Property Tax – Public Utility Tangible

Taxpayer

Public utilities that are subject to taxation on their tangible personal property include electric, rural electric, natural gas, pipeline, water works, water transportation, heating and telegraph companies.

Railroads formerly paid tax on tangible personal property, but saw the tax eliminated as part of a three-year phase-out that also applied to general business taxpayers.

The tax on tangible personal property was also phased out for telephone companies and inter-exchange telecommunications companies, which were classified as general business taxpayers as of Jan. 1, 2007. The assessment rate for telephone companies and inter-exchange telecommunications companies was 20 percent of true value for 2007, 15 percent for 2008, 10 percent for 2009 and 5 percent for 2010. In 2011 and thereafter, the assessment rate will be zero percent of true value.

For details on both the general business phase-out and the phase-out for telephone companies and inter-exchange telecommunications companies, see the **Property Tax – Tangible Personal Property** chapter.

Tax Base

The tax is levied on tangible personal property used in business in Ohio by a public utility taxpayer in providing a public utility service.

For most public utility personal property, the default method of establishing true value of public utility tangible personal property is cost (as listed on the public utility's books) less composite annual allowances prescribed by the Tax Commissioner. The allowances resemble depreciation tables that decrease to a minimum utility value.

Most public utility personal property is listed for tax purposes at 25 percent of true value. Exceptions include:

- all personal property of pipelines, water works, and heating companies, which is listed for tax purposes at 88 percent of true value.
- electric company personal property. Electric transmission and distribution personal property is assessed at 85 percent of true value, electric production personal property is assessed at 24 percent of true value, and all other electric property is assessed at 25 percent of true value.
- rural electric company property. Rural electric transmission and distribution property is assessed at 50 percent of true value and all other rural electric property is assessed at 25 percent of true value.

Apportionment of Tax Base:

In most cases, public utilities are valued as statewide units and the values are distributed to the taxing districts in which utilities operate. Personal property values are apportioned among the taxing districts based on a specific apportionment base – generally the taxable cost of property located in a taxing district as a proportion of such property located in the state.

Electric production equipment is apportioned 100 percent in the taxing district where it is located.

Rates

Property tax rates vary with taxing jurisdictions. The total tax rate includes all levies, enacted by legislative authority or approved by the voters, for all taxing jurisdictions within which the property is located. These include counties, townships, municipal corporations, school districts, joint vocational school districts and special service districts.

The 2009 average statewide gross tax rate on public utility personal property was 77.23 mills, and the 2008 gross rate was 76.44 mills. The gross tax rate is the rate that applies to tangible personal property. For real property, the application of "tax reduction factors" results in a lower "effective" tax rate.

Major Exemptions

The tax does not apply to:

- The property of municipally-owned utilities.
- Certified air, water, and noise pollution control equipment.
- Licensed motor vehicles.
- Tangible personal property under construction.

Also, qualified electric generating property may qualify for a property tax reduction if located in an enterprise zone.

Revenue

(In Millions)

Calendar Year	Total
2006	$745.8
2007	621.2
2008	645.2
2009	676.6
2010	747.2

Disposition of Revenue

Revenue is distributed to counties, municipalities, townships, school districts and special districts according to the taxable values and total millage levied by each. Statewide, school districts receive approximately 70 percent of the public utility tangible personal property tax revenue.

Payment Dates

The standard payment dates are:

- Dec. 31, when at least one-half of total tax liability is due.
- June 20, when the balance of tax liability is due.

Extensions are automatically granted to counties for 30 days in the case of certain delays affecting property tax administration. The Tax Commissioner may grant further extensions upon application by a county auditor and county treasurer. An approved application extends the due date for the tax and provides the county treasurer an extension of time to collect the taxes.

Special Provisions/Credits

None.

Sections of Ohio Revised Code

Chapters 319, 321, 323, 5701, 5705, 5709, 5711, 5713, 5715, 5717, 5719, 5727, and 6111.

Responsibility for Administration

Tax Commissioner assesses personal property of all public utilities and inter-exchange telecommunications companies. The tax is collected by county treasurers and reported by county auditors.

History of Major Changes

1910	The newly-created Tax Commission of Ohio is charged with the assessment of public utility property.
1939	Responsibility for assessing public utility property shifts to the Ohio Department of Taxation, which replaces the state Tax Commission.
1941	The assessment level for personal property of rural electric companies is reduced from 100 percent to 50 percent of true value. All other public utility property continues to be assessed at 100 percent.
1963	Certified air pollution control facilities are exempted.
1965	Certified water pollution control facilities are exempted.
1973	Certified noise pollution control facilities are exempted.
1979	Personal property of railroads begins to be assessed annually at the same percentage of true value as the tangible personal property of general businesses, which at the time was 42 percent of true value.
1985	General Assembly changes apportionment of electric company production plant equipment so that 70 percent is apportioned to the taxing district in which the property is physically located. The remaining 30 percent is apportioned to each taxing district according to the distribution base, meaning the percentage of the total cost of transmission and distribution property located in each district. Previously, production plant equipment had been apportioned entirely according to the value of overhead and underground lines.

