

MUNICIPAL INCOME TAX FOR ELECTRIC LIGHT COMPANIES AND TELEPHONE COMPANIES

The municipal income tax for electric light companies was enacted by Substitute House Bill 483 and Amended Senate Bill 287 (123rd General Assembly). Effective with an electric company's taxable year that included January 1, 2002, Chapter 5745 requires municipal income tax reporting for an electric company or an electric light company. An "electric light company that is not an electric company" can elect to be a Chapter 5745 taxpayer for taxable years that include December 31, 2002 and later. Effective for taxable years that begin on or after January 1, 2004, telephone companies are subject to the Chapter 5745 municipal income tax.

TAXPAYER

Electric light companies and telephone companies.

TAX BASE

The Ohio municipal income tax is based upon a starting point of federal taxable income subject to certain adjustments.

1. Taxpayer's adjusted federal taxable income is first multiplied by its Ohio apportionment ratio to determine Ohio income.
2. For each municipality in which the taxpayer is subject to the tax, Ohio income is multiplied by the taxpayer's municipal apportionment ratio for that municipality to determine income subject to the municipal income tax in that municipality.

RATE

Chapter 5745 taxpayers pay the tax rate for each municipality which has enacted a municipal income tax, and in which the taxpayer has taxable nexus.

REVENUE (IN MILLIONS)

<u>Year</u>	<u>Total</u>
2002	\$12.3(1)
2003	15.4(2)

Notes: (1) Includes \$0.6 million distributed to the Municipal Income Tax Administration Fund. (2) Includes \$0.5 million distributed to the Municipal Income Tax Administration Fund.

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DISPOSITION OF REVENUE

Department of Taxation is responsible for the distribution of funds to the individual municipalities less an administrative fee.

PAYMENT DATES

The 15th day of April, June, September and December for the four quarterly estimated tax payments. Annual return due April 15, following end of the calendar year.

SPECIAL PROVISIONS/CREDITS

Any overpayment shall be credited to the next year tax liability. Refunds may be requested only if the overpayment is likely to exceed the amount of estimated taxes payable by the taxpayer to that municipality during the ensuing 12 months. The Tax Commissioner will notify the municipality and the municipality will issue the refund of the excess to the taxpayer within 90 days after receiving such a notice.

SECTIONS OF OHIO REVISED CODE

Chapter 5745.

RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

HISTORY OF MAJOR CHANGES

- 2000
- The Chapter 5745 municipal income for electric light companies was enacted by Sub. H.B. 483, 123rd General Assembly to take effect on January 1, 2002 (see section 3 of H.B. 483).
 - Section 7 of S.B. 287, 123rd General Assembly amended section 3 of H.B. 483 to provide that the tax was to take effect on January 1, 2001 and that a taxpayer was first subject to the tax reporting and payment requirements for its taxable year that included January 1, 2002.
 - S.B. 287, 123rd General Assembly amended the tax to provide for a book-tax differential adjustment comparable to the franchise tax book-tax differential adjustment.
- 2003
- H.B. 95, 125th General Assembly subjected telephone companies to the Chapter 5745 municipal income tax for taxable years beginning on or after January 1, 2004.

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- H.B. 95 enacted amendments to adopt the Internal Revenue Code as it existed on December 31, 2001 thus requiring the taxpayer to adjust its federal taxable income for changes to the Internal Revenue Code enacted after that date (such as I.R.C. section 168(k) bonus depreciation and additional I.R.C. section 179 expense).

COMPARISONS WITH OTHER STATES (AS OF 01/04)

None of the comparison states has a similar municipal income tax for electric light companies and telephone companies.

For more information on the municipal income tax, see the **MUNICIPAL INCOME TAX** section.

