



## Public Utility Excise Tax

Ohio's public utility excise tax is a tax on the privilege of doing business in Ohio, measured by gross receipts. It dates back to 1894.

Classes of utilities liable for the tax include natural gas, heating, pipeline, telegraph, water transportation and water works companies. Companies liable for this excise tax do not pay the corporation franchise tax or the commercial activity tax.

Gross receipts comprise the tax base for the utility classes, with rates of 6.75 percent for pipeline companies and 4.75 percent for all other taxpayers.

Close to \$132 million in public utility excise tax liabilities were reported during the 2010 tax year. Of this, natural gas companies accounted for about 97 percent of total tax reported.

Total revenue collected from the public utility tax amounted to \$136.7 million in fiscal year 2010. All of this revenue was distributed to the General Revenue Fund.

### Taxpayer

Taxpayers with public utilities excise tax liability include heating, pipeline, water transportation, water works, and natural gas companies. Although Ohio no longer has telegraph companies, such companies would also be subject to the tax.

Public utilities owned by municipal corporations are exempt from the tax. So are all telephone companies, inter-exchange telecommunications companies, electric companies, rural electric companies, nonprofit water companies, and railroads.

### Tax Base

(Ohio Revised Code 5727.01)

The tax is measured by taxable gross receipts.

### Rates

(R.C. 5727.25 and 5727.38)

The tax rate is 6.75 percent for pipeline companies and 4.75 percent for all other taxpayers. A minimum tax of \$50 applies each tax year.

### Exemptions and Deductions

(R.C. 5727.05, 5727.33)

All companies receive a standard annual deduction of \$25,000. Since May 1, 2000, natural gas companies that pay quarterly have instead received a \$6,250 deduction on each quarterly return.

Additionally, the following gross receipts are exempt from the tax:

- amounts attributable to sales of merchandise.
- receipts derived wholly from interstate business.
- sales to other public utilities for resale.
- receipts from business done for the federal government.
- amounts billed on behalf of other entities by natural gas companies.

### Credits

(R.C. 5727.29, 5727.241)

Natural gas companies that pay quarterly are able to take a refundable credit against their quarterly payments equal to one-sixtieth of their total estimated payments made in October 1999, March 2000, and June 2000. This credit could first be claimed on the return due Nov. 15, 2001. It will expire when the entire amount of the estimated payments is taken as the credit or in 15 years, whichever comes first.

Also, natural gas companies may claim a refundable or nonrefundable venture capital credit against the excise tax due. The credit amount and tax year in which the venture capital credit may be claimed shall be listed on a tax credit certificate issued by the Ohio Venture Capital Authority.

### Filing and Payment Dates

#### Most taxpayers

**Annual statements** – Company annual statements (returns) are due to the Tax Commissioner by Aug. 1 for the tax year ending April 30 (June 30 for telegraph companies). Taxpayers may request an extension of up to 60 days.

**Tax certifications** – By the first Monday in November, the Tax Commissioner assesses the amount of tax due for the year and certifies that amount both to the company and to the Treasurer of State.

**Advance payments** (R.C. 5727.25 and R.C. 5727.31) – Companies with a tax liability of \$1,000 or more during the preceding year are required to make three advance payments, each in an amount equal to one-third of the previous year's certified tax liability. These advance payments are due to the Treasurer of State on Oct. 15, March 1, and June 1.

**Final payments** (R.C. 5727.42) – When the current year's total tax liability exceeds the sum of the three advance payments, a final payment is due for the difference. Bills are generally issued in November, within 20 days of certification by the Tax Commissioner, and are due 30 days after their mailing by the Treasurer of State. A refund is issued if advance payments

exceed the total liability certified by the Tax Commissioner.

#### Natural gas companies

Beginning May 1, 2000, natural gas companies that exceeded \$325,000 in annual liability began paying the excise tax quarterly. Quarterly payments are due 45 days after the end of each calendar quarter.

Natural gas companies below the \$325,000 threshold pay annually, with payment due 45 days after the last day of the fourth quarter.

### Disposition of Revenue

(R.C. 5727.45)

Traditionally, by statute, the bulk of public utility excise tax revenue was distributed to the General Revenue Fund, and the remainder was divided among the local government funds. However, House Bill 119, the fiscal year 2008-09 operat-

ing budget bill enacted in 2007, revised the structure, formula and the revenue accounting associated with the local government funds.

Beginning in January 2008, all revenues from the public utility excise tax were directed to the General Revenue Fund. For details on the local government fund changes, see the **Revenue Sharing** section of this book.

### Administration

The Tax Commissioner administers the tax and certifies to the Treasurer of State the amounts to be collected.

### Ohio Revised Code Citations

Chapters 5703 and 5727.

Table

Public Utility Excise Tax Levied By Class of Utility: Tax Years 2006 - 2010 <sup>1</sup>							
Class of Utility	Number of Taxpayers in 2010	Tax Rate 2010	Tax Year				
			2006	2007	2008	2009	2010
Natural Gas <sup>2</sup>	29	4.75%	\$183,273,754	\$154,729,267	\$160,813,160	\$158,960,642	\$127,582,454
Waterworks	15	4.75%	3,340,085	3,218,411	3,450,173	3,663,672	2,076,123
Pipeline	16	6.75%	437,523	616,522	138,309	1,108,047	1,000,979
Other <sup>3</sup>	5	4.75%	<u>1,878,200</u>	<u>2,056,638</u>	<u>2,323,172</u>	<u>2,592,214</u>	<u>959,161</u>
<b>Total</b>	<b>65</b>		<b>\$188,929,562</b>	<b>\$160,620,838</b>	<b>\$166,724,814</b>	<b>\$166,324,574</b>	<b>\$131,618,718</b>

Source: Treasurer of State.

<sup>1</sup> Amount of tax certified for collection (except for natural gas companies beginning in 2001).

<sup>2</sup> Beginning in 2001, natural gas companies now use a current payment schedule and measurement period; the figures represent tax payments made by natural gas companies during fiscal years 2006 through 2010.

<sup>3</sup> Includes water transportation and heating.