

Public Utility Property Tax

This chapter describes the taxes levied on both the real and personal property of public utilities during calendar year 2002. The data in the tables in this section pertain to only the personal property of public 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 \$10.1 billion in tax year 2002, about \$.3 billion more than the previous year. Electric utilities accounted for about 54.1 percent of the total public utility personal property valuation in 2002, and the telephone industry accounted for 27.6 percent of the total valuation.

Revenue from the public utility property tax amounted to about \$746.1 million in calendar year 2002 (see **Table 3 in Revenue from Taxes Administered by the Tax Commissioner**), 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.

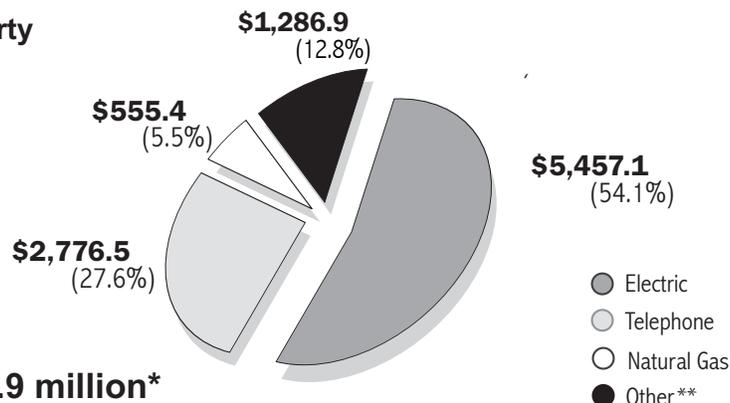
For most public utility personal property, true value is the capitalized cost less the composite annual allowances, which vary according to the actual age and expected life of the property. It should be noted that most utilities are valued by this method.

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 S.B. 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.

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.

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

Public Utility Personal Property Valuation by Type of Utility
Tax Year 2002
(figures in millions)



Total \$10,075.9 million*

*Figures may not add due to rounding.

** Includes railroad, pipeline, rural electric, waterworks, water transportation, and heating.

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 rates is shown below.

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

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 below.

Class of Utility	Distribution Base
Electric companies	Production equipment Taxable cost of all other property
Natural gas, heating, pipeline, 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 123rd General Assembly. Sub. S.B. 3 created numerous changes to the electric utility property tax structure. Effective beginning 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 is situated 100 percent where located, and remaining property is 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 occurred under this bill as well.

Also of the 123rd General Assembly, S.B. 287 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 12-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):

- Municipally-owned utilities.
- Certified air, water, and noise pollution control facilities.
- Licensed motor vehicles.
- Tangible personal property under construction.
- Real property tax bills are reduced by 10 percent as provided by state law.
- Real and personal property of nonprofit corporations and political subdivisions used exclusively in the treatment, distribution and sale of water to consumers.
- Qualified electric generating property may qualify for a property tax reduction if placed in an enterprise zone.
- 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:

Am. Sub. H.B. 95, 125th General Assembly (effective September 26, 2003, FY 2004-2005 Biennial Budget Bill).

R.C. 5727.111 –

The assessment percentage for telephone personal property acquired before 1994 is phased-down from 88 percent to 25 percent over a three-year period beginning in 2005.

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

R.C. 5727.11 and 5727.111 –

Effective tax year 2001, lowered the assessment rate on natural gas utility property from 88 percent to 25 percent. Also, changed the valuation method for current gas storage from the cost of such gas to a 12-month average.

H.B. 589, 123rd General Assembly (effective October 27, 2000).

R.C. 5727.47 –

Required that a public utility pay the undisputed portion of property taxes, and gave the utility the option of paying any disputed valuations while the matter is being appealed. Allowed all electric generating equipment to qualify for an enterprise zone agreement.

Table 1
Public Utility Personal Property:
Certified Assessed Value by Class Of Utility and Total Taxes Levied, Tax Years 1998-2002

Class of Utility	Number of Taxpayers (2002)	Assessed Values				
		1998	1999	2000	2001	2002
Electric	20	\$8,258,860,220	\$8,000,621,430	\$7,960,469,690	\$5,268,840,110	\$5,457,071,420
Telephone (1)	513	3,164,339,630	2,697,475,190	2,607,616,590	2,646,647,630	2,776,522,250
Natural Gas	31	1,725,046,810	1,690,044,870	1,733,474,700	522,365,280	555,361,960
Railroad	35	412,527,370	432,912,370	410,271,630	384,089,250	262,126,650
Pipeline	18	623,232,570	640,480,550	656,000,830	645,520,830	638,727,270
Rural Electric	27	260,847,430	276,794,540	299,881,530	261,197,740	279,920,260
Waterworks	18	87,702,970	89,342,190	99,049,080	109,361,370	102,110,620
Other (2)	8	<u>6,780,840</u>	<u>5,977,590</u>	<u>5,676,240</u>	<u>4,667,040</u>	<u>4,017,170</u>
Totals	670	\$14,539,337,840	\$13,833,648,730	\$13,772,440,290	\$9,842,689,250	\$10,075,857,600
Taxes Levied		\$1,002,191,092	\$960,237,298	\$967,674,709	\$722,757,663	\$746,058,859

(1) Includes inter-exchange telecommunications.

