar Years 1994-1998						
Class of Utility	Number of Taxpayers (1998)	Assessed Values				
		1994	1995	1996	1997	1998
Electric	13	\$8,018,798,960	\$8,109,170,030	\$8,083,160,490	\$8,158,462,140	\$8,258,860,220
Telephone	580	4,652,223,460	3,583,915,130	3,391,740,380	3,176,308,180	3,164,339,630
Natural Gas	31	1,494,194,020	1,591,867,720	1,604,488,940	1,692,036,890	1,725,046,810
Railroad	40	295,043,370	307,403,850	344,478,190	396,314,610	412,527,370
Pipeline	19	689,324,410	715,356,780	740,849,180	633,074,530	623,232,570
Rural Electric	28	213,248,700	225,995,940	236,461,870	247,461,560	260,847,430
Waterworks	27	71,053,640	73,222,370	76,373,460	81,111,280	87,702,970
Other*	<u>11</u>	<u>7,852,690</u>	<u>11,484,870</u>	<u>12,365,760</u>	<u>12,831,610</u>	<u>6,780,840</u>
Totals	681	\$15,441,739,250	\$14,618,416,690	\$14,489,918,270	\$14,397,600,800	\$14,539,337,840
Taxes Levied		\$1,026,775,088	\$983,387,775	\$991,221,097	\$985,948,671	\$1,002,191,092
* 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 1998

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	\$321,480,180	\$13,671,592	Logan	\$54,047,150	\$3,195,800
Allen	120,941,080	6,208,365	Lorain	350,439,180	25,816,388
Ashland	75,396,930	4,647,343	Lucas	483,818,160	40,442,473
Ashtabula	144,815,650	10,057,343	Madison	44,166,270	2,452,082
Athens	75,778,270	5,496,839	Mahoning	228,515,600	16,386,297
Auglaize	37,634,680	2,112,607	Marion	71,519,410	4,607,035
Belmont	120,635,400	6,609,689	Medina	149,601,730	12,571,550
Brown	51,290,410	2,534,496	Meigs	48,412,360	2,325,594
Butler	377,009,040	22,681,879	Mercer	30,421,740	1,483,396
Carroll	52,324,300	2,652,647	Miami	96,855,990	6,111,874
Champaign	35,242,670	2,108,010	Monroe	48,285,150	2,279,014
Clark	121,335,330	8,132,363	Montgomery	530,202,660	44,294,561
Clermont	608,783,190	36,643,099	Morgan	92,811,560	4,425,158
Clinton	50,124,370	2,686,177	Morrow	35,420,760	2,088,552
Columbiana	118,284,540	7,199,575	Muskingum	100,536,540	6,281,629
Coshocton	195,171,520	8,809,037	Noble	38,170,620	1,926,618
Crawford	39,488,090	2,842,380	Ottawa	330,913,550	16,486,326
Cuyahoga	1,326,934,510	122,394,520	Paulding	26,544,990	1,364,074
Darke	61,304,730	2,932,893	Perry	48,309,130	2,865,760
Defiance	68,290,880	3,923,017	Pickaway	88,134,100	4,585,076
Delaware	126,479,550	8,128,642	Pike	45,965,206	2,479,786
Erie	102,020,930	8,000,426	Portage	142,295,230	12,051,246
Fairfield	111,108,850	7,682,103	Preble	49,580,570	2,609,351
Fayette	49,547,550	2,597,568	Putnam	33,277,070	1,600,640
Franklin	927,986,430	82,171,716	Richland	131,831,600	9,906,271
Fulton	62,619,220	4,172,181	Ross	70,178,180	3,719,927
Gallia	280,489,280	9,348,091	Sandusky	73,173,920	3,984,467
Geauga	98,493,930	8,679,570	Scioto	88,235,680	4,999,307
Greene	151,000,600	10,793,967	Seneca	67,040,720	3,840,666
Guernsey	54,272,690	3,202,181	Shelby	57,759,470	3,010,655
Hamilton	1,040,198,340	85,687,878	Stark	365,990,740	25,413,839
Hancock	75,919,160	4,039,915	Summit	456,014,550	35,998,863
Hardin	30,770,920	1,660,417	Trumbull	221,488,060	14,922,436
Harrison	32,938,420	1,940,172	Tuscarawas	97,700,580	5,973,459
Henry	34,636,540	2,250,951	Union	69,188,050	4,374,108
Highland	33,745,540	1,515,485	Van Wert	24,835,590	1,559,921
Hocking	55,268,960	3,219,152	Vinton	24,432,880	1,111,404
Holmes	32,552,060	1,888,390	Warren	184,842,000	12,889,044
Huron	52,335,170	3,129,130	Washington	136,148,270	6,731,731
Jackson	43,133,070	1,864,805	Wayne	95,300,590	6,431,088
Jefferson	421,666,210	21,472,333	Williams	45,405,360	2,907,830
Knox	49,305,750	3,057,078	Wood	140,641,100	9,936,461
Lake	767,973,600	59,223,394	Wyandot	<u>19,379,530</u>	<u>976,639</u>
Lawrence	76,936,870	2,814,621			
Licking	157,241,230	9,888,659	Total	\$14,408,738,236	\$1,002,191,092

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