



Property Tax – Public Utility Property

This chapter deals largely with property taxes levied on the tangible personal property of public utilities. Public utility personal property is the only personal property that will remain subject to property taxation once changes enacted by the Ohio General Assembly in 2005 are fully phased in. Some of these tax changes also apply to the taxation of public utility property and will, over time, decrease property tax revenue from some utilities.

This chapter also touches on the taxation of public utility real property, since the Department of Taxation has a role in assessing the real property of railroads. However, tables showing the taxes paid on public utility real property will be found in the **Property Tax – Real Property** chapter.

The assessed valuation of public utility personal property was approximately \$8.5 billion in tax year 2007. Electric utilities accounted for about 75.2 percent of the total public utility personal property valuation in 2007 and the natural gas industry accounted for 8.4 percent of the total valuation. These amounts were determined using the tax year 2007 assessment rates.

Revenue from the public utility property tax amounted to about \$621.2 million in calendar year 2007 (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.

Taxpayer

Public utilities subject to taxation on their tangible personal property include electric, rural electric, natural gas, pipeline, water works, water transportation, heating and telegraph companies.

Railroads formerly paid tax on tangible personal property, but saw the tax eliminated as part of a three-year phase-out that also applied to general business taxpayers. The assessment rate on railroad personal property was reduced from 25 percent of true value in 2005 to 18.75 percent for 2006, 12.5 percent for 2007, 6.25 percent for 2008 and zero percent for 2009 and thereafter.

The tax on tangible personal property is also being phased out for telephone companies and inter-exchange telecommunications companies, which were reclassified as general business taxpayers as of Jan. 1, 2007. The assessment rate for telephone companies and inter-exchange telecommunications companies is 20 percent of true value for 2007, 15 percent for 2008, 10 percent for 2009 and 5 percent for 2010. In 2011 and thereafter, the assessment rate will be zero percent of true value.

Changes for 2009

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 is considered a “public utility lessor” and is 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 property leased to a public utility in a sale and leaseback transaction, and property leased to a railroad, water transportation, telephone, or telegraph company (R.C. 5727.01(M)).

Also, beginning in 2009, a taxpayer that produces electricity for its own (non-utility) business and sells excess electricity to others will 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 (R.C. 5727.031).

Tax Base

(Ohio Revised Code 5715.01, 5727.01, 5727.06, 5727.10, 5727.11, 5727.111, 5727.12, 5727.14, 5727.15)

For most public utilities, the personal property tax base consists of all tangible personal property owned and located in Ohio on Dec. 31 of the preceding year. The exceptions:

- For water transportation companies, the 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.
- Railroad property, both real and personal, is valued according to the unitary method described under **Determining true value**, on next page.

Listing percentages

The percentage of true value at which personal property is listed for taxation varies according to the type of public utility. The percentages are as follows:

Electric companies:

Production personal property	24%
Transmission and distribution personal property	85%
All other tangible personal property	24%

Rural electric companies:

Transmission and distribution personal property	50%
All other tangible personal property ¹	25%

Natural gas companies

25%

Heating, pipeline, and water works companies

88%

Water transportation companies

25%

The table above does not include the listing percentages for the personal property of railroads, telephone companies and inter-exchange telecommunications companies, which are falling to zero according to schedules described in the **Taxpayer** section.

The above table also does not apply to real property. All public utilities also pay tax on real property, which is uniformly listed at 35 percent of true value in Ohio. 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.

Determining true value

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. Exceptions:

- 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.

Apportionment of value

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 of all railroad property in the state (in this case, both real and personal) is apportioned according to the miles of track in Ohio and track-age rights, weighted by use, compared to the miles of track in the entire system.

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, school districts, joint vocational school districts and special service districts.

These total rates, or gross tax rates, apply to personal property. For real property, the application of tax reduction factors according to R.C. 319.301, commonly known as "House Bill 920," results in lower "effective" tax rates. For

¹ Including production equipment.

details on tax reduction factors, see the section on credits in **Real Property Tax**.

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 public utility 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 include:

