Kilowatt-Hour Tax

Taxpayer

Taxpayers include:

- Electric distribution companies.
- End users that self-assess.

Tax Base

The kilowatt-hour tax has two bases with payment determined by the number of kilowatt hours (kWh) distributed to end users in Ohio:

- For end users at or below 45 million kWh in annual consumption, the base is on the amount of kilowatt hours distributed to them per month.
- For end users above 45 million kWh in annual consumption who opt to self-assess, the base is both the amount of kilowatt hours distributed to them per month and the total price.

Rates

Electric distribution companies pay rates based on their monthly distribution to each end user. The rates are tiered according to the amount of kilowatt-hours the individual end user consumes, as shown in the schedule below:

Monthly Distribution	Rate per kWh
The first 0 – 2,000 kWh	0.465 cents
The next 2,001 – 15,000 kWh	0.419 cents
For 15,001 kWh and above	0.363 cents

For end users above 45 million kWh in annual consumption, there is an option to self-assess the tax. As of July 1, 2008, this self-assessor tax is calculated as the sum of 3.5 percent of price plus 0.075 cents per kWh on the first 504 million kWh of annual consumption. (The previous price-based rate was 4 percent.) The self-assessor rate will change again effective Jan. 1, 2011, to eliminate the price-based component. Self-assessors will pay a flat rate of 0.257 cents per kWh on the first 500 million kWh and 0.1832 cents per kWh for each kWh in excess of 500 million.

Major Exemptions

The tax does not apply to:

- The federal government.
- End users located at a federal facility.
- Qualified end users.
- Qualified regeneration facilities.

Revenue

(In Millions)

Fiscal Year	General Revenue Fund	Revenue Sharing[1]	School District Property Tax Repl. Fund	Local Gov't Prop. Tax Repl. Fund	Total
2006	$325.3	$25.7	$141.5	$64.6	$557.1
2007	326.9	25.7	142.7	64.9	559.7
2008	231.2	128.3	144.9	66.2	570.6
2009	136.0	207.1	138.3	63.2	544.6
2010	156.3	170.3	131.7	60.1	518.4

Disposition of Revenue

The General Revenue Fund initially receives 63 percent of kilowatt-hour tax revenue, with the School District Property Tax Replacement Fund and Local Government Property Tax Replacement Fund receiving 25.4 percent and 11.6 percent, respectively.[2]

Since January 2008, the Public Library Fund has received 2.22 percent of all General Revenue Fund tax revenues (the General Assembly limited this to 1.97 percent from Aug. 1, 2009 through June 30, 2011). One-half of the monthly amount deposited into the Public Library Fund is credited against the kilowatt-hour tax portion of General Revenue Fund revenues.

1 Before January, 2008, a portion of kilowatt-hour tax revenue was directed to the state Local Government Fund and Local Government Revenue Assistance Fund. Starting in January 2008, a new system of revenue sharing began crediting one half of the monthly distributions to the Public Library Fund against kilowatt-hour tax revenue. The transition is the reason for the fairly substantial change in revenue sharing from the kilowatt-hour tax during fiscal year 2008.

2 These distributions do not include a $500 fee levied on self-assessors and deposited into an administration fund to defray the costs of collecting the tax.

Payment Date

The payment date is the 20th day of each month for both electric distribution companies and end users that self-assess. Payment is based on the amount of electricity distributed to end users during the preceding month.

Special Provisions/Credits

Revenues received by municipal electric companies from customers within their municipal boundaries are retained by that municipality.

Sections of Ohio Revised Code

Chapter 5727.

Responsibility for Administration

Tax Commissioner.

History of Major Changes

1999	Kilowatt-hour tax is enacted effective May 1, 2001.
2000	The General Assembly enacts several changes. It: • Lowers the self-assessor tax threshold from 120 million kWh of annual consumption to 45 million kWh. • Caps the consumption portion of the self-assessor tax formula at 504 kWh of annual consumption. • Establishes an exemption for "qualified regeneration facilities." • Allows businesses to declare that they will have enough electricity consumption in the upcoming year to self-assess and provides for a "recapture" tax if the taxpayer fails to meet the self-assessor threshold. • Requires self-assessors served by a municipal electric company and located within the municipal boundary to remit the self-assessor tax to the municipality.
2002	Effective June 2, 2002, the School District Property Tax Replacement Fund's share is reduced from 25.9 percent to 25.4 percent and the Local Government Property Tax Replacement Fund's share is increased from 11.1 percent to 11.6 percent.
2007	After several local government fund freezes, the General Revenue Fund's share of kilowatt-hour tax revenue is permanently changed to 63 percent. Also, the General Assembly reduces the price component of the tax paid by self-assessing purchasers from 4 percent to 3.5 percent effective July 1, 2008.
2009	House Bill 1 amends R.C. 5727.81 to eliminate the price-based component of the self-assessment calculation effective Jan. 1, 2011 in favor of a flat rate of 0.257 cents per kWh on the first 500 million kWh and 0.1832 cents per kWh for each kWh in excess of 500 million.

Comparisons with Other States

(As of December, 2008)

Florida, Indiana, Kentucky, Massachusetts, Michigan, New York, Pennsylvania, and **Texas** have no specific tax on the volume of electricity consumed or distributed. In these states, electric companies are subject to general business taxes. In other states, comparable rates are as follows:

California

California's rate is 0.022 cents per kilowatt hour of electricity consumed.

Illinois

End users pay on a declining cents-per-kilowatt-hour basis, ranging from 0.33 cents to 0.202 cents on consumption, or 5.1 percent of the purchase price for self-assessors. Electricity purchased from municipal systems and electric cooperatives is taxed at the lesser of 0.32 cents per kilowatt-hour or 5.0 percent of gross receipts. Distributors pay on an increasing cents-per-kilowatt-hour-basis ranging from 0.031 cents to 0.131 cents on kilowatt-hours distributed.

New Jersey

Electric companies pay a tax on kilowatt-hours sold to New Jersey consumers based on rates established by the Board of Public Utilities. The tax is scheduled to be phased out by the end of 2013.

Ohio

Electric distribution companies pay tiered rates on a sliding scale based on the amount of kilowatt-hours consumed each month by individual end users. Rates are 0.465 cents for the first 2,000 kWh used; 0.419 cents for 2,001 to 15,000 kWh; and 0.363 cents for 15,001 or more kilowatt-hours. End users who opt to self-assess pay a rate of 3.5 percent of price plus 0.075 cents per kilowatt-hour on the first 504 million used.

West Virginia

Distributors of electricity generally pay a unit tax on distribution at a rate of 0.19 cents per kilowatt-hour; however, electric power sold to large users (200,000 kWh per year) is taxed at 0.05 cents per kilowatt hour.