

PUBLIC UTILITY EXCISE TAX

TAX BASE

Most utilities are taxed on gross receipts from intrastate business. The following utilities are subject to this tax: local telephone companies, natural gas companies, waterworks companies, pipeline companies, heating companies, and water transportation companies.

RATES

All utility classes are taxed at a rate of 4.75% except pipelines, which are taxed at a rate of 6.75%. There is a minimum tax of \$50.

MAJOR EXEMPTIONS

Municipally-owned public utilities.

Non-profit waterworks utilities.

Gross receipts from interstate business, sales to other public utilities for resale, sales of merchandise, and business done with the federal government.

First \$25,000 of gross receipts.

REVENUE (IN MILLIONS)

Fiscal Year	General Revenue Fund	Local Gov't. Funds	Other ⁽¹⁾	Total
1998	\$673.0	\$34.8	\$0.2	\$708.0
1999	637.6	32.9	0.1	670.6
2000	642.1	33.1	0.1	675.3
2001	640.5	33.7	0.1	674.3

⁽¹⁾ Includes the Attorney General Claims Fund.

DISPOSITION OF REVENUE

After making any required deposits in the Attorney General Claims Fund, 95.2% of remaining revenue is deposited in the General Revenue Fund, 4.2% is deposited in the Local Government Fund, and 0.6% is deposited in the Local Government Revenue Assistance Fund.

For fiscal years 2002 and 2003, the two local government funds each receive the same amount of public utility excise tax revenue as they received in fiscal year 2001. The remain-

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DISPOSITION OF REVENUE (con't)

der is deposited in the General Revenue Fund. 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 OHIO REVISED CODE

Chapter 5727.

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

REMITTER OF TAX

Public utilities that are subject to the tax.

PAYMENT DATES

Advance payments required of all public utilities, except natural gas companies, for which tax liability exceeded \$1,000 during the previous tax year. Payments equal to one-third of the previous tax year's liability are due on October 15, March 1, and June 1. Final payment of remaining balance, based on the current year's certification in November, is due within 30 days of billing.

Each natural gas company whose annual liability equals or exceeds \$325,000 must pay on a quarterly basis. Payment dates are the 45th day following the last day of March, June, September, and December. Each natural gas company whose annual liability is less than \$325,000, must pay annually in February.

SPECIAL PROVISIONS / CREDITS

Local telephone companies receive a lifeline credit for establishing assistance programs for low-income elderly, disabled and the sight, hearing or speech impaired.

Local telephone companies receive a credit for non-recurring costs associated with the installation of a 9-1-1 system in a county.

Qualifying natural gas companies may receive a refundable credit, beginning with the November, 2001 payment, for taxes paid in October, 1999; March, 2000; and June, 2000.

PUBLIC UTILITY EXCISE TAX

HISTORY OF MAJOR CHANGES

- 1894 • Enacted.
- 1911 • Current tax structure established.
- 1935 • One percent rate increase for certain utilities.
- 1938 • Rate increases for certain utilities.
- 1963 • Advance payment system inaugurated.
- 1966 • All revenue allocated to General Revenue Fund.
- 1971 • Rates increased from previous 3% to 4% for most utilities.
- 1977 • Advance payment system altered for gas, pipeline, and electric companies.
- 1979 • Advance payment system altered for remaining utilities except freightline and equipment companies.
- 1980 • Rates temporarily increased for 1981 (from 4% to 5% for most utilities).
- 1981 • Rates temporarily increased for 1982 (from 4% to 4.5% for most utilities).
 - Rates permanently increased for 1983 and thereafter (from 4% to 4.25% for most utilities).
 - Charter-city credit repealed.
 - 5.55% surtax imposed on 1982 liability.
- 1982 • Temporary rate increase for 1983 (from 4.25% to 4.5% for most utilities).
 - 5.55% surtax imposed on 1983 liability.
- 1983 • Temporary rate increase for 1983 (from 4.5% to 5.0% for most utilities).
 - Permanent rate increase for 1984 and thereafter (from 4.25% to 4.75% for most utilities).
 - Advance payment system altered.
- 1985 • Credit established for telephone companies for non-recurring installation costs related to a 9-1-1 system.

PUBLIC UTILITY EXCISE TAX

HISTORY OF MAJOR CHANGES (con't.)

- 1987 • Long-distance telephone companies exempted from public utility excise tax.
- 1990 • Public utility excise tax on freightline and equipment companies repealed as of tax year 1990.
- 1991 • Legislation passed granting a one dollar per ton credit beginning tax year 1995 to electric companies using pollution control devices for burning Ohio coal.
 - Credit established for telephone companies with a lifeline program of rate discounts for low-income, elderly and disabled persons.
 - Railroads exempted from tax as of tax year 1992 by court decision.
- 1998 • Lifeline credit program for telephone companies extended through 1999.
- 1999 • Changes the current payment schedule and measurement periods for natural gas companies and the natural gas business of combined natural gas and electric companies. Effective May 1, 2000.
 - The excise tax on electric and rural electric companies is replaced with the kilowatt hour tax. Effective May 1, 2001.
 - Removal of electric and rural electric companies from the public utility excise tax, effective with the June, 2001 payment.
 - Increase the coal credit from \$1 to \$3 per ton effective January 1, 2000 until it terminates at the end of 2004.
- 2000 • Expands the definition of electric utility compliance facility that is able to take the increased \$3 per ton coal credit.
 - Natural gas consumption tax (Mcf tax) receipts will remain as revenue in the tax base of the public utility excise tax.

PUBLIC UTILITY EXCISE TAX

COMPARISON WITH OTHER STATES

California

Rates of 0.5% - 0.75% on intrastate telephone service and 0.02 cents per kilowatt hour of electricity consumed.

Florida

Gas, electric, telecommunication, and express companies pay a tax of 2.5% on gross receipts.

Illinois

Electric companies pay on a declining cents-per-kilowatt-hour basis based on end use or 5% of gross receipts. Gas companies pay 2.4 cents per therm sold to customers or 5% of gross receipts, whichever is less. Telecommunications companies pay 7% tax on gross charges. Utilities also pay a tax of 0.08% of their gross revenues.

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 regulatory agency. The utilities may be subject to general business taxes.

New Jersey

Sewage and water corporations are subject to a tax on 2% or 5% of gross receipts (depending upon amount of gross receipts). Electric, natural gas, and telephone companies are subject to corporate business taxes.

New York

Water, gas, steam, and electric companies pay a tax of 0.376% on gross earnings from state sources plus a tax on dividends or net value. All utilities selling utility services to New York consumers pay an "additional" tax of 2.4% on gross income earned in the state on regulated revenue sources and 1.9% on unregulated revenue sources.

Ohio

Most utilities pay a tax of 4.75% on gross receipts from intrastate business.

Pennsylvania

Rate of 4.4% on gross receipts for electric companies; 4.5% on gross receipts, plus a 0.5% surtax, for all other utilities.

PUBLIC UTILITY EXCISE TAX

COMPARISON WITH OTHER STATES (con't.)

Texas

Three utility classes (gas, electric, and water) pay rates ranging from 0.581% to 1.997% of gross receipts, depending upon class of utility and population of town in which utility operates. Electric utilities operating a nuclear facility pay a 5% surcharge on the gross receipts tax.

West Virginia

Telephone, telegraph, or other telecommunications companies pay a 4% tax on gross income from telecommunications activities apportioned to the state. Electric power companies pay a tax based on the generating capacity of their electric generating facilities. If the electric company does not produce its own electricity, the tax is 3% of demand charges. Natural gas companies pay a tax of 4.29% of gross receipts. Water companies pay a tax of 4.4%.