



## Public Utility Excise Tax

### Taxpayer

Public utilities, as follows: Natural gas companies, water works companies, pipeline companies, heating companies, and water transportation companies.

The tax no longer applies to electric and rural electric companies (which became subject to the kilowatt-hour tax in June 2001 and the corporation franchise tax in 2002) and telephone companies (which became subject to the corporation franchise tax in 2005).

### Tax Base

The tax applies to gross receipts from the intrastate business of public utilities.

### Rates

All utility classes are taxed at a rate of 4.75 percent except pipelines, which are taxed at a rate of 6.75 percent. There is a minimum tax of \$50.

### Major Exemptions

- Municipally-owned utilities.
- Nonprofit water works.
- Gross receipts from interstate business, sales to other public utilities for resale, sales of merchandise, and business done with the federal government.
- The first \$25,000 of gross receipts.
- Electric, inter-exchange telecommunications, railroad and rural electric companies.

### Revenue (In Millions)

Fiscal Year	General Revenue Fund	Local Gov't. Funds	Other <sup>1</sup>	Total
2004	\$226.4	\$36.7	\$0.2	\$263.3
2005	104.1	36.7	0.1	140.9
2006	176.2	11.0	0.0	187.2
2007	160.2	11.0	0.0	171.2
2008	157.7	3.1	0.0	160.8

### Disposition of Revenue

Traditionally, after making any required deposits into the Attorney General Claims Fund, 95.2 percent of remaining revenue was deposited in the General Revenue Fund, 4.2 percent was deposited in the Local Government

<sup>1</sup> Includes distributions to the Attorney General Claims Fund.

Fund, and 0.6 percent was deposited in the Local Government Revenue Assistance Fund.

But for fiscal years 2002 and 2003, both local government funds were frozen, with each fund receiving the same amount of public utility excise tax revenue as fiscal year 2001. Similar freezes were enacted for fiscal years 2004 through 2007.

The 2008-09 biennial budget revised local government revenue sharing. Starting in January 2008, all revenues from the public utility excise tax are now deposited in the General Revenue Fund, from which 3.68 percent of revenue is distributed to the Local Government Fund and 2.22 percent is distributed to the Public Library Fund.

## Payment Dates

With the exception of natural gas companies, advance payments are required of all public utilities for which tax liability exceeded \$1,000 during the previous tax year. Payments equal to one-third of the previous tax year's liability are due on Oct. 15, March 1, and June 1. Final payment of any remaining balance, based on the current year's certification in November, is due within 30 days of billing.

For natural gas companies, quarterly payments are required when annual liability is at least \$325,000. Natural gas company payment dates are the 45th day following the last day of March, June, September, and December. Each natural gas company whose annual liability is less than \$325,000 can pay annually in February.

## Special Provisions/Credits

Qualifying natural gas companies may receive a refundable quarterly credit, beginning with the November 2001 payment, for estimated tax payments made in October 1999, March 2000, and June 2000. This credit expires when the amount of the estimated payments are made up in credits, or in 15 years.

Also, the venture capital tax credit is available to natural gas companies.

## Sections of Ohio Revised Code

Chapters 150, 5703 and 5727.

## Responsibility for Administration

Tax Commissioner.

## History of Major Changes

- 1894** General Assembly enacts public utility excise tax.
- 1911** Current tax structure is established.

- 1935** A 1 percent rate increase is applied to certain utilities.
- 1938** Rates increase for certain utilities.
- 1963** Advance payment system begins.
- 1966** Starting on July 1, 1966, all revenue is allocated to the General Revenue Fund. Previously, close to half of the revenue was distributed to counties and cities for poor relief and other welfare purposes.
- 1971** Rates are increased from 3 percent to 4 percent for most utilities.
- 1980** For 1981, rates are temporarily increased from 4 percent to 5 percent for most utilities.
- 1981** For 1982, rates are temporarily increased from 4 percent to 4.5 percent for most utilities. In addition, a 5.55 percent surtax is imposed on public utilities' 1982 liability.
- 1982** For 1983, rates are temporarily increased from 4.25 percent to 4.5 percent for most utilities. Also, a 5.55 percent surtax is imposed on 1983 liability.
- 1983** For 1983, rates are temporarily increased from 4.5 percent to 5 percent for most utilities. For 1984 and thereafter, rates are permanently increased from 4.25 percent to 4.75 percent for most utilities.
- 1985** A credit is established for telephone companies for non-recurring installation costs related to a 9-1-1 system.
- 1987** Long-distance telephone companies are exempted from public utility excise tax.
- 1990** Public utility excise tax on freightline and equipment companies is repealed as of tax year 1990.
- 1991** A court decision results in railroads becoming exempt from the tax, starting with the 1992 tax year. Also, the legislature grants:
- a \$1 per ton credit, beginning in tax year 1995, to electric companies using pollution control devices for burning Ohio coal.
  - a credit to telephone companies with a lifeline program of rate discounts for low-income, elderly and disabled persons.
- 1998** Legislature extends lifeline credit program for telephone companies through 1999.
- 1999** Electric and rural electric companies are shifted to the kilowatt-hour tax, effective May 1, 2001. Final public utility excise tax payments for such companies are due June 2001. Also, the legislature increases the value of the coal credit from \$1 to \$3 per ton effective Jan. 1, 2000 until its termination at the end of 2004.
- 2003** Telephone companies are shifted from the public utility excise tax to the corporation franchise tax, effective after the 2004 tax year.

