

## 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	\$0.1593
For the next 101 to 2,000 Mcf per month	0.0877
For 2,001 and above Mcf per month	0.0411
Flex customer	0.0200

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

### Major Exemptions

- Distribution of natural gas to the federal government.
- 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 of 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
2004	52.4	23.9	76.3

### Disposition of Revenue

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



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### Payment Dates

Payments of the natural gas consumption tax are due by November 20, February 20, May 20, and August 20.

### Special Provisions/Credits

Large commercial and industrial consumers of natural gas are taxed at a flat rate of \$0.0002 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% to 68.7%, and distribution to Local Government Property Tax Replacement Fund increased from 30% to 31.3%.

### Comparisons with Other States (As of 05/05)

#### California

Tax rate is variable and is set each year by the State Board of Equalization. The default rate charged for calendar year 2005 ranges from \$0.0008 to \$0.077875 per therm, depending on territory, customer class, and rate program.

#### Illinois

Gas companies pay \$0.024 per therm sold to customers; self-assessing purchasers pay \$0.024 per therm or 5.0% of gross receipts, whichever is less.

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### **New Jersey**

Gas companies pay a tax for therms sold based on rates derived by the Board of Public Utilities. The tax is scheduled to be phased out by 2010.

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

