



Sub. S.B. 287*
123rd General Assembly
(As Reported by H. Ways & Means)

Sens. Blessing, Herington, Johnson

**Reps. Mottley, Britton, Amstutz, Hartnett, Hollister, Perry, Distel, Jolivette,
Barnes**

BILL SUMMARY

- Reduces to 25% the tax assessment rate for all tangible personal property of a natural gas company, beginning tax year 2001.
- Revises the true value determination of current gas stored underground.
- On and after July 1, 2001, levies an excise tax (the MCF tax) on natural gas distribution companies at a variable rate that decreases with an increase in the natural gas distributed.
- Includes MCF tax receipts among the receipts of a natural gas company that are taxable under the gross receipts tax.
- Permits natural gas distribution companies with 50,000 customers or less to aggregate when determining the MCF tax owed.
- Establishes an MCF tax rate of \$.02 per MCF of natural gas distributed to a "flex customer."
- Exempts from the MCF tax the federal government and self-producing end users.

* *This analysis was prepared before the report of the House Ways and Means Committee appeared in the House Journal. Note that the list of co-sponsors and the legislative history may be incomplete.*

- Based on an annual target of \$90 million in collections, requires that the MCF tax be deposited in the General Revenue Fund (GRF), and in the existing Local Government and School District Property Tax Replacement Funds, to be distributed to school districts and other local governments in the same manner as kilowatt-hour tax revenues, to replace tax revenues lost as a result of the reduction in the assessment rate for natural gas company tangible personal property.
- Reduces the GRF share of the MCF tax if the \$90 million annual target is not met.
- Requires that property tax replacement payments distributed to county auditors and treasurers to reimburse them for administrative fee losses also reimburse losses due to the reduction in the property tax assessment rate for natural gas companies.
- Requires county auditors, when apportioning the expenses of a general health district to a township or municipal corporation, to account for reductions in taxable valuation for which the subdivisions receive property tax replacement payments.
- Allows an electricity user to self-assess the kWh tax if it used more than 45 million kWh over the past 12 months (the current threshold is 120 million kWhs). The 45-million kWh threshold applies to electricity received through more than one meter if those meters are at a single location.
- Eliminates the revenue targets for self-assessing electricity purchasers that were designed to make up for any shortfall in kWh taxes paid by self-assessing electricity users through future increases in the "price" tax rate paid by self-assessing users.
- Applies the \$0.00075 per kWh self-assessor tax only to the first 504 million kWhs (the taxpayer also pays the 4% tax on the price of the electricity).
- Allows an electricity user with no electricity use history to self-assess the kWh tax if its estimated use over the following 12 months is more than 45 million kWhs. If the user's actual use falls short of 45 million kWhs, it

must pay the tax savings that resulted from the user being treated as a self-assessor.

- Specifies how the price of electricity is determined for the purposes of the kWh tax imposed on self-assessing electricity users by adopting a definition of "price" that is somewhat analogous to the definition of that term in the Sales Tax Law. If electricity is sold as part of a transaction involving other services or products, the self-assessor tax applies to the price of the entire transaction unless the price of the electricity is stated separately from the price of the other products or services.
- Permits a manufacturer entitled to an existing kWh tax exemption (a "qualified end user") to pay the self-assessor tax only if its annual nonexempt use of electricity exceeds 45 million kWhs. (A "qualified end user" is a manufacturing company that uses electricity in an electrochemical reaction that, by direct current, transfers electrons that remain a part of the manufactured product.)
- Exempts electricity from the kWh tax if it is converted to a form of stored energy that is then used to regenerate electricity sold to another person.
- Requires the Department of Taxation to study the effects, fairness, and structure of the kWh tax with respect to commercial and industrial electricity users.
- Eliminates the requirement that electricity bills contain a notice that the kWh tax is used to fund the PUCO and Ohio Consumers' Counsel when it does not apply to a company's bill.
- Authorizes a three-year grant program for manufacturers in Appalachian counties that use "very high" amounts of electricity and that experience a "significant" increase in the cost of electricity because of the kWh tax.
- Recomputes a school district's share of the cost of a School Facilities Commission project under the Exceptional Needs Program if reductions in gas pipeline property assessment rates lower a district's taxable valuation, as is currently provided for other School Facilities Commission projects.

- Modifies the job training tax credit by making it available to additional forms of businesses, including sole proprietorships, partnerships, S corporations, and limited liability companies; by extending it to insurance companies and dealers in intangibles; by changing how the credit is computed; by permitting applicants for the credit to appeal the denial of the credit; and by requiring applicants to disclose whether they have any outstanding liabilities to the state government.
- Creates an exception to the income tax residency rules that will allow persons to spend up to 30 days in Ohio for certain reasons without that time counting toward the current residency thresholds. The reasons include unpaid work, fund-raising for a 501(c)(3) organization, funerals, or family medical reasons.
- Expressly treats a nonresident's income from certain closely held investment companies as non-Ohio income for which the nonresident may claim the nonresident income tax credit.
- Reconciles the corporation franchise "exit" tax with existing law designed to ensure that a corporation cannot escape franchise tax liability by transferring its assets to another corporation.
- Clarifies the law governing when a municipal corporation may tax a nonresident's pay for working there 12 or fewer days per year. No municipal corporation may tax the compensation earned by a nonresident for those days unless the person's employer has no principal place of business elsewhere in Ohio where the compensation for those days is taxed by a municipal corporation.
- Changes how the municipal tax credit available to owners of a pass-through entity (e.g., partnership, S corporation) is apportioned among the owners. (The credit is for taxes paid by the entity to another municipal corporation.) A resident owner is entitled to a credit based on the owner's relative share of entity income that is taxed by the municipal corporation as compared to all owners whose entity income is taxed by that municipal corporation. Currently, the credit is apportioned on the basis of each resident owner's ownership share relative to the ownership shares of all owners of the entity, whether or not they are taxed by the same municipal corporation on that income.

- Corrects some effective dates in H.B.s 477 and 483.
- Terminates the authority of municipal corporations to levy new municipal income taxes (with voter approval) specifically for the purpose of sharing some of the revenue with an overlapping school district. The bill does not eliminate such a tax that has been approved by voters before January 1, 2001.
- Makes various corrections and clarifications to the law governing municipal taxation of electric companies, as enacted in H.B. 483.
- Extends, from December 31, 2000, to June 30, 2001, the deadline for the Director of Development to report the results of its study on the desirability of new job tax credits for generating equipment manufacturers.
- Makes other corrective and technical changes.
- Declares an emergency.

HISTORY

ACTION	DATE	JOURNAL ENTRY
Introduced	04-11-00	p. 1585
Reported, S. Ways & Means	05-24-00	p. 1810
Passed Senate (33-0)	05-24-00	pp. 1824-1825
Reported, H. Ways & Means	---	---

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