



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 are located in the **Property Tax – Real Property** chapter.

The assessed value of public utility personal property was approximately \$8.9 billion in tax year 2009. Electric utilities accounted for about 75 percent of total public utility personal property value in 2009 and the natural gas industry accounted for 8.6 percent.

Revenue from the public utility property tax amounted to about \$576.6 million in calendar year 2009 (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 2010

Renewable energy facilities that are not financed through the Ohio Air Quality Development Authority are exempt from the tangible personal property tax. Such facilities will require a payment in lieu of taxes on the basis of each megawatt of production capacity. In order to qualify, advanced energy project facilities must begin construction before January 1, 2012, produce energy by 2013 (or 2017 for nuclear, clean coal and cogeneration projects) and create Ohio jobs. (R.C. 5727.75)

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**, below.

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, and telephone companies and inter-exchange telecommunications companies, whose rates were to fall to zero in 2009 and 2011, respectively, 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 used in railroad operations, the unitary method is

used to value the company’s entire railroad system property as a whole. The value is apportioned to Ohio in the proportion that the length of track in this state bears to the whole length of track. The value of railroad personal property not used in operations is assessed by the Tax Commissioner, while real property not used in operations is assessed by county auditors, both using the normal means of valuing each type of property.

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 used in operations in the state (in this case, both real and personal) is apportioned to Ohio according to the miles of track in each taxing district and trackage rights, weighted by use, compared to the miles of track in the entire system. Values for railroad real and personal property not used in operations are situated on the basis of their physical location.

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

¹ Including production equipment.

“House Bill 920” results in lower “effective” tax rates. For details on tax reduction factors, see the section on credits in the **Property Tax – Real Property** chapter.

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.

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.

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

Reporting, Certification, and Payment Dates

Annual reports are due by March 1, but the Tax Commissioner may grant an extension of up to 60 days (R.C. 5727.08 and 5727.48).

The Tax Commissioner notifies utilities and county auditors of values on or before the first Monday in October (R.C. 5727.10 and 5727.23).

Tax payments are due according to the same first- and second-half due dates for real property taxes. According to statute, at least one half of a real property tax bill is due by Dec. 31, with the balance due by June 20. In practice, these deadlines may be extended by 45 days, or even longer in certain circumstances, on a county-by-county basis (R.C. 323.12 and 323.17).

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

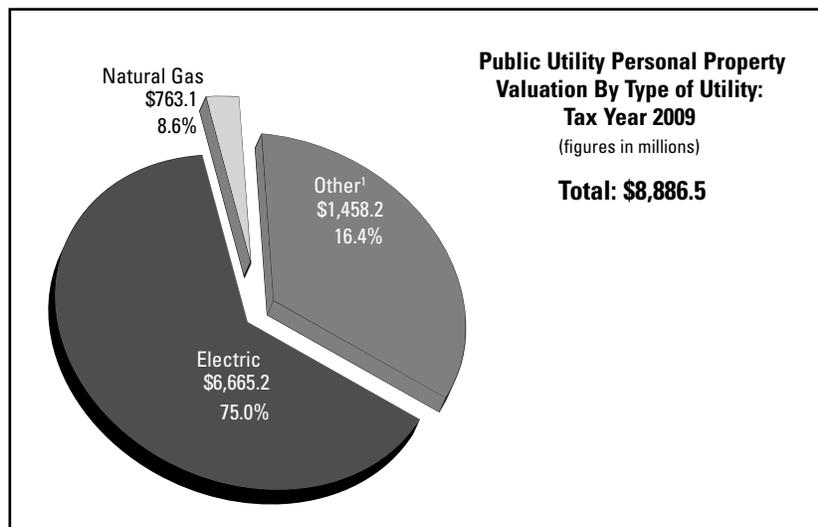
(R.C. 5713.01, 5727.06)

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



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

Table 1

Class of Utility	Number of Taxpayers	Public Utility Personal Property - Certified Assessed Value by Class Of Utility and Total Taxes Levied: Tax Years 2005 - 2009				
		2005	2006	2007	2008	2009
Electric ¹	19	\$5,702,660,740	\$5,789,028,700	\$6,139,587,280	\$6,390,727,590	\$6,665,194,420
Telephone ²	-	2,082,059,560	1,710,226,520	-	-	-
Natural Gas ³	28	622,753,060	652,656,240	687,377,830	713,082,350	763,148,170
Railroad	35	280,935,810	221,809,710	166,453,130	133,631,890	181,286,750
Pipeline	15	719,356,480	733,341,850	718,061,960	713,799,520	742,391,230
Rural Electric	27	322,366,860	337,995,440	356,232,540	391,893,760	379,305,110
Water Works	15	130,002,630	131,570,430	155,095,100	153,161,070	151,025,180
Other ⁴	7	2,737,940	2,837,390	3,148,860	4,619,360	4,168,520
Totals⁵	146	\$9,862,873,080	\$9,579,466,280	\$8,225,956,700	\$8,500,915,540	\$8,886,519,380
Taxes Levied		\$755,171,101	\$745,800,863	\$621,194,887	\$645,176,010	\$676,598,501

Source: Department of Taxation.

