

KILOWATT HOUR TAX

The kilowatt hour tax was enacted by Amended Substitute Senate Bill 3 (123rd General Assembly) as part of electric utility deregulation. Effective May 1, 2001, this tax replaced the public utility excise tax on electric companies and the tax losses from reduction in electric utility personal property tax assessment rates.

TAX BASE

The kilowatt hour tax has two bases with payment determined by the number of kilowatt hours distributed to the end user in Ohio.

- For end users at or below 45 million kilowatt hours in annual consumption, the base is on the amount of kilowatt hours distributed to them per month.
- For end users above 45 million kilowatt hours in annual consumption who opt to self-assess, the base is both the amount of kilowatt hours distributed to them per month and the total price.

RATES

- Electric distribution companies pay at rates based on the monthly consumption by end users, using the following schedule

<u>Monthly Kilowatt Hours Distributed to the End User</u>	<u>Rate per Kilowatt Hour</u>
0 - 2,000 kilowatt hours	\$0.00465
2,001 - 15,000 kilowatt hours	0.00419
Over 15,001 kilowatt hours	0.00363

- For consumers above 45 million kilowatt hours in annual consumption, there is an option to self-assess the tax. This self-assessor tax is calculated as the sum of 4% of price plus \$0.00075 on the first 504 million kilowatt hours of annual consumption.

MAJOR EXEMPTIONS

- Federal government.
- End users located at a federal facility.
- Qualified end users.
- Qualified regeneration facilities.

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REVENUE (IN MILLIONS)

<u>Fiscal Year</u>	<u>State⁽²⁾</u>	School District	Local Gov't.	<u>Total</u>
		<u>Prop. Tax Rep. Fund</u>	<u>Prop. Tax Rep. Fund</u>	
2001 ⁽¹⁾	\$24.0	\$9.8	\$4.2	\$38.0

⁽¹⁾ Reflects only one month of revenue.

⁽²⁾ Includes the following: \$22.8 million to the General Revenue Fund, \$1.0 million to the Local Government Fund, and \$0.2 million to the Local Government Revenue Assistance Fund.

DISPOSITION OF REVENUE

General Revenue Fund receives 59.976%, School District Property Tax Replacement Fund receives 25.9%, Local Government Fund receives 2.646%, Local Government Property Tax Replacement Fund receives 11.1%, and Local Government Revenue Assistance Fund receives 0.378% of kilowatt hour tax revenue. For fiscal years 2002 and 2003, there will be no distributions to the Local Government Fund and Local Government Revenue Assistance Fund. The General Revenue Fund will receive 63% of revenue in fiscal years 2002 and 2003. Refer to *Disposition of Revenue* in the Individual Income Tax section for information on the semi-annual reduction of the Local Government Fund, Local Government Revenue Assistance Fund, and Library and Local Government Support Fund deposits.

SECTIONS OF THE REVISED CODE

Chapter 5727.

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

REMITTER OF TAX

Electric distribution companies.
End users that self-assess.

SPECIAL PROVISIONS / CREDITS

Revenues received by municipal electric companies from customers within their municipal boundaries are retained by that municipality.

PAYMENT DATE

The 20th day of each month for the amount of electricity distributed to end users during the preceding month.

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HISTORY OF MAJOR CHANGES

- 1999 · Enacted with an effective date of May 1, 2001.
- 2000 · Lowered the self-assessor tax threshold from 120 million kilowatt hours of annual consumption to 45 million kilowatt hours.
- Capped the consumption portion of the self-assessor tax formula at 504 million kilowatt hours of annual consumption.
 - Provided that the “qualified end users” will remit the tax (either kilowatt hour or self-assessor option if so qualified) on the non-qualified portion of their electric consumption.
 - Provided for an exemption for “qualified regeneration” facilities.
 - Allowed businesses to declare that they will have enough electricity consumption in the upcoming year so they may self-assess. Provided for a “recapture” tax if the taxpayer fails to meet the self-assessor threshold.
 - If a self-assessor is served by a municipal electric company and is within the municipal boundary, the taxpayer will remit the self-assessor tax to the municipality.
 - Clarified rules pertaining to self-assessors.

COMPARISON WITH OTHER STATES

California

0.02 cents per kilowatt hour of electricity consumed.

Florida

2.5% of gross receipts.

Illinois

End users pay on a declining cents-per-kilowatt hour basis on consumption or 5.1% of the purchase price for self-assessors.

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COMPARISON WITH OTHER STATES (con't.)

Indiana, Kentucky, Massachusetts, and Michigan

In general, public utilities pay a nominal tax or fee on gross receipts strictly for the support of the state’s regulatory agency. Electric companies may be subject to general business taxes.

New Jersey

Electric companies subject to corporate business taxes.

New York

Electric companies are subject to corporate business taxes and a public utility excise tax. For electric companies subject to regulation, the excise tax for 2002 is 2.4% on electric service receipts.

Ohio

Electric distribution companies pay on a declining block rate per kilowatt hour distributed to the end user. Large consumers, with at least 45 million kilowatt hours in annual consumption, pay the sum of 4% of the price plus 0.75 mills on the first 504 million kilowatt hours of annual consumption.

Pennsylvania

Electric companies pay 4.4% of gross receipts.

Texas

Electric utilities pay rates ranging from 0.581% to 1.997% of gross receipts, depending upon population of the town in which the utility operates. Electric utilities operating a nuclear facility pay a 5% surcharge on the gross receipts tax.

West Virginia

Electric power companies pay a tax based upon the generating capacity of their electric generating facilities. If electric company does not produce its electricity, the tax is 3% of demand charges.