

# PUBLIC UTILITY PROPERTY TAX

The material in this chapter describes the taxes levied on both the real and personal property of public utilities during calendar year 2001. 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** chapter.

The assessed valuation of public utility personal property was approximately \$9.8 billion in tax year 2001, about \$4 billion less than the previous year. Electric utilities accounted for about 53.5 percent of the total public utility personal property valuation in 2001, and the telephone industry accounted for 26.9 percent of the total valuation.

Revenue from the Public Utility Property tax amounted to \$715.3 million in calendar year 2001 (see **Table 3** in the **Revenue from Taxes Administered by the Tax Commissioner** chapter), and was distributed to counties, municipalities, townships, school districts and special districts, according to the individual millage levied, less local administrative deductions.

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

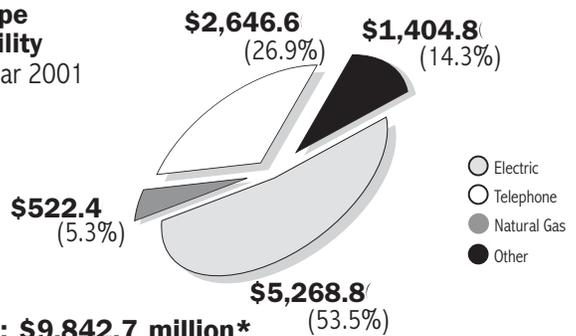
The property tax base of all public utilities, except railroads and water transportation companies, consists of all tangible personal property owned and located in Ohio on December 31 of the preceding year. The water transportation company tax base consists of all tangible personal property, except watercraft, 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, while 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, which 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 exception to this is electric company or rural electric company production equipment purchased, transferred or sold after the effective date of Senate Bill 3, the electric utility restructuring bill. The true value of electric production equipment in these instances is the capitalized cost on the books and records, less composite annual allowances.

**Public Utility Personal Property Valuation by Type of Utility Tax Year 2001**



\*Figures may not add due to rounding.

The true value of current gas stored underground is the monthly average value of such gas, determined by dividing the cost of the ending monthly balances by the number of months in business, while the true value of non-current gas stored underground is 35 percent of cost on lien date.

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To determine the true value of railroad real and personal property, the unitary method is used to value the company's entire railroad system. 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 situated 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 and non-transmission and distribution property of electric companies and rural electric companies is assessed at 25 percent of true value. Electric transmission and distribution property is assessed at 88 percent of true value, and rural electric transmission and distribution property is assessed at 50 percent of true value. Railroads are assessed at 25 percent of true value for personal property. All inter-exchange telecommunications, natural gas, and water transportation property is assessed at 25 percent of true value. Local exchange telephone companies' personal property, first subject to tax during 1995 and thereafter, is assessed at 25 percent. 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 88 percent. Each of the public utility personal property assessment ratios is shown below.

Type of Utility	Assessment Percentage
<b>Electric companies and rural electric companies</b> —production personal property	<b>25%</b>
Electric companies—transmission and distribution personal property	88%
<b>Rural electric</b> —transmission/distribution personal property	<b>50%</b>
Electric companies— all other tangible personal property	25%
<b>Rural electric companies</b> —all other tangible personal property	<b>25%</b>
Natural Gas companies	25%
<b>Railroads</b> — real property only	<b>35%</b>
Railroads — personal property only	25%
<b>Inter-exchange telecommunications companies</b>	<b>25%</b>
Telephone companies (only personal property added for tax year 1995 and thereafter)	25%
<b>All other existing telephone personal property (prior to 1995); heating, pipeline and waterworks companies</b>	<b>88%</b>
Water transportation companies	25%

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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 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.

Class of Utility	Distribution Base
Electric companies	Production equipment Taxable cost of all other property
Natural gas, heating, Pipe line, waterworks, rural Electric, water transportation	Taxable cost
Telephone and inter-exchange telecommunications companies	Miles of wire/taxable cost
Railroads	Miles of track and trackage rights weighted by use

A major change occurred in the electric utility industry during the 123<sup>rd</sup> General Assembly. Substitute Senate Bill 3 created numerous changes to the electric utility property tax structure. Effective in tax year 2001, the assessment rates for all electric and rural electric property that is not distribution or transmission property was lowered to 25 percent. Electric company transmission and distribution property remains at the 88 percent assessment rate while rural electric transmission and distribution property remains at the 50 percent assessment rate. Also effective in tax year 2001, the method in which the electric property is apportioned was changed. Production equipment will be situated 100 percent where located, and remaining property will be apportioned based upon the taxable cost of remaining property in each district to all remaining property in the state. Various other electric property tax changes have been brought about under this bill as well.

