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Bill Analysis
Legislative Service Commission

Sub. H.B. 333

123rd General Assembly
(As Reported by H. Ways & Means)

Reps. Callender, Taylor, Hollister, Young, Opfer, Mottley, Corbin, Jerse, Flannery, Hartnett, Perry, Haines, Britton, Austria, Jolivette, Amstutz, Distel

BILL SUMMARY

- Specifies that patterns, jigs, dies, and drawings are taxable as personal property if they are components of the taxable value of a public utility's electricity production facility.
- States that the bill should not be construed as a change in the law, but as a harmonization of two statutes.

CONTENT AND OPERATION

Valuing electricity production equipment for tax purposes--current law

(secs. 5727.06(A)(3) and 5727.11(A), (E), and (F)--not in the bill)

Tangible personal property used by a public utility to generate electricity is taxed on 100% of its "true value."¹ Under statute, the true value of electric production equipment is the cost of the property as capitalized on the utility's books, minus 50% of that cost "as an allowance for depreciation and obsolescence." The true value does not include any allowance for funds used during construction ("AFUDC") or interest during construction that has been capitalized on the utility's books as part of the property's cost. The Tax Commissioner has authority to adopt rules governing how true value is determined.

¹ This property is referred to as "production equipment"--it includes all taxable steam, nuclear, hydraulic, and other production plant equipment, and all taxable station equipment located at an electricity production plant.

Drawings and other items are taxable public utility personal property

(sec. 5701.03)

The definition of "personal property" for the purposes of what is taxable property excludes "patterns, jigs, dies, and drawings" that a person may hold, unless they are held for sale.

The bill specifies that any patterns, jigs, dies, or drawings that are included as a cost capitalized on a public utility's books (as explained above) are personal property for the purpose of taxation. The bill also states that this change is meant to harmonize the statute that excludes such property from taxation generally (sec. 5701.03) with the statute that includes such property in the taxable value of electricity generation plants (sec. 5727.11). (See **COMMENT.**)

COMMENT

The bill responds to a recent decision by the Ohio Board of Tax Appeals, *Duquesne Light Co. v. Tracy*, BTA Nos. 95-K-40, 95-K-71, and 95-K-72 (November 1998), regarding the valuation of the Perry Nuclear Power Plant. Among other issues, the BTA decided that engineering drawings used in the design, construction, and operation of the Perry plant were not tangible personal property under R.C. 5701.03(A), and so could not be considered to be part of the taxable tangible personal property of the plant under R.C. 5727.11(E). Accordingly, the BTA ruled that the cost of the drawings should be deducted from the cost that is capitalized on the utility's books, thus reducing the true value of the plant and the amount of property taxes due.

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	05-11-99	p. 624
Reported, H. Ways & Means	06-10-99	pp. 826-827

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