



## Property Tax – Public Utility Property

This chapter deals largely with property taxes levied on the tangible personal property of public utilities. Public utility personal property is the only personal property that will remain subject to property taxation once changes enacted by the Ohio General Assembly in 2005 are fully phased in. Some of these tax changes also apply to the taxation of public utility property and will, over time, decrease property tax revenue from some utilities.

This chapter also touches on the taxation of public utility real property, since the Department of Taxation has a role in assessing the real property of railroads. However, tables showing the taxes paid on public utility real property are located in the **Property Tax – Real Property** chapter.

The assessed value of public utility personal property was approximately \$8.9 billion in tax year 2008. Electric utilities accounted for about 75 percent of total public utility personal property value in 2008 and the natural gas industry accounted for 8.6 percent. These amounts were determined using the tax year 2007 assessment rates.

Revenue from the public utility property tax amounted to about \$645.2 million in calendar year 2008 (see Table 1 in **Revenue from Taxes Administered by the Tax Commissioner**). This revenue was distributed to counties, municipalities, townships, school districts, and special districts, according to the individual millage levied locally, less local administrative deductions.

### Taxpayer

Public utilities 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 assessment rate on railroad personal property was reduced from 25 percent of true value in 2005 to 18.75 percent for 2006, 12.5 percent for 2007, 6.25 percent for 2008 and zero percent for 2009 and thereafter.

The tax on tangible personal property is also being phased out for telephone companies and inter-exchange telecommunications companies, which were reclassified as general business taxpayers as of Jan. 1, 2007. The assessment rate for telephone companies and inter-exchange telecommunications companies is 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.

### Changes for 2009

Beginning in 2009, any person or entity that is not a public utility or an inter-exchange telecommunications company

and that leases its personal property to a public utility is considered a “public utility lessor” and is required to report and pay tax on its property in the same manner as the utility to which it leases its property. This treatment applies to all such leased property that would otherwise be subject to public utility property tax if it were owned and used directly by the utility except property leased to a public utility in a sale and leaseback transaction, and property leased to a railroad, water transportation, telephone, or telegraph company (R.C. 5727.01(M)).

Also, beginning in 2009, a taxpayer that produces electricity for its own (non-utility) business and sells excess electricity to others will be treated as an electric company for property taxation purposes. Those taxpayers are required to report and pay the tax on a percentage of the true value of their eligible equipment based on the amount of electricity generated in the preceding year that was sold to other parties (R.C. 5727.031).

### Tax Base

(Ohio Revised Code 5715.01, 5727.01, 5727.06, 5727.10, 5727.11, 5727.111, 5727.12, 5727.14, 5727.15)

For most public utilities, the personal property tax base consists of all tangible personal property owned and located in Ohio on Dec. 31 of the preceding year. The exceptions:

- For water transportation companies, the tax base consists of all tangible personal property, except watercraft, owned or operated in Ohio on Dec. 31 of the preceding year and all watercraft owned or operated by the water transportation company in Ohio during the preceding calendar year.
- Railroad property, both real and personal, is valued according to the unitary method described under **Determining true value**, below.

### Listing percentages

The percentage of true value at which personal property is listed for taxation varies according to the type of public utility. The percentages are as follows:

<b>Electric companies:</b>	
Production personal property	24%
Transmission and distribution personal property	85%
All other tangible personal property	24%
<b>Rural electric companies:</b>	
Transmission and distribution personal property	50%
All other tangible personal property <sup>1</sup>	25%
<b>Natural gas companies</b>	25%
<b>Heating, pipeline, and water works companies</b>	88%
<b>Water transportation companies</b>	25%

<sup>1</sup> Including production equipment.

The table above does not include the listing percentages for the personal property of railroads, and telephone companies and inter-exchange telecommunications companies, whose rates were to fall to zero in 2009 and 2011, respectively, according to schedules described in the **Taxpayer** section.

The above table also does not apply to real property. All public utilities also pay tax on real property, which is uniformly listed at 35 percent of true value in Ohio. Real property includes land and improvements. Personal property includes all plant and equipment either owned or leased by the utility under a sale-lease back agreement, and not classified as real property or intangible property.

