



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 \$9.9 billion in tax year 2010. Electric utilities accounted for 70.8 percent of total public utility personal property value in 2010 and the natural gas industry accounted for 8.3 percent.

Revenue from the public utility property tax amounted to about \$747.2 million in calendar year 2010 (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. For tax years 2000 and 2010, the final remnant of the tangible personal property tax consisted of property used by telephone companies and inter-exchange telecommunications companies. Although such property is not subject to the public utility property tax, for simplicity's sake a table is provided in this chapter showing information on that tax.

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 2011

House Bill 153 extended until January 1, 2014 by when construction of a renewable energy facility must begin in order to qualify as a "qualified energy project," and extended until January 1, 2015 (or January 1, 2019 for nuclear, clean coal, and cogeneration projects) by when energy must be produced.

Changes for 2010

Renewable energy facilities that are not financed through the Ohio Air Quality Development Authority can be exempt from the tangible personal property tax if certified by the Director of Development as a "qualified energy project." Such a facility will require a payment in lieu of taxes on the basis of each megawatt of production capacity. In order to be certified as a "qualified energy project," among other requirements, construction must begin before January 1, 2012, energy produced by 2013 (or 2017 for nuclear, clean coal and cogeneration projects) and Ohio jobs created. (R.C. 5727.75)

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:

Electric companies:

Production personal property	24%
Transmission and distribution personal property	85%
All other tangible personal property	24%

Rural electric companies:

Transmission and distribution personal property	50%
All other tangible personal property ¹	25%
Natural gas companies	25%

Heating, pipeline, and water works companies 88%

Water transportation companies 25%

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.

¹ Including production equipment.

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 taxable 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

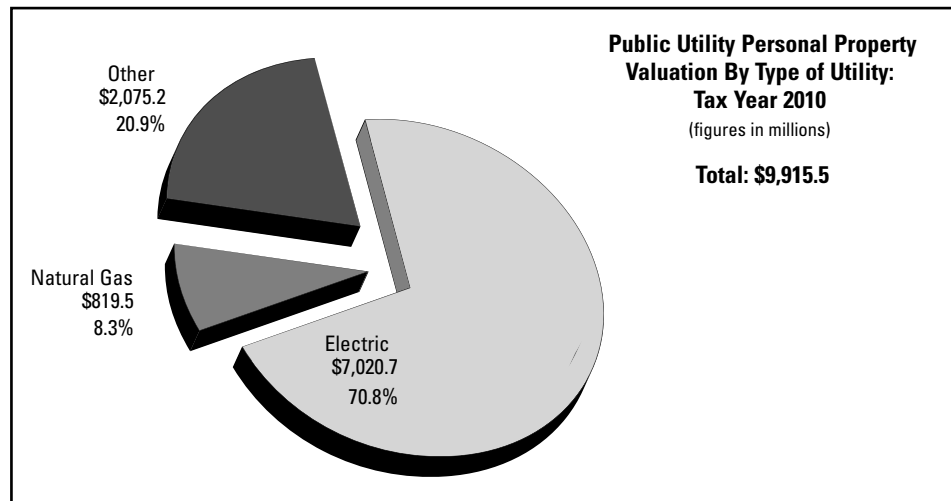
(R.C. 5713.01, 5727.06)

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



1 Includes railroad, pipeline, rural electric, water works, water transportation and heating.

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 2006 - 2010				
		2006	2007	2008	2009	2010
Electric	19	\$5,789,028,700	\$6,139,587,280	\$6,390,727,590	\$6,665,194,420	\$7,020,695,660
Telephone ¹	-	1,710,226,520	-	-	-	-
Natural Gas	26	652,656,240	687,377,830	713,082,350	763,148,170	819,544,930
Railroad	-	221,809,710	166,453,130	133,631,890	0	-
Pipeline	16	733,341,850	718,061,960	713,799,520	742,391,230	1,461,255,730
Rural Electric	27	337,995,440	356,232,540	391,893,760	379,305,110	415,791,840
Water Works	15	131,570,430	155,095,100	153,161,070	151,025,180	159,717,810
Lease/Rental ²	12	-	-	-	36,472,560	36,063,820
Other ³	7	2,837,390	3,148,860	4,619,360	4,168,520	2,406,410
Totals³	122	\$9,579,466,280	\$8,225,956,700	\$8,500,915,540	\$8,886,519,380	\$9,915,476,200
Taxes Levied		\$745,800,863	\$621,194,887	\$645,176,010	\$676,598,501	\$747,249,291

Source: Department of Taxation.

