

## NATURAL GAS CONSUMPTION TAX

The natural gas consumption tax was enacted as a result of Amended Substitute Senate Bill 287 (123<sup>rd</sup> General Assembly, effective July 1, 2001) as part of tax reform of the natural gas industry. It was designed to replace the tax losses from a reduction in natural gas utility personal property tax assessment rates.

### TAXPAYER

Natural gas distribution companies.

### TAX BASE

Amount of natural gas distributed to an end user.

### RATES

The natural gas consumption tax (the Mcf tax) is based on a tier schedule as follows:

<b>Mcf Distributed to an End User</b>	<b>Rate per Mcf (1)</b>
For the first 100 Mcf per month	\$.1593
For the next 101 to 2,000 Mcf per month	.0877
For 2,001 and above Mcf per month	.0411
Flex customer	.0200

**Note:** (1) "Mcf" means 1,000 cubic feet.

### MAJOR EXEMPTIONS

Distribution of natural gas to the federal government; and natural gas produced by an end user in Ohio that is consumed by the 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. Only nine months' collections occurred in FY 2002.

<b>Fiscal Year</b>	<b>School District Property Tax Replacement Fund</b>	<b>Local Government Property Tax Replacement Fund</b>	<b>Total</b>
2002	\$39.2	\$16.8	\$56.0
2003	57.5	26.2	83.7

### DISPOSITION OF REVENUE

School District Property Tax Replacement Fund receives 68.7 percent. Local Government Property Tax Replacement Fund receives 31.3 percent.

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## PAYMENT DATES

The natural gas consumption tax (the Mcf tax) payments are due by 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 0.02 cent(s) 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.

## SECTION OF OHIO REVISED CODE

Chapter 5727.

## RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

## 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.
  
- 2002
  - Distribution to School District Property Tax Replacement Fund reduced from 70 percent to 68.7 percent, and distribution to Local Government Property Tax Replacement Fund increased from 30 percent to 31.3 percent.

## COMPARISONS WITH OTHER STATES (AS OF 01/04)

### California

Tax rate is variable and is set each year by the State Board of Equalization. The default territory rate charged for calendar year 2004 ranges from 0.00916 to 0.02090 cent(s) per therm.

### Illinois

Gas companies pay 2.4 cents per therm sold to customers or 5.0 percent 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.

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### 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.

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

