

Public Utility Property Tax

This chapter describes the taxes levied on both the real and personal property of public utilities during tax year 2006. 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 \$9.6 billion in tax year 2006. Electric utilities accounted for about 60.4 percent of the total public utility personal property valuation in 2006 and the telephone industry accounted for 17.9 percent of the total valuation. These amounts were determined using the tax year 2006 assessment rates.

Revenue from the public utility property tax amounted to about \$745.8 million in calendar year 2006 (see Table 1 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 locally, 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 Dec. 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 Dec. 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. 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.

The true value of electric company production equipment and all taxable property of a rural electric company is 50 percent of capitalized cost, except for the production equipment of electric or rural electric companies purchased, transferred or sold after July 6, 1999, the date when the electric deregulation legislation known as Senate Bill 3 became effective. The true value of production equipment purchased, transferred or sold after this date is the capitalized cost on the books and records, less composite annual allowances.

The true value of current gas (gas available for market) 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. The true value of non-current gas (gas not available for market that provides pressure for cycling current gas) stored underground is 35 percent of cost on the tax 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 Ohio 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. Those assessment rates are shown in the exhibit in this chapter for tax years 2005 through 2010.

Real property values of all utilities except railroads are assigned to local taxing districts throughout Ohio according to the physical location of the property.

The taxable personal property values of all utilities are apportioned among the taxing districts as described below:

- Natural gas, heating, pipeline, water works, rural electric and water transportation companies: Taxable value is apportioned according to the cost of all taxable personal property physically located in each taxing district as a proportion of the total cost of all such taxable personal property physically located in the state.

- Electric companies: For production equipment, the total taxable value is apportioned to the taxing district in which the property is physically located. For all other property, the taxable value is apportioned according to the cost of this property physically located in each taxing district as a proportion of the total cost of all such taxable personal property physically located in the state.
- Telephone and inter-exchange telecommunications companies: Taxable value is apportioned in proportion to the total miles of wire located in each taxing district as compared to the miles of wire for the entire state. For companies that have no miles of wire in the state, the taxable value is apportioned according to the cost of all taxable personal property physically located in each taxing district as a proportion of the total cost of all taxable personal property physically located in the state.
- Railroads: Taxable value is apportioned according to the miles of track and trackage rights, weighted by use.
- 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 Dec. 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 ¹	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 ²	323.12 323.17	At least half of total tax liability due
June 20 ²	323.12 323.17	Balance of tax liability due

¹ Tax Commissioner may grant an extension of up to 60 days.

² 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 Year 2006-2007 biennium budget bill, effective June 30, 2005).

This bill enacted a number of changes to the public utility property tax.

Beginning in 2006:

- Patterns, jigs, dies, and drawings will be considered taxable personal property of electric companies;

Rates (R.C. 319.30, 319.301, 5705.02-.05, 5705.19)

Tax rates vary by taxing jurisdiction. The total tax rate is the sum of all levies enacted by legislative authority or approved by voters for all taxing jurisdictions in which the property is located or to which it is apportioned. Examples of taxing jurisdictions include counties, townships, municipal corporations and school districts.

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 factors applied according to R.C. 319.301, commonly known as "House Bill 920." For details on tax reduction factors, see the section on credits in **Real Property Tax**.

Tax reduction factors do not apply to the 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)

The following types of property are exempt:

- municipally-owned utilities.
- certified air, water, and noise pollution control facilities.
- licensed motor vehicles.
- tangible personal property under construction.
- the real and personal property of nonprofit corporations and political subdivisions used exclusively in the treatment, distribution, and sale of water to consumers.

Other available exemptions are described below.

- Qualified electric generating property may qualify for a property tax reduction if placed in an enterprise zone.

- 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.

Beginning in 2007:

- Telephone companies and inter-exchange telecommunications companies will be defined as general business taxpayers instead of public utilities;
- all telephone and inter-exchange telecommunications companies will use the same composite allowances and other valuation procedures as prescribed by the Tax Commissioner for such property for tax year 2006 in tax year 2007 and subsequent tax years, unless otherwise notified of any changes;
- telephone and inter-exchange telecommunications companies will be listed and assessed under R.C. 5711 and the 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.