#### Determining true value

For most public utility personal property, true value is the capitalized cost less the composite annual allowances, which vary according to the actual age and expected life of the property. Exceptions:

- The true value of electric company production equipment and all taxable property of a rural electric company is 50 percent of capitalized cost, except for the production equipment of electric or rural electric companies purchased, transferred or sold after July 6, 1999, the date when the electric deregulation legislation known as Senate Bill 3 became effective. The true value of production equipment purchased, transferred or sold after this date is the capitalized cost on the books and records, less composite annual allowances.
- The true value of current gas (gas available for market) stored underground is the monthly average value of such gas, determined by dividing the cost of the ending monthly balances by the number of months in business. The true value of non-current gas (gas not available for market that provides pressure for cycling current gas) stored underground is 35 percent of cost on the tax lien date.
- To determine the true value of railroad real and personal property used in railroad operations, the unitary method is used to value the company's entire railroad system property as a whole. The value is apportioned to Ohio in the proportion that the length of track in this state bears to the whole length of track. The value of railroad personal property not used in operations is assessed by the Tax Commissioner, while real property not used in operations is assessed by county auditors, both using the normal means of valuing each type of property.

#### Apportionment of value

Real property values of all utilities except railroads are assigned to local taxing districts throughout Ohio according to the physical location of the property.

The taxable personal property values of all utilities are apportioned among the taxing districts as described below:

- Natural gas, heating, pipeline, water works, rural electric, and water transportation companies: taxable value is apportioned according to the cost of all taxable personal property physically located in each taxing district as a proportion of the total cost of all such taxable personal property physically located in the state.

- Electric companies: for production equipment, the total taxable value is apportioned to the taxing district in which the property is physically located. For all other property, the taxable value is apportioned according to the cost of this property physically located in each taxing district as a proportion of the total cost of all such taxable personal property physically located in the state.
- Telephone and inter-exchange telecommunications companies: taxable value is apportioned in proportion to the total miles of wire located in each taxing district as compared to the miles of wire for the entire state. For companies that have no miles of wire in the state, the taxable value is apportioned according to the cost of all taxable personal property physically located in each taxing district as a proportion of the total cost of all taxable personal property physically located in the state.
- Railroads: taxable value of all railroad property used in operations in the state (in this case, both real and personal) is apportioned to Ohio according to the miles of track in each taxing district and trackage rights, weighted by use, compared to the miles of track in the entire system. Values for railroad real and personal property not used in operations are situated on the basis of their physical location.

## Rates

(R.C. 319.30, 319.301, 5705.02 – .05, 5705.19)

Tax rates vary by taxing jurisdiction. The total tax rate is the sum of all levies enacted by legislative authority or approved by voters for all taxing jurisdictions in which the property is located or to which it is apportioned. Examples of taxing jurisdictions include counties, townships, municipal corporations, school districts, joint vocational school districts and special service districts.

These total rates, or gross tax rates, apply to personal property. For real property, the application of tax reduction factors according to R.C. 319.301, commonly known as "House Bill 920" results in lower "effective" tax rates. For details on tax reduction factors, see the section on credits in the **Property Tax – Real Property** chapter.

## Exemptions and Credits

(R.C. 319.302, 5701.03, 5709.111, 5709.25, 5709.61, 5727.01, 5727.05, 6111.31)

The following types of public utility property are exempt:

- municipally-owned utilities.
- certified air, water, and noise pollution control facilities.
- licensed motor vehicles.
- tangible personal property under construction.
- the real and personal property of nonprofit corporations and political subdivisions used exclusively in the treatment, distribution, and sale of water to consumers.

An allowance is available for funds used during construction and interest used during construction. This does not apply to electric company and rural electric company property, except transmission and distribution property first placed into service after Dec. 31, 2000. It also does not apply to the tax-

able property a person purchases, which includes transfers, if that property was used in business by the seller prior to the purchase.

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

### Reporting, Certification, and Payment Dates

Annual reports are due by March 1, but the Tax Commissioner may grant an extension of up to 60 days (R.C. 5727.08 and 5727.48).

The Tax Commissioner notifies utilities and county auditors of values on or before the first Monday in October (R.C. 5727.10 and 5727.23).

Tax payments are due according to the same first- and second-half due dates for real property taxes. According to statute, at least one half of a real property tax bill is due by Dec. 31, with the balance due by June 20. In practice, these deadlines may be extended by 45 days, or even longer in certain circumstances, on a county-by-county basis (R.C. 323.12 and 323.17).

