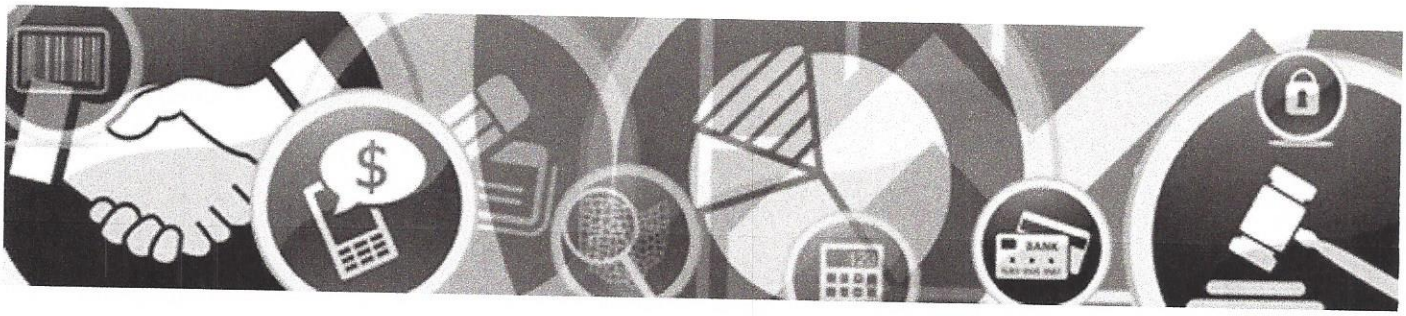

Property Tax – Public Utility Property

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 is subject to property taxation now that 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 $12.65 billion in tax year 2014. Electric utilities accounted for 71.7 percent of total public utility personal property value in 2014 and the pipeline industry (i.e., transporting natural gas, oil, or coal or its derivatives) accounted for 12.8 percent. Revenue from the public utility property tax amounted to about $1,013.2 million in calendar year 2014. This revenue was distributed to counties, municipalities, townships, school districts, and special districts, according to the individual millage levied locally, less local administrative deductions. See R.C. 5701.03(A) for the definition of personal property.

Taxpayer

(Ohio Revised Code 5727.06)

Public utilities subject to taxation on their tangible personal property include electric, rural electric, energy, natural gas, pipeline, water works, water transportation, heating and telegraph companies. (R.C. 5727.06)

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 by 6.25 percentage points per year from 25 percent of true value in 2005 to zero percent for 2009 and thereafter.

The tax on tangible personal property was 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 was reduced by 5 percentage points per year from 20 percent of true value for 2007 to zero percent in 2011 and thereafter.

House Bill 153 of the 129th General Assembly extended until Jan. 1, 2014 the deadline by when construction of a renewable energy facility must begin in order to qualify as a "qualified energy project"; and extended until Jan. 1, 2015 (or Jan. 1, 2019 for nuclear, clean coal and cogeneration projects) the deadline by when energy must be produced.

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 the Development Services Agency 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 Jan. 1, 2012, energy produced by 2013 (or 2017 for nuclear, clean coal and cogeneration projects) and Ohio jobs created. (R.C. 5727.75)

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 is 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

(R.C. 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 December 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 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 and Energy 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%

[1] Including production equipment.

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 fell 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 in the preceding tax year. 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 the cost of that gas shown on the books and records of the public utility on the 31st day of December of the preceding year.

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.

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.
- 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, which are made to the county auditor, 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 December 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.

Table 1

Public Utility Property Taxes Levied, Tax Years 2010-2014 (in millions)

Calendar Year	Total
2010	$747.2
2011	784.5
2012	862.1
2013	934.6
2014	1,013.2

Administration

(R.C. 5713.01, 5727.06)

The Tax Commissioner assesses the tangible personal property of all public utilities and 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.

History of Major Changes

1910	The newly-created Tax Commission of Ohio is charged with the assessment of public utility property.
1939	Responsibility for assessing public utility property shifts to the Ohio Department of Taxation, which replaces the state Tax Commission.
1941	The assessment level for personal property of rural electric companies is reduced from 100 percent to 50 percent of true value. All other public utility property continues to be assessed at 100 percent.
1963	Certified air pollution control facilities are exempted.
1965	Certified water pollution control facilities are exempted.
1973	Certified noise pollution control facilities are exempted.
1979	Personal property of railroads begins to be assessed annually at the same percentage of true value as the tangible personal property of general businesses, which at the time was 42 percent of true value.