## Comparisons with Other States (As of 11/07)

### California

No general public utility excise tax. Intrastate telephone service is subject to a 0.5 percent surcharge on sales.

### Florida

Gas and electric companies pay a tax of 2.5 percent on gross receipts. Any person who imports electricity or natural gas into the state for own use is subject to a use tax at the same rate.

A tax of 9.17 percent (6.8 percent of the sale price plus 2.37 percent on gross receipts) is levied on retail communications services, including cable services. Tax on residential telephone services is 2.37 percent.

Local taxing jurisdictions may impose an additional levy. A tax of 13.17 percent (10.8 percent of the sale price plus 2.37 percent on gross receipts) is levied on direct-to-home satellite services. Satellite services are exempt from any local communication services levy. Use tax provisions also apply to communication services.

### Illinois

Telecommunications companies pay 7 percent tax on gross charges plus 0.5 percent for telecommunications infrastructure maintenance fees.

Municipalities may impose an additional tax not to exceed 6 percent. (See also **Comparisons with Other States in Kilowatt-Hour Tax** and **Natural Gas Distribution Tax.**)

### Indiana

A 1.4 percent excise tax is imposed on the gross receipts from the sale of electricity, natural gas, water, steam, sewage, or telecommunications services within the state. A 1.4 percent use tax is imposed on the consumption of utility services purchased from out-of-state providers.

### Kentucky

Public utilities pay a 3 percent utility gross receipts license tax for schools. In addition, telecommunications providers pay a tax of 1.3 percent of gross revenues for providing telecommunications services or 2.4 percent of gross revenues for providing multi-channel video programming services in the state.

### Massachusetts

A 6.5 percent utility franchise tax is levied on the entire net income of completely intrastate utility companies and the allocated net income of interstate utility companies.

**Michigan**

The state does not levy a specific public utility excise tax. Utilities are subject to the Michigan business tax (MBT).

**New Jersey**

No general public utility excise tax. Sewage and water corporations are subject to a tax of 2 percent or 5 percent of gross receipts (depending on the amount of gross receipts), plus 7.5 percent of gross receipts from New Jersey business for the previous calendar year, plus a surcharge of 0.25 percent to 0.9375 percent of prior year gross receipts.

**New York**

All utilities selling utility services to New York consumers pay a tax of 2 percent on gross income earned in the state on regulated revenue sources. Telecommunications services tax rate is 2.5 percent on gross receipts. Other cities and villages in New York may impose selective gross receipts taxes on sales of utility services. The maximum rate is 1 percent except for Buffalo, Rochester and Yonkers, which are authorized to impose a 3 percent tax rate. New York City levies a 2.35 percent tax on the gross income of utilities and the gross utility income of vendors of utility services.

**Ohio**

Public utilities, defined as natural gas companies, water works companies, pipeline companies, heating companies, and water transportation companies pay tax on their intrastate gross receipts. The rate for all utilities except pipeline companies is 4.75 percent; the rate for pipelines is 6.75 percent. There is a minimum tax of \$50 for all public utilities.

**Pennsylvania**

Electric companies pay a rate of 4.4 percent on gross receipts, plus a revenue-neutral reconciliation rate of 1.5 percent, plus a 1.2 mill surcharge for a total rate of 6.02 percent. Transportation, telecommunications, and telegraph companies pay a rate of 5 percent on gross receipts. Not imposed on natural gas companies.

**Texas**

Three utility classes (gas, electric, and water) pay rates ranging from 0.581 percent to 1.997 percent of gross receipts from business done in incorporated villages and towns, depending upon class of utility and population of the town in which the utility operates. Gross receipts from the sale of electricity generated by an advanced clean energy product are exempt.

**West Virginia**

Telephone, telegraph, or other telecommunications companies pay a 4 percent tax on gross income from telecommunications activities apportioned to the state. Natural gas and toll bridge companies pay a tax of 4.29 percent on gross receipts. Water companies pay a tax of 4.4 percent. Electric power companies (producers) pay a tax based on the generating capacity of their electric generating facilities. Other public utilities pay a tax of 2.86 percent.