



Instructions for Completing Natural Gas Distribution Company Tax Return (MCF 2) (Companies Using Aggregation Tax Reporting Method)

Aggregation Method

Companies with fewer than 70,000 customers may elect to aggregate the natural gas they distribute to all customers and report their liability as if all gas were distributed to a single customer. This alleviates the distribution company from the requirement of calculating the tax for each individual customer and summing those calculations in order to file their return.

Reporting Periods and Due Dates

Quarterly tax returns are due by the 20th day of February, May, August and November for the preceding calendar quarter. If the due date falls on a weekend or state holiday, the due date is the next business day.

Nontaxable Distribution

Do not report on lines 1, 2, 3 or 4 of the return the distribution of natural gas to the federal government or natural gas produced by an end user that is consumed by that end user and not distributed through the facilities of a natural gas company.

Computation of the Tax

As a natural gas distribution company that has elected to aggregate, the tax is computed as if all the natural gas you distributed was distributed to a single customer. Although returns are due quarterly, the tax is computed monthly. The first 100 MCFs of natural gas distributed each month is subject to a rate of \$.1593. The next 1,900 MCFs distributed each month is subject to a rate of \$.0877. All MCFs over 2,000 distributed each month is subject to a rate of \$.0411.

All natural gas distributed to flex customers is taxed at a rate of \$.02. Flex customers are all industrial or commercial facilities that have consumed more than one billion cubic feet of natural gas in one year at a single location during any of the previous five years. A flex customer is also any industrial or commercial facility that purchases natural gas at a discounted rate under special arrangements with the PUCO or a municipality.

Any end user that meets the definition of a flex customer on Jan. 1, 2000, or thereafter, remains a flex customer for purposes of this tax.

As an example, you distribute a total of 32,500 MCFs in July, 33,500 MCFs in August and 33,000 MCFs in September. Since your tax is computed as if you distributed all the natural gas to a single customer, your liability for the third-quarter return would be calculated as follows:

<u>MCFs</u>		<u>Rate</u>	=	<u>Tax</u>
300	x	.1593	=	\$47.79
5,700	x	.0877	=	\$499.89
93,000	x	.0411	=	\$3,822.30

Line 1 column B – Enter the MCFs distributed at the \$.1593 rate.

Line 1 column C – Multiply the MCFs in column A by the tax rate of .1593.

Line 2 column B – Enter the MCFs distributed at the \$.0877 rate.

Line 2 column C – Multiply the MCFs in column A by the tax rate of .0877.

Line 3 column B – Enter the MCFs distributed at the \$.0411 rate.

Line 3 column C – Multiply the MCFs in column A times the tax rate of .0411.

Line 4 column B – Enter the MCFs distributed to all flex customers.

Line 4 column C – Enter the tax for all flex customers at this rate.

Line 5 – Enter the total of column C lines 1, 2, 3 and 4.

Line 6 – Enter the interest due on late payment. Multiply line 5 column C by the interest rate, divide by 365, and multiply by the number of days the payment is late. (Please refer to our Web site at tax.ohio.gov for the current interest rate.)

Line 7 – Enter the total of lines 5 and 6. This is the amount that you owe.

General Provisions

A return must be filed each quarter, even if there is no liability to report. All amounts are to be rounded to the nearest dollar and MCF. Late returns may be subject to a late filing charge of up to 10% of the tax liability or \$50, whichever is greater. You will be billed for any applicable late charge. The return and payment must be received by Taxation on or before the due date.

Make checks payable to the Ohio Treasurer of State and write your account number on the check.

Please direct any questions to our office: Ohio Department of Taxation
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