1989 General Assembly enacts legislation that:

- Bases the true value of most public utility personal property on the cost as capitalized on the utility's books less composite annual allowances as prescribed by the Tax Commissioner.
- Reduces the taxable value of most public utilities from 100 percent to 88 percent of true value.
- Defines the true value of electric company production equipment as 50 percent of original cost, while maintaining the 100 percent assessment rate on such property.
- Revises the apportionment of production equipment at an electric utility plant with a cost exceeding $1 billion so that all of the cost in excess of $420 million is apportioned according to the distribution base. Previously, 70 percent of the amount above $420 million would have been apportioned to the taxing district in which the property is physically located.

1995 All inter-exchange telecommunications company personal property begins to be assessed at 25 percent of true value. Local telephone company personal property is added to the tax rolls during tax year 1995 and is thereafter assessed at 25 percent of true value.

1999 Beginning Jan. 1, 2001, all electric and rural electric utility personal property – except for transmission and distribution property – is assessed at 25 percent of true value. Also, electric production equipment is sitused 100 percent in the taxing district in which property is located.

2000 Beginning Jan. 1, 2001, the assessment percentage of natural gas personal property is lowered from 88 percent to 25 percent of true value.

2003 Beginning Jan. 1, 2005, the assessment rate of telephone personal property acquired before 1994 is phased down from 88 percent to 25 percent of true value over a three-year period.

2005 House Bill 66 includes the following changes effective Jan. 1, 2006:

- the assessment percentage on electric transmission and distribution personal property is lowered from 88 percent to 85 percent and the assessment percentage on electric production personal property is lowered from 25 to 24 percent.
- the tax on railroad personal property begins a three-year phase-out according to the same schedule that applies to general business tangible personal property: listing percentages of 18.75 for 2006, 12.5 percent for 2007, 6.25 percent for 2008 and zero percent thereafter.
- railroad real property in a single county and not used in operations is valued and assessed by the county auditor.
- the taxable personal property of an electric company includes the cost of patterns, jigs, dies and drawings.

Also:

- Beginning Jan. 1, 2007, telephone companies and inter-exchange telecommunications companies are classified as general business taxpayers, with the personal property for these companies to be phased out according to a four-year schedule.
- Beginning Jan. 1, 2009, persons that lease personal property to some public utilities are defined as public utility personal property lessors and are required to file returns listing this property.
- Beginning Jan. 1, 2009, persons that generate electricity and supply some of it to others, but whose primary business is not supplying electricity, will be required to report their electricity-related property as an electric company does.

Comparisons with Other States

(As of December, 2008)

Public utility personal property is exempt from taxation in **Illinois** and **Pennsylvania.** Other states tax public utility personal property as follows:

California

Assessor: State Board of Equalization.

Assessment: Fair market value, with special provisions for private railroad cars.

Tax Rate: Aggregate of all local levies.

Florida

Assessor: The state Department of Revenue assesses railroad property; county officials assess all other personal property.

Assessment: Full cash value.

Tax Rate: Aggregate of all local levies.

Indiana

Assessor: The Department of Local Government Finance assesses distributable property. Local officials assess fixed property.

Assessment: True tax value.

Tax Rate: Aggregate of all state and local levies (limitations imposed) for all public utility property, except railroad property which is taxed at a rate equal to the average levy in the state.

Kentucky

Assessor: Department of Revenue.

Assessment: Fair cash value.

Tax Rate: Aggregate of all state and local levies.

Massachusetts

Assessor: Division of Revenue.

Assessment: Fair cash value.

Tax Rate: Aggregate of all state, county, and local levies (limitations imposed).

Michigan

Assessor: State Board of Assessors.

Assessment: 50 percent of true cash value.

Tax Rate: Average rate of taxation upon all taxable property.

New Jersey

Assessor: Local officials assess telecommunications personal property, the only public utility personal property subject to tax in New Jersey.

Assessment: True value.

Tax Rate: Aggregate of all local levies.

New York

Assessor: The state Board of Real Property Services values utility property in the public right of way; local officials value all other property. (In New York, the tangible personal property of public utilities on, under, or above both privately and publicly owned rights of way is taxed as real property.)

Assessment: Determined locally.

Tax Rate: Aggregate of all local levies; limitations are imposed.

Ohio

(As described in the Taxpayer, Tax Base **and** Rates **sections in this chapter.)**

Texas

Assessor: County appraisal districts.

Assessment: Utility is assessed at 100 percent of recognized unitary valuation.

Tax Rate: Aggregate of all local levies.

West Virginia

Assessor: State Board of Public Works.

Assessment: All property is assessed at 60 percent of its fair market value.

Tax Rate: Aggregate of state and local levies (limitations imposed).