

PUBLIC UTILITY PROPERTY TAX

This chapter describes the taxes levied on both the real and personal property of public utilities during calendar year 2005. 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 over \$9.8 billion in tax year 2005. Electric utilities accounted for about 61.1 percent of the total public utility personal property valuation in 2005 and the telephone industry accounted for 16.4 percent of the total valuation. These amounts were determined using the tax year 2005 assessment rates.

Revenue from the public utility property tax amounted to about \$755.2 million in calendar year 2005 (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.

A number of changes to the public utility property tax were enacted during the 126th General Assembly in Amended Substitute House Bill 66, the biennium budget bill for Fiscal Years 2006-2007 (see **Recent Legislation**). These changes will, over time, decrease revenue from some utilities.

TAXPAYER:

Local telephone, telegraph, electric, natural gas, pipeline, water works, 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 improve-

ments, while personal property includes all plant 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.

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.

Assessment rates for public utility personal property in tax years 2005 through 2010 are shown on the next page.

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Type of Utility	Assessment Rates for Tax Year					
	2005	2006	2007	2008	2009	2010
Electric companies and rural electric companies: production personal property	25%	24%	24%	24%	24%	24%
Electric companies: transmission and distribution personal property	88%	85%	85%	85%	85%	85%
Electric companies: all other tangible personal property	25%	24%	24%	24%	24%	24%
Rural electric companies: transmission and distribution personal property	50% for all years					
Rural electric companies: all other tangible personal property	25% for all years					
Natural gas companies	25% for all years					
Railroads: real property only	35% for all years					
Railroads: personal property only	25%	18.75%	12.5%	6.25%	0	0
Inter-exchange telecommunications companies	25%	25%	20%	15%	10%	5%
Telephone companies (only personal property taxed in tax year 1995 and thereafter)	25%	25%	20%	15%	10%	5%
All other existing telephone company personal property (prior to 1995)	67%	46%	20%	15%	10%	5%
Heating, pipeline, and water works companies	88% for all years					
Water transportation companies	25% for all years					

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 to the right.

Class of Utility	Distribution Base
Electric companies	Production equipment Taxable cost of all other property
Natural gas, heating, pipeline, water works, 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



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RATES (R.C. 319.30, 319.301, 5705.02-.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 an 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.



Am. Sub. House Bill 66, 126th General Assembly (Fiscal Year 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

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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 transporta-

tion 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 2001 - 2005

Class of Utility	Number of Taxpayers (2005)	Assessed Values				
		2001	2002	2003	2004	2005
Electric (1)	18	\$5,268,840,110	\$5,457,071,420	\$5,450,273,000	\$5,523,375,530	\$5,702,660,740
Telephone (2)	194	2,646,647,630	2,776,522,250	2,627,731,270	2,571,456,080	2,082,059,560
Natural Gas (3)	29	522,365,280	555,361,960	560,131,920	591,653,220	622,753,060
Railroad	33	384,089,250	262,126,650	275,488,860	270,911,390	280,935,810
Pipeline	17	645,520,830	638,727,270	645,206,580	695,838,050	719,356,480
Rural Electric	27	261,197,740	279,920,260	294,763,870	308,889,580	322,366,860
Water Works	17	109,361,370	102,110,620	119,104,530	122,202,520	130,002,630
Other (4)	7	4,667,040	4,017,170	3,675,010	3,010,510	2,737,940
Totals (5)	342	\$9,842,689,250	\$10,075,857,600	\$9,976,375,040	\$10,087,336,880	\$9,862,873,080
Taxes Levied		\$722,757,663	\$746,058,859	\$751,787,109	\$775,375,587	\$755,171,101

(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 companies.

(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.

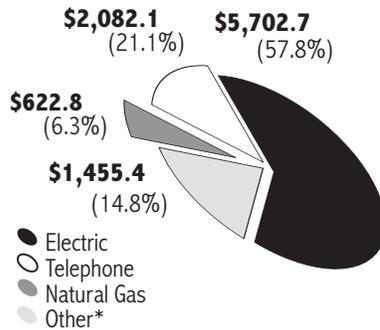
(5) Only companies with taxable property are included.

Source: Department of Taxation

Public Utility
Personal Property
Valuation
by Type
of Utility

Tax Year 2005

(figures in millions)



Total \$9,862.9 million

* Includes railroad, pipe line, rural electric, water works, water transportation, and heating.



