

Kilowatt-Hour Tax

The kilowatt-hour tax was created by the Ohio General Assembly in 2001 as part of a broader legislative effort to deregulate electric utilities. The tax, effective May 1, 2001, replaced the public utility excise tax on electric and rural electric companies. It was also designed to replace revenues lost from the reduction of assessment rates on electric and rural electric tangible personal property.

The kilowatt-hour tax is levied on electric distribution companies with end users in this state. It levies tiered rates depending on the kilowatt-hour consumption of the individual end user of electricity. For certain large consumers of electricity, there exists a self-assessor option tax. This tax is partially based on price and partially based on consumption. Companies that provide both electric and other services must separate the charges for electricity from the other services they provide.

The tax is paid monthly. During Fiscal Year 2007, the tax generated approximately \$559.7 million in total revenue.

Taxpayer

Electric distribution companies with end users in Ohio are subject to the kilowatt-hour tax. The tax is also paid by certain large commercial and industrial end users (self-assessing purchasers) that consume more than 45 million kilowatt-hours of electricity during a calendar year. Self-assessing purchasers must qualify and register to self-assess the tax.

Tax Base (Ohio Revised Code 5727.81)

For end users that do not self-assess, the base is on the amount of the kilowatt-hours distributed to them per month.

For end users above 45 million kilowatt-hours (kWh) of annual consumption who opt to self-assess, it is partially based on the number of kilowatt-hours distributed to them per month and partially on the total price per month. The consumption portion of this option is capped at the first 504 million kWh distributed to the self-assessing purchaser during each registration year.

Rates (R.C. 5727.81)

Electric distribution companies pay rates based on their monthly distribution to each end user. The rates are tiered according to the amount of kilowatt-hours the individual end user consumes, as shown in the schedule below:

Monthly Distribution	Rate per kWh
For the first 0 – 2,000 kWh	0.465 cents
For the next 2,001 – 15,000 kWh	0.419 cents
For 15,001 kWh and above	0.363 cents

Self-assessing purchasers – end users above 45 million kWh in annual consumption – may register to self-assess the tax. This self-assessor tax is calculated as the sum of 4 percent of the total price of all electricity plus 0.075 cents per kWh on the first 504 million kWh of annual consumption. The self-assessing purchaser rate on the total price will decrease to 3.5 percent effective July 1, 2008, while the additional 0.075 cents per kWh levy will remain in place.

Exemptions (R.C. 5727.80, 5727.81)

Exempt end users of electricity are:

- the federal government;
- end users located at a federal facility that uses electricity to process uranium;
- qualified use of electricity by a qualified end user in a qualified manufacturing process; and
- qualified regeneration facilities.

Credits

None.

Special Provisions

For self-assessing purchasers that are served by a municipal electric utility and are located within that municipality, the tax is remitted to the municipality (see the **Municipal Income Tax for Electric Light Companies and Telephone Companies** chapter).

Filing and Payment Dates (R.C. 5727.82)

For kilowatt-hour and self-assessing taxpayers, the filing date is the 20th day of each month. The payment will reflect the amount of electricity distributed to the end users during the preceding month.

An annual application for registration as a self-assessing purchaser shall be made on a form prescribed by the Tax Commissioner. The registration year begins on May 1 and ends on the following April 30. Persons may apply after May 1 for the remainder of the registration year.

Disposition of Revenue (R.C. 5727.84)

When the kilowatt hour-tax was enacted, the law called for funds to be distributed according to the following schedule:

Fund	Percentage
General Revenue Fund	59.976%
Local Government Fund	2.646
Local Government Revenue Assistance Fund	0.378
School District Property Tax Replacement Fund	25.400
Local Government Property Tax Replacement Fund	11.600
Total Distribution	100.0%

But, starting with Fiscal Year 2002, the General Assembly temporarily froze distributions to the Local Government and Local Government Revenue Assistance funds. As a result, no distributions were made to these funds from the kilowatt-hour tax during fiscal years 2002-2005. Distributions from this tax were made to those funds in fiscal years 2006 and 2007 based on amounts specified by the General Assembly.

A new permanent distribution was specified in 2007 in House Bill 119 (see **Recent Legislation**). Effective for FY 2008, the General Revenue Fund receives 63 percent and distributions to the local government funds are eliminated.

Administration

The Tax Commissioner administers the kilowatt-hour tax and makes revenue payments to the various funds.

Ohio Revised Code Citations

Chapter 5727.

Recent Legislation

Amended Substitute House Bill 119, 127th General Assembly (FY 2008-2009 biennium budget bill; effective July 1, 2007).

- Reduced the rate applicable to the price component of the tax paid by self-assessing purchasers from 4 percent of the price to 3.5 percent of the price. Uncodified section 757.01 requires the Tax Commissioner to review, every two years during biennial budget deliberations, the rate paid by self-assessing purchasers of electricity on the price of electricity.
- Made permanent the revenue distribution increase to the General Revenue Fund of 63 percent from 59.976 percent and eliminated distributions to the Local Government Fund and the Local Government Revenue Assistance Fund.

Am. Sub. H.B. 66, 126th General Assembly (FY 2006-2007 biennium budget bill; this provision effective September 29, 2005).

A freeze was continued in FY 2006 and FY 2007 under the provisions of H.B. 66, 126th General Assembly. During FY 2006 and FY 2007, the amounts of the kilowatt-hour tax going to the local government funds were designated in the budget bill. (R.C. 5727.84)

**Table
Kilowatt-Hour Tax Collections and Distributions:
Fiscal Years 2003 - 2007**

Fiscal Year	Total Collections	State General Revenue Fund	Local Government Fund	Local Government Revenue Assistance Fund	School District Property Tax Replacement Fund	Local Government Property Tax Replacement Fund
2003	\$539,448,630	\$339,852,637	0	0	\$137,019,952	\$62,576,041
2004	538,044,462	338,961,216	0	0	136,668,104	62,415,142
2005	539,354,909	339,793,592	0	0	136,996,147	62,565,170
2006	557,166,445	325,307,962	\$22,493,535	\$3,213,362	141,520,356	64,631,229
2007	559,691,878	326,929,075	22,493,535	3,213,362	142,161,737	64,924,258