- 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.

Table 2

Assessed Value of Public Utility Personal Property and Taxes Levied by County: Tax Year 2009					
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	\$184,809,220	\$8,210,142	LOGAN	\$30,633,880	\$1,919,117
ALLEN	82,211,520	4,708,900	LORAIN	213,031,650	17,898,197
ASHLAND	54,999,720	3,837,183	LUCAS	215,568,350	20,461,275
ASHTABULA	82,896,240	6,312,687	MADISON	28,804,230	1,938,661
ATHENS	82,491,110	6,037,795	MAHONING	148,027,630	11,836,153
AUGLAIZE	17,373,040	1,071,538	MARION	62,420,580	4,097,053
BELMONT	72,220,000	4,387,373	MEDINA	89,068,810	8,006,451
BROWN	31,865,810	1,682,405	MEIGS	38,821,670	1,922,188
BUTLER	229,633,580	16,880,966	MERCER	19,939,000	1,155,814
CARROLL	42,955,410	2,262,144	MIAMI	53,867,900	3,727,553
CHAMPAIGN	23,295,810	1,564,349	MONROE	47,090,070	2,709,210
CLARK	68,445,000	5,081,079	MONTGOMERY	287,561,460	28,858,426
CLERMONT	296,602,810	20,520,149	MORGAN	63,664,810	3,607,644
CLINTON	30,119,530	1,565,731	MORROW	21,613,750	1,216,412
COLUMBIANA	79,002,340	4,489,549	MUSKINGUM	80,156,260	5,417,693
COSHOCTON	106,373,270	5,410,610	NOBLE	36,906,410	1,829,019
CRAWFORD	21,958,570	1,641,556	OTTAWA	120,108,940	6,967,063
CUYAHOGA	654,490,340	69,749,015	PAULDING	26,100,750	1,531,181
DARKE	46,336,690	2,389,628	PERRY	46,256,790	2,916,426
DEFIANCE	47,451,390	2,989,332	PICKAWAY	58,196,610	3,354,865
DELAWARE	137,573,530	11,397,008	PIKE	33,793,900	1,897,478
ERIE	51,169,280	4,336,312	PORTAGE	76,956,090	6,859,353
FAIRFIELD	104,533,750	7,681,962	PREBLE	32,066,750	1,779,077
FAYETTE	29,996,530	1,687,673	PUTNAM	23,937,810	1,221,316
FRANKLIN	594,285,870	62,669,936	RICHLAND	83,804,890	6,693,665
FULTON	35,523,490	2,607,444	ROSS	54,042,190	3,272,528
GALLIA	182,400,260	7,390,716	SANDUSKY	43,605,630	2,548,036
GEAUGA	64,208,980	6,273,450	SCIOTO	73,570,800	4,384,816
GREENE	84,451,610	6,810,350	SENECA	47,434,790	3,056,904
GUERNSEY	46,668,760	2,837,093	SHELBY	30,557,070	1,901,003
HAMILTON	650,512,630	62,555,474	STARK	246,692,550	19,411,683
HANCOCK	56,962,270	3,468,443	SUMMIT	225,551,070	20,288,188
HARDIN	21,587,670	1,223,386	TRUMBULL	110,624,210	8,588,482
HARRISON	23,095,360	1,436,391	TUSCARAWAS	65,975,430	4,215,167
HENRY	16,808,980	1,204,901	UNION	51,952,330	3,978,167
HIGHLAND	28,112,910	1,334,738	VAN WERT	19,322,180	1,290,718
HOCKING	50,178,200	3,061,978	VINTON	30,166,640	1,381,543
HOLMES	27,841,490	1,602,103	WARREN	153,261,530	12,416,727
HURON	31,777,980	1,945,438	WASHINGTON	126,048,040	7,068,479
JACKSON	45,117,040	1,940,398	WAYNE	59,532,950	4,474,414
JEFFERSON	256,976,910	13,628,726	WILLIAMS	18,588,860	1,275,425
KNOX	37,862,460	2,459,316	WOOD	69,271,320	5,512,090
LAKE	361,650,070	30,379,626	WYANDOT	12,851,480	682,399
LAWRENCE	64,632,940	2,343,381			
LICKING	123,624,580	7,962,064	TOTAL	\$8,760,533,010	\$676,598,501