

PUBLIC UTILITY PROPERTY TAX

*Note: The material below describes the taxes levied on both the real and personal property of public utilities during calendar year 2000. 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.*

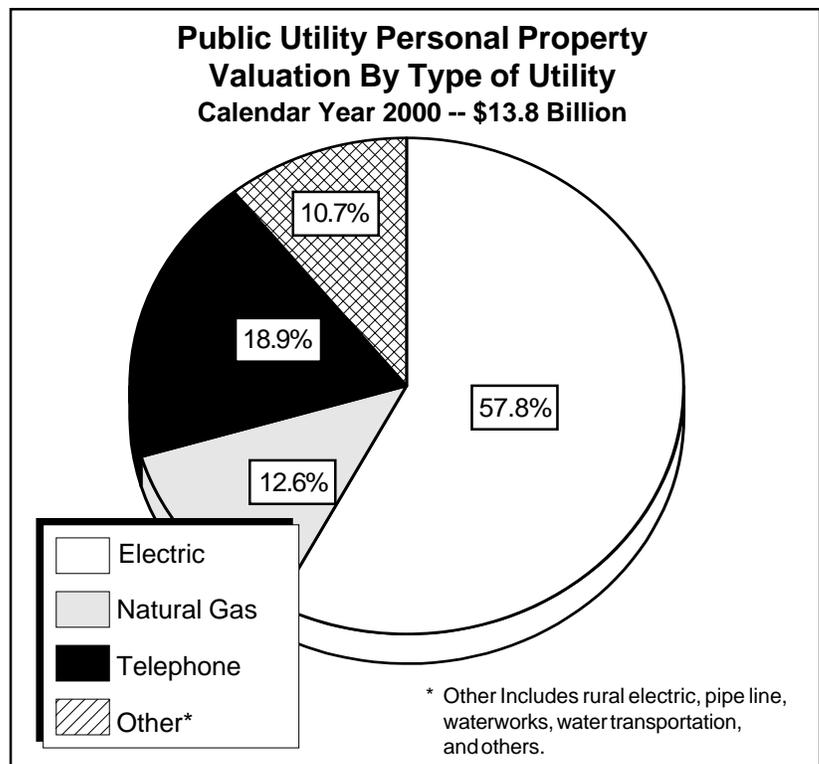
The assessed valuation of public utility personal property was about \$13.8 billion in calendar year 2000, which was relatively unchanged over the previous year. Electric utilities accounted for about 57.8% of the total public utility personal property valuation in 2000, and the telephone industry accounted for 18.9% 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 all 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 value 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 property is assessed at varying ratios. Production equipment of electric companies is assessed at 100 percent of true value (50 percent of cost), rural

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%

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 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

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

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.

Senate Bill 287, also of the 123rd General Assembly, made several changes to the tangible personal property taxes of the natural gas industry. Effective tax year 2001, the assessment rates on all natural gas utility property are lowered from 88 percent to 25 percent. Also, the valuation method for current gas is changed to reflect a twelve-month average.

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 generating property 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:

Am. Sub Senate Bill 287; Effective December 21, 2000. R.C. 5727.11 and 5727.111 - Effective tax year 2001, lowers the assessment rate on natural gas utility property from 88 percent to 25 percent. Also, changes the valuation method for current gas storage from the cost of such gas to a twelve-month average.

House Bill 589; Effective October 27, 2000. R.C. 5727.47 - Requires that a public utility may pay the undisputed portion of property taxes, if the utility disputes the Tax Commissioner's valuation. Allows all electric generating equipment to qualify for an enterprise zone agreement.

House Bill 640; Effective June 15, 2000. R.C. 5727, et al. - Harmonizes Am. Sub. S.B. 3 (Electric Utility Restructuring) and H.B. 283 (Budget Bill).

Am. Sub. 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.

Am. Sub. Senate Bill 3; Effective October 5, 1999 (Electric Restructuring 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 siting 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 siting.

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:

Centerior Fuel Corp. v. Zaino, (2001), 90 Ohio St. 3d 540.

The taxpayer was a lessor of nuclear fuel rods to electric public utility companies. On filing its personal property tax returns for tax years 1990-1995, the taxpayer excluded its capitalized construction interest costs from the book value of the rods. On audit, these interest costs were added back into the valuation. Under R.C. 5711.21(C), the true value of personal property leased to a public utility and used by it directly in the rendition of a public utility service is to be determined in the same manner as the true value of such property owned by a public utility. Under 5727.11(G), capitalized construction interest is not included in the true value of personal property of public utilities. The Supreme Court, therefore, held that capitalized construction cost interest is not includable in the true value computation of property leased to a public utility for use by it directly in rendering a public utility service.