History of Major Changes (continued)

1985	General Assembly changes apportionment of electric company production plant equipment so that 70 percent is apportioned to the taxing district in which the property is physically located. The remaining 30 percent is apportioned to each taxing district according to the distribution base, meaning the percentage of the total cost of transmission and distribution property located in each district. Previously, production plant equipment had been apportioned entirely according to the value of overhead and underground lines.
1989	General Assembly enacts legislation that: • Bases the true value of most public utility personal property on the cost as capitalized on the utility's books less composite annual allowances as prescribed by the tax commissioner. • Reduces the taxable value of most public utilities from 100 percent to 88 percent of true value. • Defines the true value of electric company production equipment as 50 percent of original cost, while maintaining the 100 percent assessment rate on such property. • Revises the apportionment of production equipment at an electric utility plant with a cost exceeding $1 billion so that all of the cost in excess of $420 million is apportioned according to the distribution base. Previously, 70 percent of the amount above $420 million would have been apportioned to the taxing district in which the property is physically located.
1995	All inter-exchange telecommunications company personal property begins to be assessed at 25 percent of true value. Local telephone company personal property is added to the tax rolls during tax year 1995 and is thereafter assessed at 25 percent of true value.
1999	Beginning Jan. 1, 2001, all electric and rural electric utility personal property – except for transmission and distribution property – is assessed at 25 percent of true value. Also, electric production equipment is sitused 100 percent in the taxing district in which property is located.
2000	Beginning Jan. 1, 2001, the assessment percentage of natural gas personal property is lowered from 88 percent to 25 percent of true value.
2003	Beginning Jan. 1, 2005, the assessment rate of telephone personal property acquired before 1994 is phased down from 88 percent to 25 percent of true value over a three-year period.
2005	House Bill 66 includes the following changes effective Jan. 1, 2006: • lowered the assessment percentage on electric transmission and distribution personal property from 88 percent to 85 percent and on electric production personal property from 25 to 24 percent. • began phase-out over three years of the tax on railroad personal property according to the same schedule that applies to general business tangible personal property: listing percentages of 18.75 for 2006, 12.5 for 2007, 6.25 for 2008 and zero thereafter. • railroad real property in a single county and not used in operations is valued and assessed by the county auditor. • included the cost of patterns, jigs, dies and drawings in the taxable personal property of an electric company. Also: • beginning Jan. 1, 2007, classified telephone companies and inter-exchange telecommunications companies as general business taxpayers, with the personal property for these companies to be phased out according to a four-year schedule. • beginning Jan. 1, 2009, defined persons that lease personal property to some public utilities as public utility personal property lessors and required the filing of returns listing this property. • beginning Jan. 1, 2009, required persons that generate electricity and supply some of it to others, but whose primary business is not supplying electricity, to report their electricity-related property as an electric company does.

Table 2

Public Utility Personal Property: Certified Assessed Value by Class of Utility and Total Taxes Levied, Tax Years 2010-2014

Class of Utility	Number of Taxpayers	Assessed Values	Assessed Values	Assessed Values	Assessed Values	Assessed Values
	2014	2010	2011	2012	2013	2014
Electric	26	$7,020,695,660	$7,044,584,850	$7,646,894,200	$8,284,130,750	$9,075,235,430
Natural Gas	34	819,544,930	916,554,800	1,018,970,920	1,113,364,730	1,223,953,310
Pipeline	20	1,461,255,730	1,576,986,300	1,580,410,660	1,579,145,880	1,621,003,620
Rural Electric	28	415,791,840	421,504,940	452,399,890	509,055,830	515,077,430
Waterworks	12	159,717,810	158,444,090	163,938,670	162,165,350	185,027,170
Lease/Rental[1]	11	36,063,820	38,444,700	36,087,730	32,181,330	29,292,960
Other[2]	5	2,406,410	2,686,560	2,653,060	3,290,720	4,271,880
Total[3]	**136**	**$9,915,476,200**	**$10,159,206,240**	**$10,901,355,130**	**$11,683,334,590**	**$12,653,861,800**
Taxes Levied		**$747,249,291**	**$784,469,930**	**$862,109,396**	**$934,646,188**	**$1,013,193,975**

Source: Ohio Department of Taxation

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

[2] Includes water transportation and heating.

[3] Only companies with taxable property are included.

