



Bethany Boyd

Bill Analysis
Legislative Service Commission

S.B. 29
124th General Assembly
(As Introduced)

Sens. Hagan, DiDonato, Shoemaker, Oelslager, Jordan, Herington, Ryan

BILL SUMMARY

- Expands the sales tax exemption for sales of natural gas.
- Exempts from the sales and use tax sales of propane.

CONTENT AND OPERATION

Overview of the state sales and use tax

The sales tax is levied on certain services provided to, and all transactions by which tangible personal property is transferred to, a consumer (R.C. 5739.02). The use tax is levied on the storage, use, or other consumption in Ohio of tangible personal property, or on the benefit realized in Ohio of any service provided (R.C. 5741.02). Generally, the use tax does not apply to tangible personal property or services, the acquisition of which, if made in Ohio, would be a sale that is **not** subject to the sales tax (R.C. 5741.02(C)(2)).

Exemption for sales of natural gas

(R.C. 5739.02(B)(7) and (43))

Under existing law, sales of natural gas by a "natural gas company" are specifically exempt from the state sales tax, if the gas is delivered to consumers through pipes or conduits. A "natural gas company" is defined as any person engaged in the business of supplying natural gas for lighting, power, or heating purposes to consumers in Ohio. In its truest sense, a natural gas company is a public utility given a "monopoly" in a geographical service area established by the Ohio Public Utilities Commission.

In the past, a consumer that purchased natural gas had to buy it from the natural gas company that serviced the consumer's area. But this was changed in 1996 by H.B. 476 of the 121st General Assembly (effective September 17, 1996), which now authorizes natural gas companies to establish alternative rate plans (not

all companies have done so at this time). In exchange for obtaining alternative rates, a natural gas company must establish a customer choice program whereby consumers may choose a natural gas supplier.

Under a customer choice program, the consumer in the program buys gas from a producer or marketer, not the natural gas company. Consequently, the sales tax exemption allowed under current law for sales by a natural gas company does not apply, and the consumer must pay the tax.

The bill exempts sales of natural gas from the sales and use tax, regardless of who sells it, if the natural gas is delivered to a consumer through pipes or conduits.

Exemption for sales of propane

(R.C. 5739.02(B)(43))

The bill also exempts from the sales and use tax sales of propane, which is not currently exempt from the tax.

HISTORY

ACTION	DATE	JOURNAL ENTRY
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