1 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.

2 This category consists of tangible personal property leased by or rented to a public utility property taxpayer. Such property was included in tangible personal property values for 2008 and prior tax years. Because of the repeal of the tangible personal property tax in 2009, this type of property has been added to this table.

3 Includes water transportation and heating.

4 Only companies with taxable property are included.

Table 2

Assessed Value of Public Utility Personal Property and Taxes Levied by County: Tax Year 2010					
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	\$218,532,560	\$975,189	LOGAN	\$33,172,380	\$207,758
ALLEN	84,727,970	485,316	LORAIN	225,068,790	1,905,487
ASHLAND	58,971,990	410,906	LUCAS	221,492,520	2,090,343
ASHTABULA	87,489,630	664,560	MADISON	30,301,200	203,719
ATHENS	85,591,790	628,170	MAHONING	153,705,890	1,257,588
AUGLAIZE	18,202,090	112,655	MARION	66,835,900	441,302
BELMONT	122,369,590	769,711	MEDINA	91,176,320	823,048
BROWN	33,788,640	178,329	MEIGS	41,262,280	203,787
BUTLER	299,468,492	2,169,023	MERCER	21,045,480	123,075
CARROLL	44,833,030	229,494	MIAMI	56,115,050	387,546
CHAMPAIGN	24,424,510	165,788	MONROE	85,713,220	490,097
CLARK	70,963,800	547,098	MONTGOMERY	302,617,930	3,103,939
CLERMONT	300,397,840	2,086,196	MORGAN	62,235,010	364,562
CLINTON	60,079,640	307,846	MORROW	22,266,140	125,186
COLUMBIANA	83,320,440	474,174	MUSKINGUM	142,961,480	936,903
COSHOCTON	137,351,580	698,046	NOBLE	64,660,890	316,605
CRAWFORD	23,102,330	179,756	OTTAWA	113,060,260	635,872
CUYAHOGA	673,170,690	7,258,081	PAULDING	27,667,230	161,567
DARKE	42,721,030	219,299	PERRY	83,780,930	520,723
DEFIANCE	52,422,710	330,454	PICKAWAY	119,984,190	685,872
DELAWARE	144,567,380	1,212,356	PIKE	36,622,560	206,241
ERIE	52,906,520	450,710	PORTAGE	78,910,080	706,691
FAIRFIELD	170,466,470	1,245,415	PREBLE	33,939,000	193,584
FAYETTE	80,492,480	444,690	PUTNAM	26,487,710	133,764
FRANKLIN	646,260,560	6,881,712	RICHLAND	90,063,330	719,640
FULTON	37,840,970	272,644	ROSS	57,890,740	361,743
GALLIA	228,621,950	948,221	SANDUSKY	43,790,610	255,956
GEAUGA	65,637,020	647,936	SCIOTO	76,223,900	449,050
GREENE	94,269,290	742,017	SENECA	50,414,250	330,928
GUERNSEY	106,962,410	584,111	SHELBY	31,875,770	192,189
HAMILTON	614,617,830	5,969,546	STARK	259,195,100	2,053,413
HANCOCK	58,865,590	361,829	SUMMIT	232,757,930	2,110,045
HARDIN	22,807,150	132,674	TRUMBULL	113,700,510	886,752
HARRISON	26,017,380	160,250	TUSCARAWAS	73,077,780	469,045
HENRY	17,313,270	124,513	UNION	52,499,230	401,618
HIGHLAND	29,713,900	140,837	VAN WERT	20,462,380	137,169
HOCKING	53,902,580	326,255	VINTON	32,079,390	143,082
HOLMES	28,821,530	166,571	WARREN	248,652,159	1,983,760
HURON	28,957,000	174,411	WASHINGTON	132,918,720	754,898
JACKSON	47,443,600	203,627	WAYNE	60,847,090	472,226
JEFFERSON	249,840,077	1,349,653	WILLIAMS	20,060,920	141,026
KNOX	39,934,120	259,588	WOOD	72,328,340	569,323
LAKE	380,705,610	3,188,827	WYANDOT	13,347,580	71,221
LAWRENCE	72,653,700	256,427			
LICKING	129,145,840	861,677	TOTAL	\$9,773,962,748	\$747,249,291