Beginning in 2009:

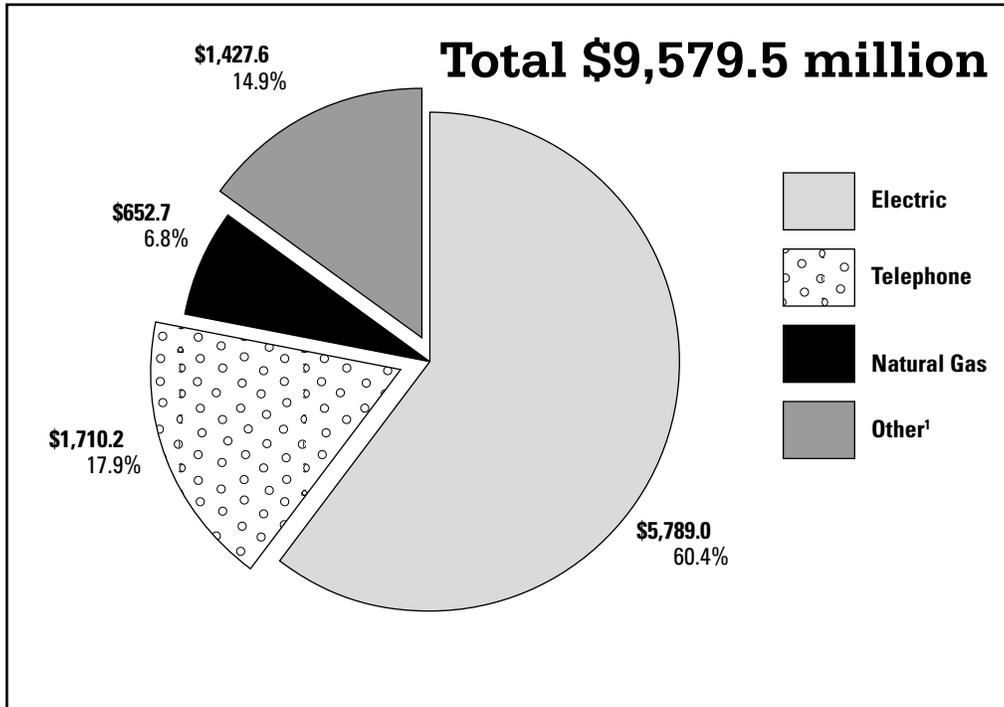
- Any person or entity that is not a public utility or an inter-exchange telecommunications company and that leases its personal property to a public utility will be considered a “public utility lessor” and will be required to report and pay tax on its property in the same manner as the utility to which it leases its property. This treatment applies to all such leased property that would otherwise be subject to public utility property tax if it were owned and used directly by the utility except: (1) property leased to a public utility in a sale and leaseback transaction, and (2) property leased to a railroad, water transportation, telephone, or telegraph company. See R.C. 5727.01(M) for more information.
- Additionally, R.C 5727.031 requires a taxpayer that produces electricity for its own (non-utility) business and sells excess electricity to others to be treated as an electric company for property taxation purposes. Those taxpayers are required to report and pay the tax on a percentage of the true value of their eligible equipment based on the amount of electricity generated in the preceding year that was sold to other parties.



Exhibit
Public Utility Personal Property Assessment Rates:
Tax Years 2005 - 2010

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					

Chart
Public Utility
Personal Property Valuation by Type of Utility:
Tax Year 2006
 (figures in millions)



¹ Includes railroad, pipeline, rural electric, water works, water transportation, and heating.

Table 1
Public Utility Personal Property - Certified Assessed Value by
Class Of Utility and Total Taxes Levied: Tax Years 2002 - 2006

Class of Utility	Number of Taxpayers 2006	Assessed Values				
		2002	2003	2004	2005	2006
Electric ¹	18	\$5,457,071,420	\$5,450,273,000	\$5,523,375,530	\$5,702,660,740	\$5,789,028,700
Telephone ²	175	2,776,522,250	2,627,731,270	2,571,456,080	2,082,059,560	1,710,226,520
Natural Gas ³	29	555,361,960	560,131,920	591,653,220	622,753,060	652,656,240
Railroad	36	262,126,650	275,488,860	270,911,390	280,935,810	221,809,710
Pipeline	16	638,727,270	645,206,580	695,838,050	719,356,480	733,341,850
Rural Electric	27	279,920,260	294,763,870	308,889,580	322,366,860	337,995,440
Water Works	16	102,110,620	119,104,530	122,202,520	130,002,630	131,570,430
Other ⁴	7	4,017,170	3,675,010	3,010,510	2,737,940	2,837,390
Totals⁵	342	\$10,075,857,600	\$9,976,375,040	\$10,087,336,880	\$9,862,873,080	\$9,579,466,280
Taxes Levied		\$746,058,859	\$751,787,109	\$775,375,587	\$755,171,101	\$745,800,863