### Disposition of Revenue

(R.C. 319.54, 321.24, 321.26, 321.261, 321.31, 321.34)

After local administrative deductions, revenue is distributed to counties, municipalities, townships, school districts, and special districts according to the taxable values and total millage levied by each.

### Administration

(R.C. 5713.01, 5727.06)

The Tax Commissioner assesses the tangible personal property of all public utilities and inter-exchange telecommunications companies. The Tax Commissioner also assesses the real estate of railroads. County auditors assess all other public utility real estate.

### Ohio Revised Code Citations

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

Chart

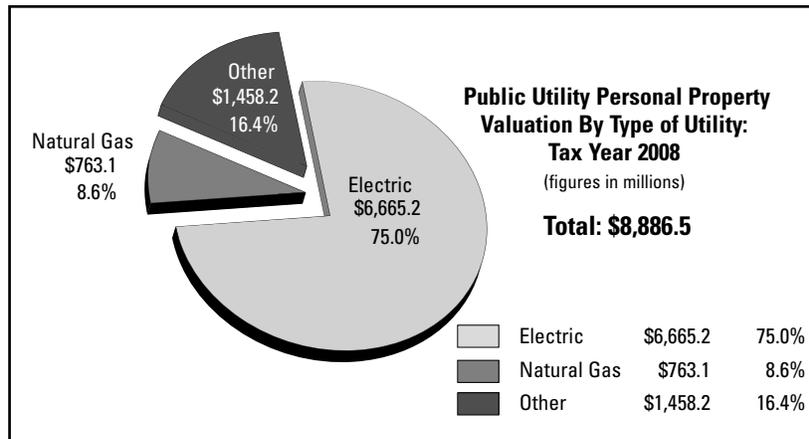


Table 1

Class of Utility	Number of Taxpayers	Public Utility Personal Property - Certified Assessed Value by Class Of Utility and Total Taxes Levied: Tax Years 2004 - 2008				
		2004	2005	2006	2007	2008
Electric <sup>1</sup>	19	\$5,523,375,530	\$5,702,660,740	\$5,789,028,700	\$6,390,727,590	\$6,665,194,420
Telephone <sup>2</sup>	-	2,571,456,080	2,082,059,560	1,710,226,520	-	-
Natural Gas <sup>3</sup>	28	591,653,220	622,753,060	652,656,240	713,082,350	763,148,170
Railroad	35	270,911,390	280,935,810	221,809,710	133,631,890	181,286,750
Pipeline	15	695,838,050	719,356,480	733,341,850	713,799,520	742,391,230
Rural Electric	27	308,889,580	322,366,860	337,995,440	391,893,760	379,305,110
Water Works	15	122,202,520	130,002,630	131,570,430	153,161,070	151,025,180
Other <sup>4</sup>	7	3,010,510	2,737,940	2,837,390	4,619,360	4,168,520
<b>Totals<sup>5</sup></b>	<b>146</b>	<b>\$10,087,336,880</b>	<b>\$9,862,873,080</b>	<b>\$9,579,466,280</b>	<b>\$8,500,915,540</b>	<b>\$8,886,519,380</b>
<b>Taxes Levied</b>		<b>\$775,375,587</b>	<b>\$755,171,101</b>	<b>\$745,800,863</b>	<b>\$621,194,887</b>	<b>\$645,176,010</b>

Source: Department of Taxation.

1 Assessment of electric company property was lowered from 100 percent to 25 percent in 2001, while the number of taxpayers increased from 14 (2000) to 17 (2001) and has fluctuated in subsequent years.

2 Starting in tax year 2007, values of telephone and inter-exchange telecommunications companies are included with general business tangible personal property values.

3 Assessment of natural gas company property was lowered from 88 percent to 25 percent in 2001; also the valuation method for gas storage was changed from current monthly cost to 12-month average.

