

## PUBLIC UTILITY EXCISE TAX

### TAXPAYER

Public utilities that are subject to the tax.

### TAX BASE

Most public utilities are taxed on gross receipts from intrastate business. The following public utilities are subject to this tax: local telephone companies, water works companies, pipeline companies, heating companies, and water transportation companies. Natural gas companies are subject to a separate excise tax.

### RATES

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

### MAJOR EXEMPTIONS

Municipally-owned utilities.

Nonprofit water works.

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.

Electric, inter-exchange telecommunications, railroad and rural electric companies.

### REVENUE (IN MILLIONS)

<b>Fiscal Year</b>	<b>General Revenue Fund</b>	<b>Local Gov't. Funds</b>	<b>Other<sup>(1)</sup></b>	<b>Total</b>
2000	\$642.1	\$33.1	\$0.1	\$675.3
2001	640.5	33.7	0.1	674.3
2002	260.1	39.8	0.1	300.0
2003	218.7	36.7	0.1	255.5

**Note:** (1) Includes the Attorney General Claims Fund.

### DISPOSITION OF REVENUE

After making any required deposits in the Attorney General Claims Fund, 95.2 percent of remaining revenue is deposited in the General Revenue Fund, 4.2 percent is deposited in the Local

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Government Fund, and 0.6 percent is deposited in the Local Government Revenue Assistance Fund.

For fiscal years 2002 and 2003, the two local government funds were “frozen” and each received the same amount of public utility excise tax revenue as they received in FY 2001. The remainder was deposited in the General Revenue Fund. This “freeze” on local government funds is continued in FY 2004.

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.

### PAYMENT DATES

Advance payments are 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 can pay annually in February.

### SPECIAL PROVISIONS/CREDITS

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 quarterly credit, beginning with the November, 2001 payment, for estimated tax payments made in October, 1999; March, 2000; and June, 2000. This credit expires when the amount of the estimated payments are made up in credits, or in 15 years.

### SECTIONS OF OHIO REVISED CODE

Chapters 5703 and 5727.

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### RESPONSIBILITY FOR ADMINISTRATION

Tax Commissioner.

### 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 3.0 percent to 4.0 percent 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 4.0 percent to 5.0 percent for most utilities).
  
- 1981     • Rates temporarily increased for 1982 (from 4.0 percent to 4.5 percent for most utilities).
  - Rates permanently increased for 1983 and thereafter (from 4.0 percent to 4.25 percent for most utilities).
  - Charter-city credit repealed.
  - 5.55 percent sur tax imposed on 1982 liability.
  
- 1982     • Temporary rate increase for 1983 (from 4.25 percent to 4.5 percent for most utilities).
  - 5.55 percent sur tax imposed on 1983 liability.
  
- 1983     • Temporary rate increase for 1983 (from 4.5 percent to 5.0 percent for most utilities).
  - Permanent rate increase for 1984 and thereafter (from 4.25 percent to 4.75 percent for most utilities).
  - Advance payment system altered.

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- 1985
  - Credit established for telephone companies for non-recurring installation costs related to a 9-1-1 system.
- 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 \$1.0 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
  - Changed 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 was 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.
  - Increased the coal credit from \$1.0 to \$3.0 per ton effective January 1, 2000 until it terminates at the end of 2004.



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- 2000
  - Expanded the definition of electric utility compliance facility that is able to take the increased \$3.0 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.
- 2003
  - Removal of telephone companies from the public utility excise tax, effective after the 2004 tax year.

### COMPARISONS WITH OTHER STATES (AS OF 12/03)

#### California

Rates of 0.5 percent - 0.75 percent on intrastate telephone service and 0.03 cent(s) per kilowatt hour of electricity consumed.

#### Florida

Gas, electric, and express companies pay a tax of 2.5 percent on gross receipts. Communications services pay a tax of 6.8 percent (for business services) or 2.37 percent (for residential services) on gross receipts. A tax of 13.17 percent (10.8 percent of the sales price, 2.37 percent on gross receipts) is levied on direct-to-home satellite services.

#### Illinois

Electric companies pay on a declining cents-per-kilowatt-hour basis based on end use or 5.0 percent of gross receipts. Gas companies pay 2.4 cents per therm sold to customers or 5.0 percent of gross receipts, whichever is less. Telecommunications companies pay 7.0 percent tax on gross charges. Utilities also pay a tax of 0.08 percent of their gross revenues.

#### New Jersey

Sewage and water corporations are subject to a tax on 2.0 percent or 5.0 percent 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 0.375 percent on gross earnings from state sources plus a tax on dividends or net value. All utilities selling

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utility services to New York consumers pay an “additional” tax of 2.125 percent on gross income earned in the state on regulated revenue sources and 0.4 percent on unregulated revenue sources. Telecommunications services tax rate is 2.5 percent of gross receipts.

### Ohio

**Most public utilities pay a tax of 4.75 percent on gross receipts from intrastate business.**

### Pennsylvania

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

### Texas

Three utility classes (gas, electric, and water) pay rates ranging from 0.581 percent to 1.997 percent of gross receipts, depending upon class of utility and population of town in which utility operates. Electric utilities operating a nuclear facility pay a 5.0 percent surcharge on the gross receipts tax.

### West Virginia

Telephone, telegraph, or other telecommunications companies pay a 4.0 percent 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. Natural gas companies pay a tax of 4.29 percent of gross receipts. Water companies pay a tax of 4.4 percent.

### 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.

