

## NATURAL GAS CONSUMPTION TAX

The Natural Gas Consumption Tax was enacted by Amended Substitute Senate Bill 287 (123rd General Assembly) as part of tax reform on the natural gas industry, to replace the tax losses from reduction in natural gas utility personal property tax assessment rates, effective July 1, 2001.

### TAX BASE

Amount of natural gas distributed to end user.

### RATES

The Natural Gas Consumption Tax (the Mcf tax) is based on a tier schedule as follows:

Mcf Distributed To an End User	Rate per Mcf*
For the first 100 Mcf per month	\$.1593
For the next 101 to 2000 Mcf per month	.0877
For 2001 and above Mcf per month	.0411
Flex Customer	.0200

\* "Mcf" means one thousand cubic feet.

### MAJOR EXEMPTIONS

Distribution of natural gas to the federal government.  
Natural gas produced by an end user in Ohio that is consumed by that end user or its affiliates and is not distributed through the facilities of a natural gas distribution company.

### REVENUE (IN MILLIONS)

This tax began July 1, 2001.

### DISPOSITION OF REVENUE

School District Property Tax Replacement Fund receives 70%.  
Local Government Property Tax Replacement Fund receives 30%.

### SECTION OF OHIO REVISED CODE

Chapter 5727.

### RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

### REMITTER OF TAX

Natural gas distribution companies.

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### PAYMENT DATES

The Natural Gas Consumption Tax (the Mcf tax) payments are made on November 20, February 20, May 20, and August 20. The first payment was due on November 20, 2001 for Mcf consumption from July through September, 2001.

### SPECIAL PROVISIONS / CREDITS

Large commercial and industrial consumers of natural gas are taxed at a flat rate of \$.02 per Mcf. These consumers are considered flex customers and have made a special purchase agreement with a natural gas distribution company. Natural gas distribution companies are responsible for collection and remission of the tax from flex customers.

### HISTORY OF MAJOR CHANGES

- 2000 • Enacted.
- Natural gas consumption tax receipts will remain as revenue in the tax base of the public utility excise tax.

### COMPARISON WITH OTHER STATES (AS OF 12/01)

#### Illinois

Gas companies pay 2.4 cents per therm sold to customers or 5% of gross receipts, whichever is less.

#### New Jersey

Gas companies pay a tax for therms sold based on rates derived by the Board of Public Utilities.

#### Ohio

**Gas companies pay a consumption-based Natural Gas Consumption Tax (the Mcf tax) on the amount of cubic feet of natural gas distributed to consumers based on a tiered Mcf rate schedule.**

California, Florida, Indiana, Kentucky, Massachusetts, Michigan, Pennsylvania, Texas, and West Virginia do not have a consumption-based tax on natural gas.