

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.

TAXPAYER

Electric distribution companies.
End users that self-assess.

TAX BASE

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

1. 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.
2. 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.

RATE

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

Monthly Kilowatt Hours Distributed to the End User	Rate Per Kilowatt Hour
0 – 2,000 kilowatt hours	\$0.00465
2,001 – 15,000 kilowatt hours	0.00419
Over 15,001 kilowatt hours	0.00363

2. For consumers (end users), 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 4.0 percent 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)

Fiscal Year	State	School District	Local Gov't.		Total
	Gen. Rev. Fund	Prop. Tax Repl. Fund	Prop. Tax Repl. Fund		
2001(1)	\$24.0(2)	\$9.8	\$4.2		\$38.0
2002	323.3(3)	132.7	57.2		513.2
2003	339.9(3)	137.0	62.6		539.5

Notes: (1) Reflects only one month of revenue. (2) FY 2001 revenue 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. (3) All state revenue payments were made to the General Revenue Fund.

DISPOSITION OF REVENUE

The General Revenue Fund receives 59.976 percent, School District Property Tax Replacement Fund receives 25.9 percent, Local Government Fund receives 2.646 percent, Local Government Property Tax Replacement Fund receives 11.1 percent, and the Local Government Revenue Assistance Fund receives 0.378 percent of kilowatt hour tax revenue. A fee of \$500 is levied on self-assessors and deposited into an administration fund to defray the costs of collecting the tax.

Effective June 2, 2002, the School District Property Tax Replacement Fund receives 25.4 percent and the Local Government Property Tax Replacement Fund receives 11.6 percent. For fiscal years 2002 and 2003, there were no distributions to the Local Government Fund and Local Government Revenue Assistance Fund due to a “freeze” on those funds. The General Revenue Fund received 63 percent of revenue in those two fiscal years. This “freeze” on local government funds is continued in FY 2004. See **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.

PAYMENT DATE

The 20th day of each month for both electric distribution companies and end users that self-assess. Payment is based on the amount of electricity distributed to end users during the preceding month.

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SPECIAL PROVISIONS/CREDITS

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

SECTIONS OF OHIO REVISED CODE

Chapter 5727.

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

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 kilowatt hours of annual consumption.
 - Provided that “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, required the taxpayer to remit the self-assessor tax to the municipality.
 - Clarified rules pertaining to self-assessors.

- 2002
 - Effective June 2, 2002, the School District Property Tax Replacement Fund’s share was reduced from 25.9 percent to 25.4 percent and the Local Government Property Tax Replacement Fund’s share was increased from 11.1 percent to 11.6 percent.

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- 2003
- Effective July 1, 2003, no revenue from the tax through June 30, 2005 will be credited to the Local Government Fund or the Local Government Revenue Assistance Fund. Such amounts will be credited to the General Revenue Fund.

COMPARISONS WITH OTHER STATES (AS OF 01/04)

California

\$0.0002 per kilowatt hour of electricity consumed.

Florida

2.5 percent of gross receipts.

Illinois

End users pay on a declining cents-per-kilowatt-hour basis, ranging from \$0.00202 to \$0.0033, on consumption or 5.1 percent of the purchase price for self-assessors.

Indiana, Kentucky, Massachusetts, and Michigan

In general, public utilities pay a normal 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 was 2.25 percent 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 4.0 percent of the price plus 0.75 million on the first 504 million kilowatt hours of annual consumption.

Pennsylvania

Total rate of 5.9 percent on gross receipts is composed of a 4.4 percent base levy and a 1.5 percent revenue reconciliation tax.

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Texas

Electric utilities pay rates ranging from 0.581 percent to 1.997 percent of gross receipts, depending upon population of the town in which the utility operates. Electric utilities operating a nuclear facility pay a 5.0 percent surcharge on the gross receipts tax.

West Virginia

General rate variable, depending upon usage. Power sold but not produced in West Virginia is taxed at a rate of \$0.0019 per kilowatt hour used.