Table 3

Assessed Value of Tangible Personal Property, Taxes Levied and Average County Rates on Tangible Property, by County, Tax Year 2010							
County	Value of Taxable Property	Average Current Taxes Levied	County Rate (in mills)	County	Value of Taxable Property	Average Current Taxes Levied	County Rate (in mills)
ADAMS	\$482,980	\$24,616	50.97	LOGAN	\$1,120,010	\$70,353	62.81
ALLEN	3,610,370	209,309	57.97	LORAIN	6,443,730	521,241	80.89
ASHLAND	1,250,620	91,662	73.29	LUCAS	10,886,190	1,053,082	96.74
ASHTABULA	6,567,620	490,991	74.76	MADISON	1,278,520	86,186	67.41
ATHENS	1,424,070	114,170	80.17	MAHONING	5,890,300	480,494	81.57
AUGLAIZE	1,527,680	96,233	62.99	MARION	1,191,670	78,639	65.99
BELMONT	1,389,200	87,287	62.83	MEDINA	3,452,050	313,806	90.90
BROWN	753,600	39,988	53.06	MEIGS	483,460	22,938	47.44
BUTLER	8,135,430	620,931	76.32	MERCER	964,020	55,144	57.20
CARROLL	522,520	28,321	54.20	MIAMI	1,761,760	121,949	69.22
CHAMPAIGN	998,720	69,602	69.69	MONROE	362,500	21,247	58.61
CLARK	2,871,630	214,971	74.86	MONTGOMERY	14,135,650	1,490,890	105.47
CLERMONT	4,369,950	373,809	85.54	MORGAN	255,770	13,804	53.97
CLINTON	1,107,210	57,941	52.33	MORROW	1,166,320	66,602	57.10
COLUMBIANA	1,964,990	112,025	57.01	MUSKINGUM	1,555,490	108,701	69.88
COSHOCTON	735,080	43,710	59.46	NOBLE	269,740	13,319	49.38
CRAWFORD	743,070	56,981	76.68	OTTAWA	1,209,950	85,014	70.26
CUYAHOGA	45,559,400	4,952,333	108.70	PAULDING	439,120	26,737	60.89
DARKE	832,670	44,694	53.68	PERRY	542,630	34,304	63.22
DEFIANCE	1,254,970	74,831	59.63	PICKAWAY	1,255,220	75,118	59.84
DELAWARE	7,498,830	615,581	82.09	PIKE	635,320	37,342	58.78
ERIE	2,063,260	175,445	85.03	PORTAGE	3,590,190	333,504	92.89
FAIRFIELD	1,889,870	150,928	79.86	PREBLE	876,220	45,703	52.16
FAYETTE	770,780	44,255	57.42	PUTNAM	844,440	43,725	51.78
FRANKLIN	38,767,900	4,190,061	108.08	RICHLAND	2,557,420	203,748	79.67
FULTON	1,061,940	78,390	73.82	ROSS	3,667,010	224,916	61.33
GALLIA	613,520	28,553	46.54	SANDUSKY	1,107,680	65,621	59.24
GEAUGA	3,811,040	371,870	97.58	SCIOTO	1,439,860	88,492	61.46
GREENE	3,639,580	288,343	79.22	SENECA	1,400,000	88,505	63.22
GUERNSEY	898,080	53,854	59.97	SHELBY	847,410	55,616	65.63
HAMILTON	34,198,070	3,265,267	95.48	STARK	7,333,350	596,247	81.31
HANCOCK	1,528,895	94,728	61.96	SUMMIT	17,297,310	1,600,336	92.52
HARDIN	620,090	35,051	56.53	TRUMBULL	4,912,600	379,597	77.27
HARRISON	336,910	20,879	61.97	TUSCARAWAS	1,655,700	111,223	67.18
HENRY	1,226,520	89,739	73.17	UNION	1,066,200	82,068	76.97
HIGHLAND	727,770	34,919	47.98	VAN WERT	592,350	40,386	68.18
HOCKING	501,610	30,459	60.72	VINTON	469,610	22,429	47.76
HOLMES	586,380	33,779	57.61	WARREN	6,418,210	549,064	85.55
HURON	1,249,490	75,191	60.18	WASHINGTON	1,151,410	63,411	55.07
JACKSON	637,280	28,819	45.22	WAYNE	2,730,240	204,543	74.92
JEFFERSON	1,188,770	70,276	59.12	WILLIAMS	990,120	69,770	70.47
KNOX	1,164,930	74,490	63.94	WOOD	3,356,260	274,048	81.65
LAKE	5,751,780	533,288	92.72	WYANDOT	348,890	18,926	54.25
LAWRENCE	831,740	31,643	38.04				
LICKING	3,592,940	236,821	65.91	TOTAL	\$321,211,655	\$28,395,825	88.40