



Kilowatt-Hour Tax

Taxpayer

Taxpayers include:

- 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 (kWh) distributed to end users in Ohio:

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

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

For end users above 45 million kWh in annual consumption, there is an option to self-assess the tax. Beginning July 1, 2008, this self-assessor tax is calculated as the sum of 3.5 percent of price plus 0.075 cents per kWh on the first 504 million kWh of annual consumption. (The previous price-based rate was 4 percent.)

Major Exemptions

The tax does not apply to:

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

Revenue (In Millions)

Fiscal Year	State Gen. Rev. Fund	Local Government Funds	School District Prop. Tax Repl. Fund	Local Gov't Prop. Tax Repl. Fund	Total
2004	\$339.0 ¹	\$ 0.0	\$136.7	\$62.4	\$538.1
2005	339.8 ¹	0.0	137.0	62.6	539.4
2006	325.3	25.7	141.5	64.6	557.1
2007	326.9	25.7	142.7	64.9	559.7
2008	231.2	128.3	144.9	66.2	570.6

Disposition of Revenue

When the kilowatt-hour tax was enacted, state law called for a designated percentage of revenue to be deposited in the Local Government Fund and the Local Government Revenue Assistance Fund starting with fiscal year 2002. But, before such distributions could begin, both of these local government funds were frozen for fiscal years 2002 and 2003 so that each only received either the same amount of revenue as in fiscal year 2001 or the amount provided by the old formula, whichever was less. Similar freezes were enacted for fiscal years 2004 and 2005. The 2006-07 state budget called for designated amounts of kilowatt-hour tax revenue to be distributed to local government funds.

The 2008-09 state budget established a new system of revenue sharing with local governments. Beginning in January 2008, the two local government funds are consolidated into a single Local Government Fund that receives 3.68 percent of all General Revenue Fund tax revenues. In addition, the Public Library Fund receives 2.22 percent of all General Revenue Fund tax revenues.

Under the formula in place since January 2008, the General Revenue Fund initially receives 63 percent of kilowatt-hour tax revenue, with the School District Property Tax Replacement Fund and Local Government Property Tax Replacement Fund receiving 25.4 percent and 11.6 percent, respectively. These distributions do not include a \$500 fee levied on self-assessors and deposited into an administration fund to defray the costs of collecting the tax.

Then, each month, an amount is deposited into the Public Library Fund, with one-half of that amount credited against the kilowatt-hour tax portion of General Revenue Fund revenues. The transition to this new financing mechanism is the reason for the fairly substantial observed change in local government and library fund deposits from the kilowatt-hour tax during fiscal year 2008.

¹ All state revenue payments were made to the General Revenue Fund.

Payment Date

The payment date is 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.

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** Kilowatt-hour tax is enacted effective May 1, 2001.
- 2000** The General Assembly enacts several changes. It:
- Lowers the self-assessor tax threshold from 120 million kWh of annual consumption to 45 million kWh.
 - Caps the consumption portion of the self-assessor tax formula at 504 million kWh of annual consumption.
 - Establishes an exemption for “qualified regeneration facilities.”
 - Allows businesses to declare that they will have enough electricity consumption in the upcoming year to self-assess and provides for a “recapture” tax if the taxpayer fails to meet the self-assessor threshold.
 - Requires self-assessors served by a municipal electric company and located within the municipal boundary to remit the self-assessor tax to the municipality.
- 2002** Effective June 2, 2002, the School District Property Tax Replacement Fund’s share is reduced from 25.9 percent to 25.4 percent and the Local Government Property Tax Replacement Fund’s share is increased from 11.1 percent to 11.6 percent.
- 2007** After several local government fund freezes, the General Revenue Fund’s share of kilowatt-hour tax revenue is permanently changed to 63 percent. Also, the General Assembly reduces the price component of the tax paid by self-assessing purchasers from 4 percent to 3.5 percent effective July 1, 2008.

Comparisons with Other States (As of 12/08)

California

California's rate is 0.022 cents per kWh of electricity consumed.

Illinois

End users pay on a declining cents-per-kilowatt-hour basis, ranging from 0.202 cents to 0.33 cents on consumption, or 5.1 percent of the purchase price for self-assessors. Electricity purchased from municipal systems and electric cooperatives is taxed at the lesser of 0.32 cents per kilowatt-hour or 5 percent of gross receipts. Distributors pay on an increasing cents-per-kilowatt-hour basis ranging from 0.031 cents to 0.131 cents 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 the end of 2013.

Ohio

Electric distribution companies pay tiered rates on a sliding scale based on the amount of kilowatt-hours consumed each month by individual end users. Rates are 0.465 cents for the first 2,000 kilowatt-hours used; 0.419 cents for 2,001 to 15,000 kilowatt-hours; and 0.363 cents for 15,001 or more kilowatt-hours. End users who opt to self-assess pay a rate of 3.5 percent of price plus 0.075 cents per kilowatt-hour on the first 504 million used.

West Virginia

Distributors of electricity generally pay a unit tax on distribution at a rate of 0.19 cents per kilowatt-hour; however, electric power sold to large users (200,000 kilowatts per hour per year) is taxed at 0.05 cents per kilowatt hour.

Florida, Indiana, Kentucky, Massachusetts, Michigan, New York, Pennsylvania, and Texas have no specific tax on volume of electricity consumed or distributed. Electric companies are subject to general business taxes.