

Public Utility Property Tax

This chapter describes the taxes levied on both the real and personal property of public utilities during calendar year 2004. However, the data in the tables in this section pertain only to 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 billion in tax year 2004. Electric utilities accounted for about 54.7 percent of the total public utility personal property valuation in 2004 and the telephone industry accounted for 25.5 percent of the total valuation.

Revenue from the public utility property tax amounted to about \$775.4 million in calendar year 2004 (see **Table 3 in Revenue from Taxes Administered by the Tax Commissioner**). This revenue was distributed to counties, municipalities, townships, school districts, and special districts, according to the individual millage levied, less local administrative deductions.

Taxpayer:

Local telephone, telegraph, electric, natural gas, pipeline, waterworks, water transportation, heating, rural electric, railroads, and inter-exchange telephone companies holding property in Ohio.

Tax Base (Ohio Revised Code 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 plants and equipment either owned or leased by the utility under a sale-lease back 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 Substitute Senate Bill 3, 123rd General Assembly, 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.

Type of Utility	Assessment Rates
Electric companies and rural electric companies — production personal property	25%
Electric companies — transmission and distribution personal property	88%
Electric companies — all other tangible personal property	25%
Rural electric — transmission/distribution personal property	50%
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 taxed in tax year 1995 and thereafter)	25%
All other existing telephone company personal property (prior to 1995); heating, pipeline, and waterworks companies	88%
Water transportation companies	25%

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

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

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 company 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 in the table on the preceding page.

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 above.

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 rate 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 company property is apportioned was changed. Production equipment is situated

100 percent where located, and remaining property is apportioned based upon the taxable cost of the remaining property in each district to all remaining property in the state. Various other electric property tax changes occurred under this bill as well.

In addition, S.B. 287, 123rd 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 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.

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 and personal property of nonprofit corporations and political subdivisions used exclusively in the treatment, distribution, and sale of water to consumers.
6. Qualified electric generating property may qualify for a property tax reduction if placed in an enterprise zone.
7. An allowance is available for funds used during construction and interest used 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.

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).

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. House Bill 66, 126th General Assembly (Fiscal Years 2006-2007 biennium budget bill, effective June 30, 2005).

R.C. 5711.01, 5711.21, 5711.22, 5713.01, 5727.01, 5727.02, 5727.031, 5727.06, 5727.08, 5727.10, 5727.11, 5727.111, 5727.12, 5727.23:

This bill enacted a number of changes to the public utility property tax. Starting in 2006:

- Patterns, jigs, dies, and drawings will be considered taxable personal property of electric companies;
- assessment percentage of electric transmission and distribution personal property is reduced from 88 percent to 85 percent;
- assessment percentage of all other electric personal property is reduced from 25 percent to 24 percent;
- non-operating real property of a railroad will be valued and assessed by the county auditor; and
- assessment of railroad personal property will be phased-out over three years. The assessment percentage on railroad personal property will be 18.75 percent in 2006, 12.5 percent in 2007, 6.25 percent in 2008 and 0 percent in 2009 and thereafter.

Starting in 2007:

- Telephone companies and inter-exchange telecommunications companies will be defined as general business taxpayers instead of public utilities and will be valued and assessed under R. C. 5711;
- taxable value of telephone and inter-exchange telecommunications personal property will continue to be apportioned under R. C. 5727;
- assessment of telephone and inter-exchange telecommunications personal property will be phased-out over three years; and
- assessment percentage for all telephone and inter-exchange telecommunications personal property will be 20 percent in 2007, 15 percent in 2008, 10 percent in 2009, 5.0 percent in 2010 and 0 percent in 2011.

Starting in 2009:

- Defines a "public utility lessor company" as a taxpayer that leases personal property to a public utility other than a railroad, water transportation company, or telephone or telegraph company and requires this taxpayer to report and pay the tax on the taxable personal property under R. C 5727; and
- requires a taxpayer that is engaged in some other primary business to which the supplying of electricity to others is incidental to be treated as an electric company and required to report and pay the tax on the electric generation personal property.

Table 1
Public Utility Personal Property: Certified Assessed Value by Class Of Utility and Total Taxes Levied, Tax Years 2000 - 2004

Class of Utility	Number of Taxpayers (2004)	Assessed Values				
		2000	2001	2002	2003	2004
Electric (1)	18	\$7,960,469,690	\$5,268,840,110	\$5,457,071,420	\$5,450,273,000	\$5,523,375,530
Telephone (2)	186	2,607,616,590	2,646,647,630	2,776,522,250	2,627,731,270	2,571,456,080
Natural Gas (3)	29	1,733,474,700	522,365,280	555,361,960	560,131,920	591,653,220
Railroad	31	410,271,630	384,089,250	262,126,650	275,488,860	270,911,390
Pipeline	15	656,000,830	645,520,830	638,727,270	645,206,580	695,838,050
Rural Electric	27	299,881,530	261,197,740	279,920,260	294,763,870	308,889,580
Waterworks	17	99,049,080	109,361,370	102,110,620	119,104,530	122,202,520
Other (4)	7	5,676,240	4,667,040	4,017,170	3,675,010	3,010,510
Totals (5)	330	\$13,772,440,290	\$9,842,689,250	\$10,075,857,600	\$9,976,375,040	\$10,087,336,880
Taxes Levied		\$967,674,709	\$722,757,663	\$746,058,859	\$751,787,109	\$775,375,587

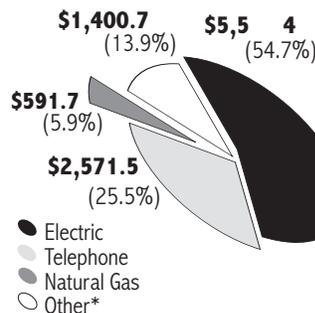
(1) Assessment of electric company property was lowered from 100% to 25% in 2001, while the number of taxpayers increased from 14 (2000) to 17 (2001) and has fluctuated in subsequent years.
(2) Includes inter-exchange telecommunications.
(3) Assessment of natural gas company property was lowered from 88% to 25% in 2001; also the valuation method for gas storage was changed from current monthly cost to 12-month average.
(4) Includes water transportation and heating.
(5) Only companies with taxable property are included.

