

## 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. Electric and rural electric companies became subject to the kilowatt-hour tax in June 2001 and the corporation franchise tax in 2002. Telephone companies became subject to the corporation franchise tax in 2005. Natural gas companies were subject to a separate excise tax beginning in 2001.

### Rates

All utility classes are taxed at a rate of 4.75% except pipelines, which are taxed at a rate of 6.75%. 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)

Fiscal Year	General	Local		Total
	Revenue Fund	Gov't. Funds	Other*	
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
2004	226.4	36.7	0.2	263.3
2005	104.1	36.7	0.1	140.9

**Note:** \*Includes the Attorney General Claims Fund.

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**Public Utility Excise Tax****Disposition of Revenue**

After making any required deposits in the Attorney General Claims Fund, 95.2% of remaining revenue is deposited in the General Revenue Fund, 4.2% is deposited in the Local Government Fund, and 0.6% 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 Fiscal Year 2001. The remainder was deposited in the General Revenue Fund. This freeze on local government funds was continued in fiscal years 2004 and 2005 and again in the biennium budget for fiscal years 2006 and 2007. Refer to **Disposition of Revenue** in the **Individual Income Tax** section for information on the semi-annual reduction of deposits into the local government funds.

**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 45<sup>th</sup> 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.

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The venture capital tax credit is available to natural gas companies only.

**Sections of Ohio Revised Code**

Chapters 150, 5703, and 5727.

**Responsibility for Administration**

Tax Commissioner.

**History of Major Changes**

- 1894 • Enacted.
  
- 1911 • Current tax structure established.
  
- 1935 • 1.0% 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% to 4.0% for most utilities.
  
- 1977 • Advance payment system altered for gas, pipeline, and electric companies.
  
- 1979 • Advance payment system altered for remaining utilities except freight line and equipment companies.
  
- 1980 • Rates temporarily increased for 1981 (from 4.0% to 5.0% for most utilities).
  
- 1981 • Rates temporarily increased for 1982 (from 4.0% to 4.5% for most utilities).
  - Rates permanently increased for 1983 and thereafter (from 4.0% to 4.25% for most utilities).
  - Charter-city credit repealed.
  - 5.55% surtax imposed on 1982 liability.
  
- 1982 • Temporary rate increase for 1983 (from 4.25% to 4.5% for most utilities).

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- 5.55% surtax imposed on 1983 liability.
- 1983
- Temporary rate increase for 1983 (from 4.5% to 5.0% for most utilities).
  - Permanent rate increase for 1984 and thereafter (from 4.25% to 4.75% for most utilities).
  - Advance payment system altered.
- 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 freight line 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 its termination 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.
  
- 2005 • Venture capital tax credit made available to natural gas companies only.

**Comparisons with Other States (As of 04/06)****California**

No general public utility excise tax. Intrastate telephone service is subject to a 0.5% to 0.75% surcharge on sales.

**Florida**

Gas, electric, and express companies pay a tax of 2.5% on gross receipts. A tax of 9.17% (6.8% of the sale price plus 2.37% on gross receipts) is levied on retail communications services. Tax on residential communications services is 2.37%. A tax of 13.17% (10.8% of the sale price plus 2.37% on gross receipts) is levied on direct-to-home satellite services.

**Illinois**

Telecommunications companies pay 7.0% tax on gross charges. (See also **Comparisons with Other States in Kilowatt-Hour Tax and Natural Gas Consumption Tax.**)

**New Jersey**

Sewage and water corporations are subject to a tax on 2.0% or 5.0% of gross receipts (depending upon amount of gross receipts).

**New York**

All utilities selling utility services to New York consumers pay a tax of 2.0% on gross income earned in the state on regulated revenue sources. Telecommunications services tax rate is 2.5% on gross receipts.

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**Public Utility Excise Tax****Comparisons with Other States (As of 04/06)****Pennsylvania**

Rate of 4.4% on gross receipts for electric companies; rate of 4.5% on gross receipts, plus a 5-mill surtax, for all other utilities. Not imposed on natural gas companies.

**Texas**

Three utility classes (gas, electric, and water) pay rates ranging from 0.581% to 1.997% 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% surcharge on the gross receipts tax.

**West Virginia**

Telephone, telegraph, or other telecommunications companies pay a 4.0% tax on gross income from telecommunications activities apportioned to the state. Natural gas companies pay a tax of 4.29% on gross receipts. Water companies pay a tax of 4.4%. Electric power companies pay a tax based on the generating capacity of their electric generating facilities. Other public utilities pay a tax of 2.86%.

**Indiana, Kentucky, Massachusetts, and Michigan** do not levy a specific public utility excise tax. The utilities may be subject to general business taxes.

