

# NATURAL GAS CONSUMPTION TAX

The natural gas consumption tax was created by Amended Substitute Senate Bill 287, 123<sup>rd</sup> 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 Fiscal Year 2006, the tax generated approximately \$69.1 million in total revenue.



(R.C. 5727.82):

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

## TAXPAYER:

Companies that distribute natural gas in Ohio.

## TAX BASE (OHIO REVISED CODE 5727.811):

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     |
| 2,001 and above Mcf's                                                      | \$ .0411     |

2. 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) A special arrangement subject to review and regulation by the Ohio Public Utilities Commission under R.C. 4905.31;
- (b) A special arrangement with a natural gas distribution company pursuant to a municipal ordinance; and
- (c) A variable rate schedule that permits rates to vary between defined amounts, provided that the schedule is on file with the Public Utilities Commission.

3. 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):

- 1. Federal government.
- 2. 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:

None.

## 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 %     |

## ADMINISTRATION:

The Tax Commissioner administers the tax and the distribution of revenue to the various funds.

## OHIO REVISED CODE CITATIONS:

Chapter 5727.



## Amended Sub. H.B. 66, 126th General Assembly (effective September 29, 2005). R.C. 5727.84 (C) (3):

Revenues from the kilowatt-hour tax and the natural gas consumption tax are paid into a fund that is then divided between the General Revenue Fund and several other funds. Prior law provided that if the revenues raised by the tax fell below certain amounts, the amount of tax payable into the General Revenue Fund would be decreased in order to make up the lost revenue in the other funds. This law has been repealed and there will be no reduction in the amount of tax credited to the General Revenue Fund.

## NATURAL GAS CONSUMPTION TAX

TABLE  
NATURAL GAS CONSUMPTION TAX COLLECTIONS AND DISTRIBUTIONS  
FISCAL YEARS 2002(1) - 2006

| <b>Fiscal Year</b> | <b>Total Collections</b> | <b>School District Property Tax Replacement Fund</b> | <b>Local Government Property Tax Replacement Fund</b> |
|--------------------|--------------------------|------------------------------------------------------|-------------------------------------------------------|
| 2002 (1)           | \$55,937,596             | \$39,155,962                                         | \$16,781,634                                          |
| 2003               | 83,690,824               | 57,495,596 (2)                                       | 26,195,228(2)                                         |
| 2004               | 76,318,465               | 52,430,785 (2)                                       | 23,887,680(2)                                         |
| 2005               | 73,653,401               | 50,599,986 (2)                                       | 23,053,415(2)                                         |
| 2006               | 69,075,391               | 47,454,794(2)                                        | 21,620,597(2)                                         |

(1) Only nine months' collections occurred in FY 2002.  
(2) Distribution rates changed June 3, 2002, under the provisions of Sub. H.B. 129 of the 124th General Assembly.

Source: Returns filed with the Department of Taxation.