(2) Includes water transportation and heating.

Source: Department of Taxation.

Public Utility Property Tax

Table 2
Assessed Value of Public Utility Personal Property and Taxes Levied,
by County, Tax Year 2002

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	\$142,614,000	\$6,179,779	LOGAN	\$40,390,700	\$2,500,501
ALLEN	86,001,440	4,661,349	LORAIN	310,618,330	24,887,956
ASHLAND	63,869,170	4,108,601	LUCAS	328,587,690	29,723,893
ASHTABULA	116,677,930	8,800,512	MADISON	41,949,830	2,513,932
ATHENS	70,359,890	5,258,641	MAHONING	186,689,740	14,159,483
AUGLAIZE	28,877,000	1,565,462	MARION	61,023,500	4,063,707
BELMONT	70,772,740	4,170,634	MEDINA	110,728,270	9,537,409
BROWN	26,704,190	1,316,515	MEIGS	36,815,920	1,754,170
BUTLER	257,812,210	16,843,800	MERCER	26,462,430	1,392,265
CARROLL	38,650,640	1,972,050	MIAMI	65,847,370	4,330,458
CHAMPAIGN	31,240,150	1,959,085	MONROE	40,196,990	1,985,024
CLARK	83,281,380	5,804,128	MONTGOMERY	383,051,150	34,293,620
CLERMONT	276,540,050	17,757,114	MORGAN	51,047,290	2,671,423
CLINTON	37,453,610	1,985,569	MORROW	33,909,060	1,864,636
COLUMBIANA	78,297,500	4,574,124	MUSKINGUM	78,086,660	5,074,870
COSHOCTON	93,101,530	4,484,148	NOBLE	32,256,450	1,556,711
CRAWFORD	29,271,850	2,081,997	OTTAWA	152,731,480	8,455,115
CUYAHOGA	943,936,060	93,995,391	PAULDING	22,345,260	1,243,753
DARKE	54,165,010	2,664,503	PERRY	35,492,320	2,174,331
DEFIANCE	56,915,640	3,405,024	PICKAWAY	65,248,460	3,449,852
DELAWARE	133,679,190	9,098,517	PIKE	32,556,900	1,817,337
ERIE	75,107,920	5,970,417	PORTAGE	108,029,610	9,456,574
FAIRFIELD	86,085,880	6,022,720	PREBLE	39,905,190	2,118,926
FAYETTE	38,785,290	2,115,043	PUTNAM	28,368,490	1,424,801
FRANKLIN	801,985,450	73,282,934	RICHLAND	99,864,580	7,405,185
Fulton	43,488,990	3,073,182	ROSS	68,834,040	3,692,570
GALLIA	136,099,240	4,597,490	SANDUSKY	49,586,320	2,802,362
GEAUGA	72,689,820	6,710,525	SCIOTO	71,284,900	4,093,588
GREENE	111,500,186	8,086,340	SENECA	59,552,180	3,510,165
GUERNSEY	40,967,560	2,440,679	SHELBY	43,422,420	2,468,397
HAMILTON	752,759,600	66,050,950	STARK	265,769,350	19,223,412
HANCOCK	58,015,250	3,135,311	SUMMIT	288,765,100	24,299,814
HARDIN	24,225,380	1,285,188	TRUMBULL	150,858,210	10,548,607
HARRISON	19,659,660	1,171,761	TUSCARAWAS	69,774,910	4,254,479
HENRY	30,188,600	2,026,138	UNION	51,063,100	3,402,604
HIGHLAND	27,704,760	1,296,029	VAN WERT	18,904,910	1,242,313
HOCKING	49,376,830	3,038,300	VINTON	23,797,060	981,499
HOLMES	26,315,490	1,487,846	WARREN	149,176,402	11,106,159
HURON	42,562,540	2,500,842	WASHINGTON	84,427,830	4,492,173
JACKSON	38,421,400	1,705,680	WAYNE	72,732,570	5,039,307
JEFFERSON	207,383,520	10,763,939	WILLIAMS	28,493,860	1,906,194
KNOX	38,990,330	2,461,829	WOOD	98,554,730	7,444,873
LAKE	415,529,590	33,205,662	WYANDOT	14,752,410	738,460
LAWRENCE	56,209,860	2,039,386			
LICKING	132,955,970	7,800,817	Total	\$10,069,184,268	\$746,058,859

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