Source: Department of Taxation.

Public Utility Personal Property Valuation by Type of Utility

Tax Year 2004

(figures in millions)



Total \$10,087.3 million

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

Table 2
Assessed Value of Public Utility Personal Property and Taxes
Levied, by County, Tax Year 2004

County	Assessed Value of Public Utility Personal Property	Taxes Charged on Public Utility Personal Property	County	Assessed Value of Public Utility Personal Property	Taxes Charged on Public Utility Personal Property
ADAMS	\$140,585,270	\$6,179,224	LOGAN	\$39,006,960	\$2,412,374
ALLEN	91,021,080	5,194,162	LORAIN	291,918,610	23,408,353
ASHLAND	64,096,580	4,480,227	LUCAS	289,786,700	27,087,472
ASHTABULA	109,313,250	8,269,051	MADISON	34,788,900	2,208,812
ATHENS	80,887,860	6,119,076	MAHONING	193,670,950	15,097,045
AUGLAIZE	26,669,310	1,584,268	MARION	59,647,050	3,959,921
BELMONT	71,960,900	4,306,545	MEDINA	111,527,980	9,942,300
BROWN	27,440,880	1,356,141	MEIGS	38,799,870	1,906,793
BUTLER	245,146,090	16,479,394	MERCER	24,231,220	1,384,267
CARROLL	40,439,560	2,102,980	MIAMI	63,431,660	4,420,497
CHAMPAIGN	31,196,190	1,929,323	MONROE	46,571,620	2,300,119
CLARK	89,223,690	6,211,803	MONTGOMERY	363,292,410	33,886,463
CLERMONT	274,686,180	18,479,715	MORGAN	53,181,560	2,824,842
CLINTON	36,223,980	1,907,619	MORROW	32,734,490	1,815,853
COLUMBIANA	80,843,000	4,652,468	MUSKINGUM	78,101,210	5,078,297
COSHOCTON	97,075,310	5,180,045	NOBLE	36,150,390	1,734,774
CRAWFORD	28,716,830	2,139,428	OTTAWA	120,915,300	7,157,922
CUYAHOGA	952,832,710	99,376,178	PAULDING	25,355,240	1,422,251
DARKE	55,305,600	2,700,192	PERRY	40,129,070	2,544,807
DEFIANCE	58,902,700	3,580,427	PICKAWAY	59,631,810	3,200,331
DELAWARE	142,727,630	10,684,900	PIKE	33,922,800	1,969,988
ERIE	72,786,890	5,846,777	PORTAGE	103,816,490	9,285,235
FAIRFIELD	104,236,090	7,612,887	PREBLE	39,286,760	2,101,101
FAYETTE	38,194,510	1,993,143	PUTNAM	27,913,110	1,424,434
FRANKLIN	818,178,840	79,250,606	RICHLAND	102,081,530	7,843,802
FULTON	45,221,150	3,254,803	ROSS	68,094,690	3,849,851
GALLIA	148,464,370	4,880,299	SANDUSKY	48,746,030	2,754,913
GEAUGA	74,862,590	7,035,408	SCIOTO	75,356,470	4,362,614
GREENE	103,103,410	7,994,644	SENECA	58,267,900	3,635,561
GUERNSEY	44,777,240	2,639,440	SHELBY	41,874,230	2,421,532
HAMILTON	745,869,180	67,204,971	STARK	274,006,710	21,048,888
HANCOCK	57,754,620	3,283,195	SUMMIT	328,390,690	28,397,732
HARDIN	25,673,180	1,541,711	TRUMBULL	150,141,120	10,910,238
HARRISON	20,646,770	1,242,594	TUSCARAWAS	71,154,330	4,389,159
HENRY	28,026,720	1,943,240	UNION	54,180,240	3,856,544
HIGHLAND	28,332,050	1,301,579	VAN WERT	21,650,110	1,428,671
HOCKING	49,550,180	3,018,717	VINTON	27,507,650	1,231,680
HOLMES	27,236,700	1,538,559	WARREN	156,725,190	12,057,775
HURON	39,057,980	2,288,919	WASHINGTON	131,309,050	6,880,176
JACKSON	44,439,170	1,906,510	WAYNE	72,254,480	5,276,666
JEFFERSON	218,676,990	11,750,846	WILLIAMS	28,809,640	1,945,529
KNOX	39,394,160	2,485,940	WOOD	95,634,220	7,427,235
LAKE	403,485,420	33,257,086	WYANDOT	15,185,910	774,276
LAWRENCE	59,582,600	2,155,801			
LICKING	130,243,180	7,967,652	TOTAL	\$10,142,270,940	\$775,375,587

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