Table 3

Assessed Value of Public Utility Personal Property and Taxes Levied by County: Tax Year 2014

Counties	Taxable Value	Taxes Levied & Charged	Counties	Taxable Value	Taxes Levied & Charged
Adams	$231,724,800	$10,348,064	Logan	$39,111,530	$2,493,380
Allen	$113,322,280	$7,154,974	Lorain	$249,075,480	$22,434,916
Ashland	$71,402,430	$5,131,273	Lucas	$271,302,350	$28,641,841
Ashtabula	$107,950,050	$8,358,507	Madison	$42,934,400	$2,878,271
Athens	$96,310,410	$7,254,253	Mahoning	$219,261,600	$18,311,528
Auglaize	$24,522,530	$1,537,032	Marion	$77,604,330	$5,071,444
Belmont	$120,744,120	$7,760,096	Medina	$117,658,680	$11,293,347
Brown	$39,820,630	$2,086,529	Meigs	$40,664,400	$2,090,107
Butler	$449,109,670	$34,134,440	Mercer	$23,474,380	$1,350,473
Carroll	$78,621,600	$4,155,958	Miami	$69,124,250	$4,926,948
Champaign	$29,704,870	$2,154,831	Monroe	$89,838,700	$4,721,654
Clark	$93,487,700	$7,349,951	Montgomery	$379,199,400	$41,986,116
Clermont	$348,600,970	$24,919,204	Morgan	$57,694,550	$3,366,372
Clinton	$67,045,190	$3,255,184	Morrow	$29,061,390	$1,695,967
Columbiana	$110,869,200	$6,478,811	Muskingum	$216,179,180	$13,214,178
Coshocton	$168,396,230	$8,942,037	Noble	$76,299,260	$3,768,530
Crawford	$28,242,690	$2,198,067	Ottawa	$138,310,210	$7,953,749
Cuyahoga	$895,308,400	$106,508,058	Paulding	$38,693,700	$2,131,357
Darke	$51,906,782	$2,868,439	Perry	$101,611,230	$6,301,299
Defiance	$99,481,980	$6,401,333	Pickaway	$153,954,160	$9,076,509
Delaware	$174,462,840	$15,693,062	Pike	$71,846,160	$3,593,498
Erie	$70,311,500	$6,300,502	Portage	$105,224,790	$9,929,346
Fairfield	$198,160,230	$14,829,769	Preble	$38,009,830	$2,127,070
Fayette	$87,031,410	$4,468,654	Putnam	$39,936,360	$2,101,795
Franklin	$787,932,060	$88,015,943	Richland	$154,604,040	$13,063,145
Fulton	$45,045,490	$3,385,299	Ross	$71,707,810	$4,646,572
Gallia	$290,642,960	$12,032,874	Sandusky	$78,673,950	$4,777,242
Geauga	$88,661,610	$8,770,649	Scioto	$91,005,780	$5,442,285
Greene	$114,838,370	$9,622,273	Seneca	$60,391,330	$4,053,279
Guernsey	$123,184,930	$6,976,228	Shelby	$37,289,460	$2,230,774
Hamilton	$899,540,250	$91,789,846	Stark	$353,274,020	$30,600,939
Hancock	$76,637,570	$4,755,818	Summit	$352,584,330	$34,185,658
Hardin	$27,003,750	$1,621,023	Trumbull	$141,319,310	$11,288,257
Harrison	$55,030,900	$3,452,889	Tuscarawas	$97,395,910	$6,508,621
Henry	$22,072,880	$1,668,298	Union	$87,718,680	$7,027,745
Highland	$34,547,750	$1,682,913	Van Wert	$50,582,310	$3,046,419
Hocking	$61,129,950	$3,568,556	Vinton	$106,085,450	$4,614,578
Holmes	$41,257,370	$2,327,259	Warren	$292,369,620	$25,300,650
Huron	$36,336,780	$2,294,585	Washington	$181,600,750	$10,575,427
Jackson	$50,019,350	$2,154,740	Wayne	$95,382,680	$7,328,787
Jefferson	$298,736,535	$17,172,555	Williams	$24,244,730	$1,775,318
Knox	$53,182,060	$3,599,138	Wood	$135,741,200	$10,798,254
Lake	$344,819,210	$30,388,229	Wyandot	$15,892,560	$870,734
Lawrence	$195,028,710	$6,689,687			
Licking	$165,124,610	$11,341,759	**Total**	**$12,681,245,847**	**$1,013,193,975**