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

Chart

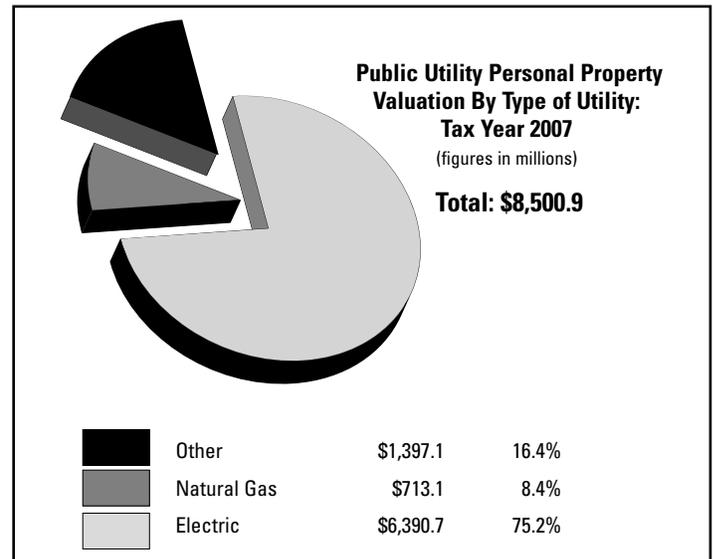


Table 1

Class of Utility	Number of Taxpayers 2007	Public Utility Personal Property - Certified Assessed Value by Class Of Utility and Total Taxes Levied: Tax Years 2003 - 2007				
		Assessed Values				
		2003	2004	2005	2006	2007
Electric ¹	20	\$5,450,273,000	\$5,523,375,530	\$5,702,660,740	\$5,789,028,700	\$6,390,727,590
Telephone ²	-	2,627,731,270	2,571,456,080	2,082,059,560	1,710,226,520	-
Natural Gas ³	29	560,131,920	591,653,220	622,753,060	652,656,240	713,082,350
Railroad	37	275,488,860	270,911,390	280,935,810	221,809,710	133,631,890
Pipeline	16	645,206,580	695,838,050	719,356,480	733,341,850	713,799,520
Rural Electric	27	294,763,870	308,889,580	322,366,860	337,995,440	391,893,760
Water Works	16	119,104,530	122,202,520	130,002,630	131,570,430	153,161,070
Other ⁴	7	3,675,010	3,010,510	2,737,940	2,837,390	4,619,360
Totals⁵	152	\$9,976,375,040	\$10,087,336,880	\$9,862,873,080	\$9,579,466,280	\$8,500,915,540
Taxes Levied		\$751,787,109	\$775,375,587	\$755,171,101	\$745,800,863	\$621,194,887

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 Starting in tax year 2007, values of telephone and inter-exchange telecommunications companies are included with general business tangible personal property values.

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 2007					
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	\$180,266,400	\$7,964,303	LOGAN	\$31,548,520	\$2,021,862
ALLEN	76,794,020	4,359,111	LORAIN	242,322,740	20,293,673
ASHLAND	54,595,910	3,780,202	LUCAS	211,387,090	19,467,732
ASHTABULA	83,439,520	6,371,304	MADISON	29,975,270	1,987,844
ATHENS	77,165,970	5,714,497	MAHONING	139,765,510	10,888,174
AUGLAIZE	17,499,690	1,071,320	MARION	61,355,540	4,013,551
BELMONT	67,135,600	4,095,982	MEDINA	82,331,600	7,342,438
BROWN	26,137,270	1,333,543	MEIGS	35,639,130	1,766,929
BUTLER	221,175,070	16,295,532	MERCER	19,621,200	1,137,872
CARROLL	41,087,340	2,168,684	MIAMI	53,198,900	3,610,896
CHAMPAIGN	29,377,700	1,871,671	MONROE	42,714,480	2,104,826
CLARK	64,213,480	4,688,870	MONTGOMERY	274,928,290	26,515,354
CLERMONT	275,816,290	18,803,463	MORGAN	56,255,160	3,177,378
CLINTON	27,765,220	1,464,733	MORROW	19,683,410	1,052,127
COLUMBIANA	73,318,200	4,185,464	MUSKINGUM	72,610,030	4,726,313
COSHOCTON	91,674,900	4,678,802	NOBLE	33,192,050	1,546,481
CRAWFORD	21,898,020	1,588,403	OTTAWA	119,913,070	6,869,733
CUYAHOGA	588,838,680	61,652,984	PAULDING	23,784,080	1,321,743
DARKE	44,241,220	2,220,520	PERRY	39,526,310	2,441,718
DEFIANCE	46,865,840	2,979,400	PICKAWAY	54,119,220	3,120,929
DELAWARE	125,269,450	9,455,509	PIKE	31,755,010	1,760,118
ERIE	47,524,950	4,010,714	PORTAGE	73,644,680	6,532,968
FAIRFIELD	96,038,050	6,894,363	PREBLE	32,372,420	1,754,348
FAYETTE	31,730,990	1,714,844	PUTNAM	23,799,120	1,199,467
FRANKLIN	553,976,680	55,304,512	RICHLAND	80,158,830	6,356,835
FULTON	35,585,730	2,611,639	ROSS	49,436,490	2,901,834
GALLIA	172,447,760	6,991,976	SANDUSKY	38,936,700	2,262,834
GEAUGA	56,385,620	5,487,189	SCIOTO	71,147,270	4,159,792
GREENE	83,179,950	6,606,713	SENECA	50,869,230	3,255,997
GUERNSEY	43,044,310	2,569,044	SHELBY	33,042,620	1,923,107
HAMILTON	604,778,670	54,975,934	STARK	224,773,430	17,125,238
HANCOCK	52,267,820	3,036,070	SUMMIT	205,120,870	18,484,280
HARDIN	20,398,190	1,146,679	TRUMBULL	105,814,580	7,962,015
HARRISON	20,926,210	1,258,917	TUSCARAWAS	61,650,840	3,907,505
HENRY	17,066,490	1,221,835	UNION	50,714,020	3,753,061
HIGHLAND	26,027,940	1,182,229	VAN WERT	18,204,360	1,211,338
HOCKING	44,365,550	2,706,542	VINTON	29,222,250	1,336,479
HOLMES	24,437,930	1,375,694	WARREN	135,350,390	11,005,130
HURON	29,147,380	1,766,407	WASHINGTON	123,695,980	6,943,211
JACKSON	42,356,190	1,849,184	WAYNE	51,758,720	3,938,916
JEFFERSON	231,203,020	12,612,859	WILLIAMS	19,385,710	1,347,634
KNOX	33,686,470	2,071,411	WOOD	70,299,120	5,559,589
LAKE	333,127,300	27,308,876	WYANDOT	12,521,710	631,424
LAWRENCE	60,869,940	2,254,691	Total	\$8,243,145,630	\$621,194,887