1 Assessment of electric company property was lowered from 100 percent to 25 percent 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 percent to 25 percent 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

Table 2
Assessed Value of Public Utility Personal Property and Taxes Levied
by County: Tax Year 2006

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	\$159,411,680	\$7,000,744	LOGAN	\$38,809,120	\$2,493,155
ALLEN	89,476,040	5,017,110	LORAIN	279,431,280	23,215,043
ASHLAND	61,198,010	4,235,620	LUCAS	272,674,520	25,480,157
ASHTABULA	104,832,880	7,915,381	MADISON	31,568,360	2,075,973
ATHENS	81,715,810	6,274,074	MAHONING	185,871,570	14,588,424
AUGLAIZE	26,776,320	1,568,352	MARION	60,531,060	3,942,734
BELMONT	72,671,240	4,453,855	MEDINA	102,264,740	9,326,824
BROWN	27,223,880	1,387,448	MEIGS	37,740,830	1,860,799
BUTLER	236,656,000	17,525,166	MERCER	22,967,370	1,327,543
CARROLL	43,136,420	2,281,422	MIAMI	60,254,860	4,239,326
CHAMPAIGN	27,755,380	1,756,310	MONROE	44,586,620	2,200,687
CLARK	79,695,140	5,934,513	MONTGOMERY	339,882,078	32,127,515
CLERMONT	282,286,450	19,403,515	MORGAN	57,195,780	3,225,317
CLINTON	31,866,370	1,606,223	MORROW	26,152,980	1,419,317
COLUMBIANA	81,433,320	4,696,902	MUSKINGUM	79,420,980	5,174,647
COSHOCTON	86,710,000	4,524,768	NOBLE	35,096,320	1,655,791
CRAWFORD	26,869,670	1,953,306	OTTAWA	123,904,690	7,273,795
CUYAHOGA	840,465,690	88,194,996	PAULDING	27,450,770	1,558,240
DARKE	53,652,890	2,649,149	PERRY	42,620,900	2,658,850
DEFIANCE	56,059,610	3,506,807	PICKAWAY	66,427,930	3,898,292
DELAWARE	143,041,490	10,831,946	PIKE	32,964,211	1,835,091
ERIE	64,700,600	5,355,179	PORTAGE	93,544,950	8,434,442
FAIRFIELD	104,442,650	7,679,055	PREBLE	36,768,330	1,968,025
FAYETTE	31,730,990	1,766,236	PUTNAM	28,465,750	1,441,093
FRANKLIN	745,706,020	74,642,396	RICHLAND	96,158,960	7,321,219
FULTON	43,010,670	3,197,689	ROSS	61,682,170	3,654,771
GALLIA	159,817,970	6,505,848	SANDUSKY	45,922,420	2,616,856
GEAUGA	72,092,480	7,011,101	SCIOTO	77,228,740	4,532,833
GREENE	96,011,820	7,475,092	SENECA	55,628,000	3,522,835
GUERNSEY	48,240,900	2,843,203	SHELBY	40,571,310	2,373,617
HAMILTON	717,826,440	64,410,915	STARK	264,161,620	20,144,173
HANCOCK	59,749,310	3,559,441	SUMMIT	289,607,210	26,216,794
HARDIN	24,169,130	1,339,096	TRUMBULL	135,367,260	10,088,806
HARRISON	20,511,660	1,223,964	TUSCARAWAS	70,521,320	4,416,205
HENRY	23,001,250	1,582,606	UNION	55,416,250	4,071,824
HIGHLAND	27,488,750	1,269,176	VAN WERT	20,384,690	1,379,433
HOCKING	50,424,140	3,081,375	VINTON	26,802,180	1,225,025
HOLMES	27,319,890	1,544,627	WARREN	155,539,600	12,734,698
HURON	36,038,950	2,176,766	WASHINGTON	132,741,070	6,934,926
JACKSON	42,996,080	1,886,612	WAYNE	66,291,030	4,980,942
JEFFERSON	228,117,170	12,474,624	WILLIAMS	24,534,520	1,707,104
KNOX	39,534,460	2,438,917	WOOD	88,016,230	6,970,039
LAKE	370,224,700	30,438,717	WYANDOT	14,657,540	744,923
LAWRENCE	63,322,760	2,353,395			
LICKING	126,951,180	7,769,127	TOTAL	\$9,684,192,379	\$745,800,863