Table 58
Public Utility Personal Property: Certified Assessed Value by Class of Utility and Total Taxes Levied, Calendar Years 1996-2000

Class of Utility	Number of Taxpayers (2000)	Assessed Values				
		1996	1997	1998	1999	2000
Electric	14	\$8,083,160,490	\$8,158,462,140	\$8,258,860,220	\$8,000,621,430	\$7,960,469,690
Telephone*	527	3,391,740,380	3,176,308,180	3,164,339,630	2,697,475,190	2,607,616,590
Natural Gas	32	1,604,488,940	1,692,036,890	1,725,046,810	1,690,044,870	1,733,474,700
Railroad	40	344,478,190	396,314,610	412,527,370	432,912,370	410,271,630
Pipe Line	22	740,849,180	633,074,530	623,232,570	640,480,550	656,000,830
Rural Electric	27	236,461,870	247,461,560	260,847,430	276,794,540	299,881,530
Waterworks	24	76,373,460	81,111,280	87,702,970	89,342,190	99,049,080
Other ⁽¹⁾	9	<u>12,365,760</u>	<u>12,831,610</u>	<u>6,780,840</u>	<u>5,977,590</u>	<u>5,676,240</u>
Totals	724	\$14,489,918,270	\$14,397,600,800	\$14,539,337,840	\$13,833,648,730	\$13,772,440,290
Taxes Levied		\$991,221,097	\$985,948,671	\$1,002,191,092	\$960,237,298	\$967,674,709

⁽¹⁾ Includes Water Transportation and Heating.

* Includes Interexchange Telecommunications

Source: Ohio Department of Taxation

Table 59
Assessed Value of Public Utility Personal Property and Taxes Levied,
by County, Calendar Year 2000

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	\$281,572,950	\$12,214,148	Logan	\$51,101,190	\$3,250,037
Allen	118,770,340	6,396,564	Lorain	355,035,290	27,084,449
Ashland	64,050,430	4,075,113	Lucas	451,910,100	39,040,438
Ashtabula	153,092,430	11,077,656	Madison	43,366,450	2,387,877
Athens	72,283,770	5,444,829	Mahoning	229,733,590	17,112,260
Auglaize	37,014,490	2,045,109	Marion	71,225,820	4,818,664
Belmont	118,483,570	6,847,391	Medina	135,206,520	11,734,607
Brown	48,346,860	2,363,337	Meigs	47,264,510	2,297,598
Butler	360,025,500	22,528,236	Mercer	30,565,170	1,511,804
Carroll	50,961,130	2,536,939	Miami	91,699,170	6,015,139
Champaign	35,395,430	2,199,398	Monroe	46,889,390	2,280,011
Clark	115,697,180	8,076,953	Montgomery	513,367,590	43,557,899
Clermont	540,819,990	33,269,865	Morgan	92,391,540	4,829,906
Clinton	43,874,900	2,280,056	Morrow	35,756,300	2,127,882
Columbiana	88,449,410	5,212,200	Muskingum	99,203,390	6,161,725
Coshocton	191,123,430	8,775,184	Noble	38,817,290	1,860,958
Crawford	35,532,580	2,488,672	Ottawa	328,254,980	17,407,115
Cuyahoga	1,218,899,950	116,371,910	Paulding	26,874,460	1,489,562
Darke	63,275,900	3,111,881	Perry	48,167,840	2,944,417
Defiance	67,909,880	4,016,021	Pickaway	83,351,880	4,623,935
Delaware	126,811,320	8,584,547	Pike	40,894,330	2,280,741
Erie	95,628,910	7,626,991	Portage	117,478,350	10,156,379
Fairfield	105,431,000	7,357,923	Preble	45,677,980	2,355,358
Fayette	46,297,760	2,491,984	Putnam	35,402,620	1,703,699
Franklin	940,870,200	83,734,426	Richland	121,725,910	9,047,524
Fulton	61,175,740	4,194,760	Ross	69,857,750	3,784,534
Gallia	270,723,330	9,157,910	Sandusky	67,234,890	3,729,752
Geauga	89,308,640	8,109,055	Scioto	83,948,780	4,724,310
Greene	141,948,790	10,407,965	Seneca	64,155,820	3,767,458
Guernsey	52,501,330	3,266,833	Shelby	54,057,060	2,907,923
Hamilton	976,956,130	83,295,231	Stark	339,874,100	24,076,135
Hancock	73,175,750	3,921,712	Summit	411,626,170	32,917,962
Hardin	29,292,060	1,598,786	Trumbull	206,755,010	14,108,751
Harrison	32,044,240	1,875,927	Tuscarawas	95,619,630	5,840,923
Henry	37,995,030	2,479,989	Union	67,930,360	4,348,464
Highland	29,644,600	1,392,700	Van Wert	23,895,100	1,512,026
Hocking	51,059,290	2,948,652	Vinton	24,645,070	1,017,731
Holmes	31,050,470	1,785,131	Warren	187,827,740	13,121,863
Huron	46,790,330	2,780,706	Washington	137,638,590	7,123,062
Jackson	41,808,550	1,911,101	Wayne	97,065,940	6,701,195
Jefferson	413,280,270	20,815,350	Williams	42,868,040	2,727,375
Knox	46,058,540	2,861,162	Wood	130,427,190	9,570,874
Lake	655,942,920	50,842,255	Wyandot	<u>18,026,480</u>	<u>926,210</u>
Lawrence	73,884,410	2,759,097			
Licking	155,634,750	9,156,521			
			Total	\$13,635,709,860	\$967,674,709

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