

Kilowatt-Hour Tax

The kilowatt-hour tax was enacted by Amended Substitute Senate Bill 3 (123rd General Assembly) as part of electric utility deregulation. Effective May 1, 2001, this tax replaced the public utility excise tax on electric companies and the tax losses from reduction in electric utility personal property tax assessment rates.

Taxpayer

- 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 distributed to end users in Ohio.

- For end users at or below 45 million kilowatt hours in annual consumption, the base is on the amount of kilowatt hours distributed to them per month.
- For end users above 45 million kilowatt hours 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

1. Electric distribution companies pay at rates based on the monthly consumption by end users, using the following schedule:

Monthly Kilowatt Hours Distributed to the End User	Rate Per Kilowatt Hour
0 – 2,000 kilowatt hours	\$0.00465
2,001 – 15,000 kilowatt hours	0.00419
Over 15,001 kilowatt hours	0.00363

2. For consumers (end users) above 45 million kilowatt hours in annual consumption, there is an option to self-assess the tax. This self-assessor tax is calculated as the sum of 4.0% of price plus \$0.00075 on the first 504 million kilowatt hours of annual consumption.

Major Exemptions

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

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Revenue (In Millions)

Fiscal Year	State	School District	Local Gov't.	Total
	Gen. Rev. Fund	Prop. Tax Repl. Fund	Prop. Tax Repl. Fund	
2001(1)	\$24.0(2)	\$9.8	\$4.2	\$38.0
2002	323.3(3)	132.7	57.2	513.2
2003	339.9(3)	137.0	62.6	539.5
2004	339.0(3)	136.7	62.4	538.1
2005	339.8(3)	137.0	62.6	539.4

Notes: (1)Reflects only one month of revenue. (2)Fiscal Year 2001 revenue includes the following: \$22.8 million to the General Revenue Fund, \$1.0 million to the Local Government Fund, and \$0.2 million to the Local Government Revenue Assistance Fund. (3)All state revenue payments were made to the General Revenue Fund.

Disposition of Revenue

The General Revenue Fund receives 59.976%, School District Property Tax Replacement Fund receives 25.4%, Local Government Fund receives 2.646%, Local Government Property Tax Replacement Fund receives 11.6%, and the Local Government Revenue Assistance Fund receives 0.378% of kilowatt-hour tax revenue. A fee of \$500 is levied on self-assessors and deposited into an administration fund to defray the costs of collecting the tax.

However, for fiscal years 2002 and 2003, there were no distributions to the Local Government Fund and Local Government Revenue Assistance Fund due to a freeze on those funds. The General Revenue Fund received 63% of revenue in those two fiscal years. This freeze on local government funds was continued in Ohio's biennium budget for fiscal years 2004 and 2005 and again in the biennium budget for fiscal years 2006 and 2007. See **Disposition of Revenue** in the **Individual Income Tax** section for information on the semi-annual reduction of the deposits into the local government funds.

Payment Date

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.

Kilowatt-Hour Tax**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 • Enacted with an effective date of May 1, 2001.

- 2000 • Lowered the self-assessor tax threshold from 120 million kilowatt hours of annual consumption to 45 million kilowatt hours.
 - Capped the consumption portion of the self-assessor tax formula at 504 million kilowatt hours of annual consumption.
 - Provided that “qualified end users” will remit the tax (either kilowatt-hour or self-assessor option if so qualified) on the non-qualified portion of their electric consumption.
 - Provided for an exemption for “qualified regeneration” facilities.
 - Allowed businesses to declare that they will have enough electricity consumption in the upcoming year so they may self-assess. Provided for a “recapture” tax if the taxpayer fails to meet the self-assessor threshold.
 - If a self-assessor is served by a municipal electric company and is within the municipal boundary, required the taxpayer to remit the self-assessor tax to the municipality.
 - Clarified rules pertaining to self-assessors.

- 2002 • Effective June 2, 2002, the School District Property Tax Replacement Fund’s share was reduced from 25.9% to 25.4% and the Local Government Property Tax Replacement Fund’s share was increased from 11.1% to 11.6%.

- 2003 • Effective July 1, 2003, no revenue from the tax through

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June 30, 2005 credited to the Local Government Fund or the Local Government Revenue Assistance Fund. Such amounts will be credited to the General Revenue Fund.

- 2005 • The changes effective July 1, 2003 through June 30, 2005 were extended through June 30, 2008.

Comparisons with Other States (As of 04/06)**California**

\$0.00022 per kilowatt hour of electricity consumed.

Illinois

End users pay on a declining cents-per-kilowatt-hour basis, ranging from \$0.00202 to \$0.0033 on consumption for delivery suppliers, or 5.1% of the purchase price for self-assessors. Distributors pay on an increasing cents-per-kilowatt-hour basis ranging from \$0.00031 to \$0.00131 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 2010.

Pennsylvania

Total rate of 5.9% on gross receipts is composed of a 4.4% base levy (see **Comparisons with Other States in Public Utility Excise Tax**) and a 1.5% revenue reconciliation tax.

West Virginia

General rate variable, depending on whether power used was generated in-state (\$0.0005 per kilowatt-hour used) or outside the state (\$0.0019 per kilowatt-hour used).

Florida, Indiana, Kentucky, Massachusetts, and Michigan

Electric companies may be subject to general business taxes.

New York and Texas

Each state has a specific consumption-based tax on electricity.