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

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

Tax rates vary with the taxing jurisdiction. The 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 10 percent, with the cost of the reduction reimbursed from state funds.

**REPORTING, CERTIFICATION, AND PAYMENT DATES:**

Dates	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. Municipally-owned utilities.
2. Certified air, water, and noise pollution control facilities.
3. 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 non-profit corporations and political subdivisions used exclusively in the treatment, distribution and sale of water to consumers.
7. Qualified electric generating property may qualify for a property tax reduction if placed in an enterprise zone.
8. Allowance for funds used during construction and interest during construction. This does not apply to electric company and rural electric company property, except transmission and distribution property first placed into service after December 31, 2000. It also does not apply to the taxable property a person purchases, which includes transfers, if that property was used in business by the seller prior to the purchase.

**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 and inter-exchange telecommunications companies. The Tax Commissioner also assesses the real estate of railroads. County auditors assess all other public utility real estate.

**OHIO REVISED CODE CITATIONS:**

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

**RECENT LEGISLATION:**

**Amended Substitute 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 pay the undisputed portion of property taxes, and gives the utility the option of paying any disputed valuations while the matter is being appealed. 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).

**Amended Substitute 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.

**Amended Substitute Senate Bill 3; Effective October 5, 1999 (Electric Utility 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 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 in 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:**

**GTE North, Inc. v. Thomas M. Zaino, Tax Commissioner (2002), 96 Ohio St. 3d 9, 2002-Ohio-2984.**

The taxpayer appealed the use of different assessment percentages for telephone personal property in R.C. 5727.111(B), specifically 25 percent for property first subject to taxation for tax year 1995 and thereafter and 88 percent for all other property, while the assessment percentage used for all inter-exchange telecommunications personal property is 25 percent. The company argued they were similar to an inter-exchange telecommunications company, and the use of a higher assessment percentage on some personal property violated their rights under the Equal Protection Clauses of both the Ohio Constitution and United States Constitution. The Supreme Court held that a telephone company as defined in R.C. 5727.01(D)(2) is not similarly situated to an inter-exchange telecommunications company as defined in R.C. 5727.01(H) for purposes of the Equal Protection Clauses. Further, the Court stated that the use of different assessment percentages in R.C. 5727.111 did not deprive the company of its rights under the Equal Protection Clauses.

**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 R.C. 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 1**  
**Public Utility Personal Property:**  
**Certified Assessed Value by Class Of Utility and Total Taxes Levied, Tax Years 1997-2001**

Class of Utility	Number of Taxpayers (2001)	Assessed Values				
		1997	1998	1999	2000	2001
Electric	17	\$8,158,462,140	\$8,258,860,220	\$8,000,621,430	\$7,960,469,690	\$5,268,840,110
Telephone (1)	485	3,176,308,180	3,164,339,630	2,697,475,190	2,607,616,590	2,646,647,630
Natural Gas	35	1,692,036,890	1,725,046,810	1,690,044,870	1,733,474,700	522,365,280
Railroad	40	396,314,610	412,527,370	432,912,370	410,271,630	384,089,250
Pipeline	22	633,074,530	623,232,570	640,480,550	656,000,830	645,520,830
Rural Electric	27	247,461,560	260,847,430	276,794,540	299,881,530	261,197,740
Waterworks	25	81,111,280	87,702,970	89,342,190	99,049,080	109,361,370
Other (2)	9	12,831,610	6,780,840	5,977,590	5,676,240	4,667,040
Totals	660	\$14,397,600,800	\$14,539,337,840	\$13,833,648,730	\$13,772,440,290	\$9,842,689,250
Taxes Levied		\$985,948,671	\$1,002,191,092	\$960,237,298	\$967,674,709	\$722,757,663

(1) Includes inter-exchange telecommunications.  
 (2) Includes water transportation and heating.  
 Source: Ohio Department of Taxation.

