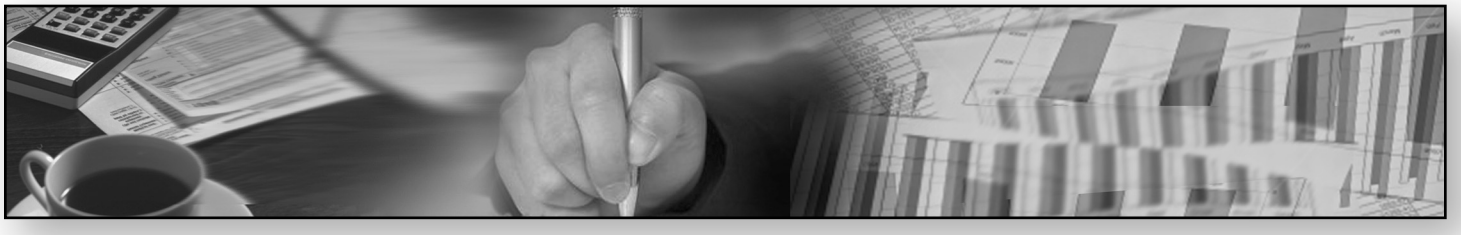

Kilowatt-Hour Tax

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. The tax has tiered rates that vary according to the kilowatt-hour consumption of individual end users of electricity. For certain large consumers of electricity, there exists a self-assessor option tax that 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 2008, the tax generated approximately $570.7 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)

The kilowatt-hour tax has two bases with payment determined by the number of kilowatt hours (kWh) distributed to end users in Ohio:

- for end users at or below 45 million kWh in annual consumption, the base is on the amount of kilowatt hours distributed to them per month.
- for end users above 45 million kWh of annual consumption who opt to self-assess, the tax base 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 base 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
The first 0 – 2,000 kWh	0.465 cents
The next 2001 – 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 3.5 percent of the total price of all electricity plus 0.075 cents per kWh on the first 504 million kWh of annual consumption.

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.

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. Payments reflect the amount of electricity distributed to the end users during the preceding month.

An application for registration as a self-assessing purchaser and payment of a $500 fee shall be made annually before the first day of May. The registration year begins on May 1 and ends on the following April 30.

Disposition of Revenue

(R.C. 5727.84)

Since January 2008, state law has called for funds to be distributed according to the following schedule:

Fund	Percentage
General Revenue Fund	63%
School District Property Tax Replacement Fund	25.4
Local Government Property Tax Replacement Fund	11.6
Total Distribution	100%

Administration

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

Ohio Revised Code Citations

Chapter 5727.

Table

Kilowatt-Hour Tax Collections and Distributions: Fiscal Years 2004 - 2008

Fiscal Year	Total Collections	State General Revenue Fund	Local Government Fund	Local Government Revenue Assistance Fund	Public Library Fund	School District Property Tax Replacement Fund	Local Government Property Tax Replacement Fund
2004	$538,044,462	$338,961,216	$0	$0	$0	$136,668,104	$62,415,142
2005	539,354,909	339,793,592	0	0	0	136,996,147	62,565,170
2006	557,166,445	325,307,962	22,493,535	3,213,362	0	141,520,356	64,361,229
2007	559,691,878	326,929,075	22,493,535	3,213,362	0	142,161,737	64,924,258
2008	570,676,257	231,217,687	6,232,333	890,333	121,218,846	144,915,698	66,201,360

Source: State of Ohio accounting system.