

STATE TAXES
PUBLIC UTILITY EXCISE TAX

Taxpayer

Public utilities, as follows: 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.

Tax Base

Public utilities are taxed on gross receipts from intra-state business.

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, rail road and rural electric companies.

Revenue (In Millions)

Fiscal Year	General Revenue Fund	Local Funds	Other*	Total
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
2006	176.2	11.0	0.0	187.2

Note: * Includes the Attorney General Claims Fund.

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 de-



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posited 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. During fiscal years 2006 and 2007 each of the local government funds receive the same amount of revenue as they received during fiscal year 2005.

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

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.

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).
 - 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 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.



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- 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.
- 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 05/07) **California**

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

Florida

Gas and electric companies pay a tax of 2.5% on gross receipts. Any person who imports electricity or natural gas into the state for own use is subject to a use tax at the same rate. A tax of 9.17% (6.8% of the sale price plus 2.37% on gross receipts) is levied on retail communications services, including cable services. Tax on residential telephone services is 2.37%. Local taxing jurisdictions may impose an additional levy. 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. Satellite services are exempt from any local communication services levy. Use tax provisions also apply to communication services.



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Illinois

Telecommunications companies pay 7.0% tax on gross charges plus 0.5% for telecommunications infrastructure maintenance fees. Municipalities may impose an additional tax not to exceed 6.0%. (See also **Comparisons with Other States** in **Kilowatt-Hour Tax** and **Natural Gas Consumption Tax**.)

Indiana

A 1.4% excise tax is imposed on the gross receipts from the sale of electricity, natural gas, water, steam, sewage, or telecommunications services within the state. A 1.4% use tax is imposed on the consumption of utility services purchased from out-of-state providers.

Kentucky

Public utilities pay a 3.0% utility gross receipts license tax for schools. In addition, telecommunications providers pay a tax of 1.3% of gross revenues for providing telecommunications services or 2.4% of gross revenues for providing multi-channel video programming services in the state.

Massachusetts

A 6.5% utility franchise tax is levied on the entire net income of completely intrastate utility companies and the allocated net income of interstate utility companies.

Michigan

The state does not levy a specific public utility excise tax. Utilities are subject to the single business taxes.

New Jersey

No general public utility excise tax. Sewage and water corporations are subject to a tax of 2.0% or 5.0% of gross receipts (depending upon amount of gross receipts), plus 7.5% of gross receipts from New Jersey business for the previous calendar year, plus a surcharge of 0.25% to 0.9375% of prior year 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. Cities



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other than New York and villages may impose selective gross receipts taxes on sales of utility services. The maximum rate is 1.0% except for Buffalo, Rochester and Yonkers, which are authorized to impose a 3.0% tax rate. New York City levies a 2.35% tax on the gross income of utilities and the gross utility income of vendors of utility services.

Pennsylvania

Electric companies pay a rate of 4.4% on gross receipts plus a revenue-neutral reconciliation rate of 1.5% for a total rate of 5.9%. Transportation, telecommunications, and telegraph companies pay a rate of 4.5% on gross receipts plus a 5-mill surtax. 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 from business done in incorporated villages and towns, depending upon class of utility and population of the town in which the utility operates.

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 and toll bridge companies pay a tax of 4.29% on gross receipts. Water companies pay a tax of 4.4%. Electric power companies (producers) pay a tax based on the generating capacity of their electric generating facilities. Other public utilities pay a tax of 2.86%.