

# Natural Gas Distribution Tax

## Taxpayer

The tax is paid by natural gas distribution companies.

## Tax Base

The tax is based on the amount of natural gas distributed to end users.

## Rates

In most cases, a three-bracket rate schedule applies to the amount of natural gas distributed to each end user, as measured in 1,000 cubic feet ("Mcf"):

Gas Distributed to End User	Rate per Mcf
First 100 Mcf per month	15.93 cents
Next 101 to 2,000 Mcf per month	8.77 cents
2,001 Mcf or more per month	4.11 cents

The rate on natural gas distributed to flex customers is 2 cents per Mcf. A flex customer is an industrial or commercial facility that consumes more than 1 million Mcf annually, or that has made a special agreement to purchase natural gas distribution services at a discount per R.C. 5727.80(N).

## Major Exemptions

The tax does not apply to:

- the distribution of natural gas to the federal government.
- natural gas produced by an end user in Ohio, consumed by the end user or its affiliates, and not distributed through the facilities of a natural gas distribution company.

## Revenue

(In Millions)

Fiscal Year	School District Property Tax Replacement Fund	Local Government Property Tax Replacement Fund	Total
2007	\$47.6	\$21.7	\$69.3
2008	47.8	21.8	69.6
2009	48.7	22.2	70.8
2010	45.6	20.8	66.4
2011	46.1	21.0	67.1

## Disposition of Revenue

Beginning in fiscal year 2012, the General Revenue Fund receives 100 percent of revenue.

## Payment Dates

Payments of the natural gas distribution tax are due by Nov. 20, Feb. 20, May 20, and Aug. 20.

## Special Provisions/Credits

None.

## Sections of Ohio Revised Code

Chapter 5727.

## Responsibility for Administration

Tax Commissioner.

## History of Major Changes

- 2000** Legislature enacts House Bill 287, creating the tax effective July 1, 2001. The tax is designed to replace local tax revenue that will be lost from a reduction in natural gas utility personal property tax assessment percentages.

**2002** The distribution formula is changed. The share to the School District Property Tax Replacement Fund falls from 70 percent to 68.7 percent; the share to the Local Government Property Tax Replacement Fund is increased from 30 percent to 31.3 percent.

## Comparisons with Other States

(As of January, 2008)

**Florida, Indiana, Kentucky, Massachusetts, Michigan, New York, Pennsylvania, Texas, and West Virginia** do not have a distribution-based tax on natural gas. Other comparison states impose taxes based on therms. Since a therm is a unit of heat energy rather than volume, conversions from therms to cubic feet vary according to the content of the gas and other factors. Still, roughly speaking, one Mcf equals roughly 10 therms.

### California

The tax rate is variable and is set each year by the State Board of Equalization. The default rate charged for calendar year 2008 ranges from 0.232 cents to 10.212 cents per therm, depending on territory, customer class, and rate program.

### Illinois

Gas companies pay 2.4 cents per therm sold to customers; self-assessing purchasers pay 2.4 cents per therm or 5 percent of gross receipts, whichever is less. A gas use tax is imposed at the same rate on the purchase of natural gas from outside of Illinois for use or consumption in Illinois.

### New Jersey

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

### Ohio

**Natural gas distribution companies pay a sliding three-bracket rate schedule based on the amount of natural gas distributed to end users per month in units of 1,000 cubic feet (Mcf). Rates are 15.93 cents for the first 100 Mcf; 8.77 cents for 101 to 2,000 Mcf; and 4.11 cents for 2,001 or more Mcf. The rate on natural gas distributed to flex customers (those who consume more than 1 million Mcf annually or have a special natural gas discount purchase agreement) is 2 cents per Mcf.**