**Table 2  
Assessed Value of Public Utility Personal Property and Taxes Levied,  
by County, Tax Year 2001**

<b>County</b>	<b>Assessed Value of Public Utility Personal Property</b>	<b>Taxes Charged on Public Utility Tangible Personal Property</b>	<b>County</b>	<b>Assessed Value of Public Utility Personal Property</b>	<b>Taxes Charged on Public Utility Tangible Personal Property</b>
Adams	\$131,908,180	\$5,788,589	Logan	\$38,463,290	\$2,388,762
Allen	84,300,060	4,522,023	Lorain	270,914,400	21,704,786
Ashland	59,821,990	3,852,165	Lucas	313,617,630	27,323,417
Ashtabula	118,377,840	8,719,566	Madison	39,366,660	2,341,256
Athens	63,916,280	4,786,783	Mahoning	179,963,890	13,586,374
Auglaize	28,533,510	1,558,540	Marion	59,514,170	3,961,825
Belmont	71,685,130	4,208,161	Medina	108,653,120	9,353,431
Brown	26,791,920	1,346,151	Meigs	32,466,500	1,561,661
Butler	237,777,970	15,876,704	Mercer	24,904,700	1,245,994
Carroll	38,461,390	1,921,169	Miami	64,243,970	4,188,576
Champaign	29,172,640	1,834,200	Monroe	42,114,080	2,068,115
Clark	88,329,500	6,147,885	Montgomery	361,301,000	31,070,626
Clermont	262,595,640	16,988,643	Morgan	52,304,370	2,696,935
Clinton	35,754,180	1,917,313	Morrow	33,004,890	1,904,591
Columbiana	77,449,070	4,543,627	Muskingum	71,615,740	4,516,033
Coshocton	92,646,970	4,457,309	Noble	32,586,850	1,561,789
Crawford	29,129,390	2,070,702	Ottawa	101,361,680	5,881,359
Cuyahoga	977,712,740	95,329,423	Paulding	23,073,440	1,271,200
Darke	53,412,000	2,616,174	Perry	37,787,630	2,313,375
Defiance	56,470,730	3,310,458	Pickaway	64,457,740	3,600,978
Delaware	99,894,070	6,685,170	Pike	30,125,470	1,703,507
Erie	76,096,970	6,059,698	Portage	106,700,070	9,233,527
Fairfield	91,473,470	6,347,133	Preble	39,347,280	2,093,727
Fayette	38,293,850	1,909,038	Putnam	27,649,330	1,349,517
Franklin	783,268,180	70,128,366	Richland	105,020,520	7,797,044
Fulton	44,537,140	3,133,558	Ross	61,642,170	3,316,004
Gallia	133,542,130	4,559,984	Sandusky	48,619,140	2,796,772
Geauga	77,334,460	7,132,558	Scioto	69,127,900	3,989,972
Greene	104,310,670	7,659,510	Seneca	58,410,490	3,495,104
Guernsey	40,633,000	2,426,558	Shelby	42,323,150	2,270,041
Hamilton	718,507,110	62,995,946	Stark	257,610,680	18,348,753
Hancock	57,578,780	3,047,577	Summit	319,435,580	26,764,893
Hardin	24,605,530	1,401,766	Trumbull	156,594,580	10,885,938
Harrison	19,371,470	1,141,744	Tuscarawas	69,243,060	4,226,379
Henry	29,877,140	1,926,811	Union	49,373,040	3,212,324
Highland	23,425,980	1,101,293	Van Wert	18,565,690	1,177,749
Hocking	46,730,650	2,863,997	Vinton	22,425,460	929,375
Holmes	26,123,690	1,482,250	Warren	132,558,680	9,672,724
Huron	40,798,640	2,404,967	Washington	84,262,120	4,461,678
Jackson	35,022,360	1,603,498	Wayne	70,457,780	4,856,726
Jefferson	203,468,090	10,380,402	Williams	29,371,580	1,861,976
Knox	38,253,630	2,363,812	Wood	102,376,840	7,596,104
Lake	354,136,920	28,162,022	Wyandot	14,856,910	763,863
Lawrence	54,627,310	1,986,182			
Licking	123,428,280	7,263,041	Total	\$9,717,399,920	\$715,307,242

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