4 Includes water transportation and heating.

5 Only companies with taxable property are included.

Table 2

Assessed Value of Public Utility Personal Property and Taxes Levied by County: Tax Year 2008					
County	Assessed Value of Public Utility Personal Property	Taxes Charged on Public Utility Personal Property	County	Assessed Value of Public Utility Personal Property	Taxes Charged on Public Utility Personal Property
ADAMS	\$194,646,800	\$8,487,790	LOGAN	\$31,532,260	\$1,978,355
ALLEN	80,032,490	4,613,281	LORAIN	240,743,430	20,057,297
ASHLAND	55,141,930	3,830,343	LUCAS	206,265,870	19,438,824
ASHTABULA	84,441,360	6,452,238	MADISON	27,551,260	1,838,941
ATHENS	77,881,300	5,683,371	MAHONING	143,951,730	11,704,247
AUGLAIZE	17,719,800	1,088,787	MARION	59,233,340	3,817,240
BELMONT	68,940,260	4,265,183	MEDINA	83,953,130	7,536,380
BROWN	26,595,570	1,367,015	MEIGS	36,120,600	1,790,569
BUTLER	224,151,810	16,268,813	MERCER	20,352,570	1,185,155
CARROLL	37,838,350	2,006,968	MIAMI	54,562,040	3,725,367
CHAMPAIGN	23,367,220	1,565,925	MONROE	41,777,770	2,062,940
CLARK	66,064,500	4,878,898	MONTGOMERY	285,341,410	28,351,062
CLERMONT	278,572,580	19,242,384	MORGAN	58,615,990	3,314,402
CLINTON	29,498,380	1,552,630	MORROW	20,753,140	1,167,906
COLUMBIANA	74,865,950	4,272,810	MUSKINGUM	74,554,590	4,866,994
COSHOCTON	96,575,500	4,957,186	NOBLE	33,702,070	1,701,504
CRAWFORD	21,691,330	1,590,397	OTTAWA	123,455,880	6,972,733
CUYAHOGA	615,400,890	65,010,795	PAULDING	23,989,370	1,335,183
DARKE	46,582,700	2,334,585	PERRY	39,446,540	2,432,102
DEFIANCE	47,001,060	2,960,507	PICKAWAY	54,372,570	3,139,897
DELAWARE	132,794,470	10,772,962	PIKE	31,319,300	1,745,317
ERIE	49,043,350	4,145,635	PORTAGE	74,664,640	6,654,567
FAIRFIELD	98,167,860	7,053,844	PREBLE	31,857,170	1,762,232
FAYETTE	10,398,500	585,808	PUTNAM	24,194,100	1,214,693
FRANKLIN	573,951,430	59,211,643	RICHLAND	83,803,370	6,717,801
FULTON	34,699,250	2,553,307	ROSS	51,880,530	3,102,472
GALLIA	174,651,740	7,077,944	SANDUSKY	42,213,880	2,469,191
GEAUGA	59,266,040	5,788,598	SCIOTO	69,473,530	4,155,083
GREENE	84,961,320	6,792,347	SENECA	48,924,390	3,172,417
GUERNSEY	44,805,720	2,674,137	SHELBY	31,837,350	1,870,671
HAMILTON	608,592,800	57,863,951	STARK	236,131,280	17,924,347
HANCOCK	53,957,880	3,152,337	SUMMIT	214,563,110	19,324,181
HARDIN	20,726,960	1,170,961	TRUMBULL	109,568,490	8,507,039
HARRISON	21,277,090	1,297,845	TUSCARAWAS	65,359,260	4,186,135
HENRY	16,781,770	1,212,543	UNION	52,115,040	3,990,581
HIGHLAND	26,989,500	1,236,202	VAN WERT	18,698,260	1,230,624
HOCKING	49,096,220	2,984,816	VINTON	28,671,310	1,312,582
HOLMES	27,367,300	1,589,918	WARREN	144,066,080	11,426,893
HURON	28,988,250	1,765,631	WASHINGTON	123,905,920	6,954,855
JACKSON	42,881,750	1,862,499	WAYNE	55,890,370	4,237,062
JEFFERSON	255,865,260	14,248,900	WILLIAMS	18,917,170	1,310,651
KNOX	35,008,290	2,254,523	WOOD	69,227,410	5,508,457
LAKE	342,160,100	28,119,767	WYANDOT	12,358,580	638,106
LAWRENCE	62,496,530	2,295,784			
LICKING	117,894,340	7,201,149	<b>TOTAL</b>	<b>\$8,439,749,600</b>	<b>\$645,176,010</b>