

Natural Gas Consumption Tax

The natural gas consumption tax was created by Am. Sub. S.B. 287, 123rd General Assembly. This tax, effective July 1, 2001, replaced the revenue local governments lost when the assessment rate for natural gas distribution companies' personal property was reduced from 88 percent to 25 percent. The tax is levied on natural gas distribution companies for the purpose of raising revenue for public education and state and local government operations. In FY 2003, the tax generated approximately \$83.6 million in total revenue.

TAX BASE (R.C. 5727.811):

The natural gas consumption tax base is the amount of natural gas distributed through the meter of an end user in this state.

RATES (R.C. 5727.811):

- | Mcf (1,000 cubic feet) of Natural Gas Distributed to an End User per Month | | Rate per Mcf |
|--|--|--------------|
| 0 - 100 Mcf's | | \$.1593 |
| 101 - 2000 Mcf's | | \$.0877 |
| 2001 and above Mcf's | | \$.0411 |
- The rate to a flex customer is \$.02 per Mcf. A flex customer is an industrial or a commercial facility that has consumed more than one billion cubic feet of natural gas a year at a single location during any of the previous five years, or has purchased natural gas distribution services at discounted rates or charges established in any of the following:
 - A special arrangement subject to review and regulation by the Public Utilities Commission under R.C. 4905.31;
 - A special arrangement with a natural gas distribution company pursuant to a municipal ordinance; and
 - A variable rate schedule that permits rates to vary between defined amounts, provided that the schedule is on file with the Public Utilities Commission.
- A natural gas distribution company with 50,000 customers or less may elect to apply the rates to the total of the natural gas distributed to all its customers in this state.

EXEMPTIONS AND DEDUCTIONS (R.C. 5727.811):

- Federal government;
- Natural gas produced by an end user in this state and consumed by

the natural gas producer or its affiliates, and not distributed through the facilities of a natural gas company.

CREDITS:

There are no credits applicable to this tax.

FILING AND PAYMENT DATES (R.C. 5727.82):

Quarterly Returns	Due Date
January - March	May 20
April - June	August 20
July - September	November 20
October - December	February 20

DISPOSITION OF REVENUE (R.C. 5727.84):

Fund	Percentage
School District Property Tax Replacement Fund	68.7%
Local Government Property Tax Replacement Fund	31.3 %

OHIO REVISED CODE CITATIONS:

Chapter 5727.

RECENT LEGISLATION:

Sub. H.B. 129, 124th General Assembly (effective June 3, 2002). R.C. 5727.84 –

Reduces the distribution to the School District Property Tax Replacement fund from 70 percent to 68.7 percent and increases the distribution to the Local Government Property Tax Replacement Fund from 30 percent to 31.3 percent.

Am. Sub. H.B. 94, 124th General Assembly (effective September 6, 2001, FY 2002-2003 Biennial Budget Bill). R.C. 5727.81, effective July 1, 2001 –

Clarified that the tax applies to natural gas that is included in a measurement period that includes July 1, 2001.

R.C. 5727.82, effective January 1, 2003 –

Transferred tax payment functions previously assigned to the Treasurer of State to the Tax Commissioner.

R.C. 5727.84 –

Changed the distribution of the tax.

Am. Sub. 287, 123rd General Assembly (effective December 21, 2000).

R.C. 5727.80 - 5727.99, effective July 1, 2001 –

Enacted the natural gas consumption tax.

**Table
Natural Gas Consumption Tax
Collections and Distributions
Fiscal Years 2002⁽¹⁾ – 2003**

Fiscal Year	Total Collections	School District Property Tax Replacement Fund	Local Government Property Tax Replacement Fund
2003	\$83,633,402	\$57,456,147 ⁽²⁾	\$26,177,255 ⁽²⁾
2002 ⁽¹⁾	55,937,596	39,155,962	16,781,634

(1) Only nine months' collections occurred in FY 2002.
 (2) Distribution rates changed June 3, 2002, under the provisions of Sub. H.B. 129 (see **Recent Legislation**).
 Source: Returns filed with the Department of Taxation.

