



Kilowatt-Hour Tax

The kilowatt-hour tax was created by the Ohio General Assembly in 2001 as part of a broader legislative effort to deregulate electric utilities. The tax, effective May 1, 2001, replaced the public utility excise tax on electric and rural electric companies. It was also designed to replace revenues lost from the reduction of assessment rates on electric and rural electric tangible personal property.

The kilowatt-hour tax is levied on electric distribution companies with end users in this state. The tax has tiered rates that vary according to the kilowatt-hour consumption of individual end users of electricity. For certain large consumers of electricity, a self-assessor option exists that is partially based on price and partially based on consumption. Companies that provide both electric and other services must separate the charges for electricity from the other services they provide.

The tax is paid monthly. During fiscal year 2011, the tax generated approximately \$518.4 million in total revenue.

Taxpayer

Electric distribution companies with end users in Ohio are subject to the kilowatt-hour tax. The tax is also paid by certain large commercial and industrial end users (self-assessing purchasers) that consume more than 45 million kilowatt-hours of electricity during a calendar year. Self-assessing purchasers must qualify and register to self-assess the tax.

Tax Base

(Ohio Revised Code 5727.81)

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 the amount of kilowatt hours distributed per month.
- for end users above 45 million kWh of annual consumption who opt to self-assess, the tax is partially based on the number of kilowatt-hours distributed per month and partially based on the total price per month. The consumption portion of this base is capped at the first 504 million kWh distributed to the self-assessing purchaser during each registration year.

Rates

(R.C. 5727.81)

Electric distribution companies pay rates based on their monthly distribution to each end user. The rates are tiered ac-

ording 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

End users above 45 million kWh in annual consumption may register to self-assess the tax. This self-assessor tax is calculated as the sum of 3.5 percent of the total price of all electricity plus 0.075 cents per kWh on the first 504 million kWh of annual consumption.

This self-assessment calculation is scheduled to change. Starting Jan. 1, 2011, the price-based portion of the tax will be dropped. Instead, self-assessors will pay 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 (see **Recent Legislation**).

Exemptions

(R.C.5727.80, 5727.81)

The kWh tax does not apply to:

- the federal government;
- end users located at a federal facility that uses electricity to process uranium;
- qualified use of electricity by qualified end users in qualified manufacturing processes; and
- qualified regeneration facilities.

Credits

None.

Special Provisions

In cases where self-assessing purchasers are served by a municipal electric utility and are located within that municipality, the tax is remitted to the municipality rather than the state.

Filing and Payment Dates

(R.C. 5727.82)

For kilowatt-hour and self-assessing taxpayers, the filing date is the 20th day of each month. Payments reflect the amount of electricity distributed to the end users during the preceding month.

To register as a self-assessing purchaser, end users must submit an application and pay a \$500 fee before May 1. The registration year begins on May 1 and ends on the following April 30.

Disposition of Revenue

(R.C. 5727.84)

Between January 2008 and July 2011, state law required funds to be distributed according to the following schedule:

Fund Percentage for fiscal years 2001 – 2011:	
Fund	Percentage
General Revenue Fund	63%
School District Property Tax Replacement Fund	25.4%
Local Government Property Tax Replacement Fund	11.6%
Total Distribution for fiscal years 2012 and thereafter:	100%
General Revenue Fund	88.0%
School District Property Tax Replacement Fund	9.0%
Local Government Property Tax Replacement Fund	3.0%
Total Distribution	100%
For fiscal years 2012 and thereafter:	
	Percentage
General Revenue Fund	88.0%
School District Property Tax Replacement Fund	9.0%
Local Government Property Tax Replacement Fund	3.0%
Total Distribution	100%

Table

Kilowatt-Hour Tax Collections and Distributions: Fiscal Years 2007 - 2011							
Fiscal Year	Total Collections	State General Revenue Fund	Local Government Fund ¹	Local Government Revenue Assistance Fund	Public Library Fund	School District Property Tax Replacement Fund	Local Government Property Tax Replacement Fund
2007	\$559,691,878	\$326,929,075	\$22,493,535	\$3,213,362	\$0	\$142,161,737	\$64,924,258
2008	570,676,257	231,217,687	6,232,333	890,333	121,218,846	144,915,698	66,201,360
2009	544,575,469	135,956,975	0	0	207,084,157	138,354,866	63,179,471
2010	518,409,440	156,289,002	0	0	170,308,945	131,675,998	60,135,495
2011	535,988,378	153,874,661	0	0	183,798,018	136,141,048	62,174,652

Source: State of Ohio accounting system.

When obligations to school districts have been met, excess revenues in the School District Property Tax Replacement Fund are to be transferred by the Office of Budget and Management to the half-mill equalization fund. Amounts in excess of that required to make the payments described in R.C. 3318.18 are then to be transferred to the General Revenue Fund.

Administration

The Tax Commissioner administers the kilowatt-hour tax and makes revenue payments to the various funds.

Ohio Revised Code Citations

Chapter 5727.

Recent Legislation

House Bill 1, 128th General Assembly

Change to self-assessment computation – H.B. 1 amended R.C. 5727.81 to eliminate the price component of the self-assessment calculation and modify the calculation of tax liability for end users who elect to self-assess. Effective Jan. 1, 2011, end users who self-assess will pay 0.257 cents per kWh on the first 500 million kWh consumed annually and 0.1832 cents per kWh for each kWh in excess of 500 million kWh consumed.

¹ One-half of all General Revenue Fund transfers to the Public Library Fund are credited against kilowatt-hour tax GRF revenue.