TABLE 2

ASSESSED VALUE OF PUBLIC UTILITY PERSONAL PROPERTY AND TAXES LEVIED,
BY COUNTY, TAX YEAR 2005

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	\$156,193,450	\$6,854,717	LOGAN	\$37,702,670	\$2,376,617
ALLEN	86,569,560	4,870,162	LORAIN	293,044,830	23,859,915
ASHLAND	59,306,470	4,109,505	LUCAS	273,047,630	25,169,163
ASHTABULA	104,466,460	8,058,865	MADISON	32,081,000	2,075,844
ATHENS	84,400,680	6,547,480	MAHONING	182,002,970	14,239,569
AUGLAIZE	27,493,570	1,607,841	MARION	61,772,690	3,996,374
BELMONT	71,292,490	4,262,205	MEDINA	103,958,340	9,438,614
BROWN	27,646,720	1,415,459	MEIGS	38,768,360	1,891,458
BUTLER	245,781,550	17,729,292	MERCER	22,989,830	1,339,605
CARROLL	42,232,050	2,232,909	MIAMI	61,842,730	4,322,435
CHAMPAIGN	29,687,690	1,878,801	MONROE	45,548,930	2,249,049
CLARK	80,719,230	5,698,840	MONTGOMERY	346,477,690	32,636,928
CLERMONT	282,270,320	19,290,179	MORGAN	56,379,210	2,815,197
CLINTON	32,928,150	1,681,526	MORROW	26,694,370	1,477,964
COLUMBIANA	82,536,470	4,738,885	MUSKINGUM	80,144,210	5,081,726
COSHOCTON	98,508,390	5,018,284	NOBLE	35,215,480	1,662,002
CRAWFORD	27,357,020	1,989,737	OTTAWA	152,584,190	8,775,992
CUYAHOGA	857,096,760	90,375,493	PAULDING	25,131,780	1,426,307
DARKE	54,015,660	2,638,838	PERRY	42,219,650	2,629,170
DEFIANCE	54,102,640	3,364,383	PICKAWAY	69,164,030	3,947,696
DELAWARE	143,657,400	10,904,275	PIKE	34,689,431	2,005,600
ERIE	67,650,680	5,568,469	PORTAGE	97,004,090	8,700,493
FAIRFIELD	105,681,490	7,711,571	PREBLE	37,846,600	2,044,580
FAYETTE	33,384,940	1,870,069	PUTNAM	29,004,260	1,482,811
FRANKLIN	785,224,140	77,344,690	RICHLAND	96,915,410	7,277,851
FULTON	41,933,300	3,048,005	ROSS	65,223,240	3,794,582
GALLIA	154,316,540	6,299,846	SANDUSKY	45,525,100	2,593,143
GEAUGA	71,892,690	6,927,182	SCIOTO	78,152,810	4,597,722
GREENE	101,063,670	7,916,739	SENECA	56,945,320	3,613,502
GUERNSEY	48,014,730	2,884,569	SHELBY	41,061,700	2,352,027
HAMILTON	733,751,610	66,114,614	STARK	266,709,570	20,003,754
HANCOCK	58,898,310	3,453,084	SUMMIT	299,027,590	25,930,701
HARDIN	23,991,300	1,440,047	TRUMBULL	141,281,080	10,403,762
HARRISON	20,430,750	1,219,677	TUSCARAWAS	70,699,140	4,440,399
HENRY	23,614,210	1,657,906	UNION	51,514,770	3,710,981
HIGHLAND	28,370,820	1,306,624	VAN WERT	21,211,370	1,431,695
HOCKING	49,717,480	3,027,270	VINTON	26,974,700	1,211,166
HOLMES	27,148,360	1,535,837	WARREN	152,939,740	12,515,801
HURON	36,667,690	2,199,032	WASHINGTON	129,813,790	6,741,933
JACKSON	41,580,410	1,855,569	WAYNE	66,978,400	4,990,503
JEFFERSON	221,851,440	12,094,892	WILLIAMS	25,030,330	1,690,944
KNOX	39,517,390	2,453,832	WOOD	87,482,030	6,854,321
LAKE	379,428,180	31,309,358	WYANDOT	14,903,240	760,124
LAWRENCE	60,890,780	2,210,571			
LICKING	128,112,960	7,893,955			
			Total	\$9,855,100,901	\$755,171,101

Source: Abstracts filed by county auditors with the Department of Taxation.