



Ralph D. Clark

Bill Analysis
Legislative Service Commission

H.B. 632

126th General Assembly
(As Introduced)

Reps. Dolan, Schaffer, Webster, Oelslager, Law, Aslanides, Trakas, Hughes, Martin, Combs, Blasdel, Healy, Wagoner, Setzer, Fende, Hartnett, R. McGregor, D. White

BILL SUMMARY

- Grants a 100% credit against the kilowatt-hour tax to certain automobile parts manufacturers and businesses that consume more than 400 million kilowatt-hours of electricity during a period of time to be specified by the Tax Commissioner by administrative rule.

CONTENT AND OPERATION

Overview of the kilowatt-hour tax

The kilowatt-hour tax is levied on electric distribution companies with end users in this state. Commercial or industrial end users that consume more than 45 million kilowatt-hours of electricity during a calendar year may elect to self-assess and pay the kilowatt-hour tax, rather than having their electric distribution company pay the tax. The self-assessor tax is calculated as the sum of 4% of the total price of the electricity plus \$0.00075 per kilowatt-hour on the first 504 million kilowatt-hours of annual consumption. Self-assessing taxpayers file returns and pay the kilowatt-hour tax on or before the 20th day of each month. The payment reflects electricity distributed during the preceding month.

The majority of the revenues derived from the kilowatt-hour tax are credited to the General Revenue Fund. The remainder of the revenues derived from the tax is credited to various local government assistance funds.

Kilowatt-hour tax credit

Eligibility

(R.C. 5727.80, 5727.88, 5727.89, and 5727.96(A), (B), and (C))

The bill creates, as of July 1, 2006, a 100% credit against the kilowatt-hour tax for self-assessing businesses that, as of December 31, 2006, have invested at least \$100 million in the aggregate in real and tangible personal property in Ohio. In addition to having made the required investment, to be eligible for the credit, a self-assessing business must also satisfy the criteria described in (1) or (2) below.

(1) For the filing period with respect to which the credit is claimed, the business used more than 400 million kilowatt-hours of electricity in the aggregate at one or more locations in Ohio; or

(2) For the filing period with respect to which the credit is claimed, the business was engaged in the manufacturing of automobile parts for installation and use in motor vehicles; had manufacturing facilities in Ohio; and had at least 25% of its net United States sales of Ohio-produced products sold to equip manufacturers of passenger cars, trucks, and tractor trailers.

Under the bill, a "filing period" means the period the Tax Commissioner establishes by rule for which a business meeting eligibility requirements may file for a credit. For purposes of (2) above, "automobile parts" means any tangible goods that are sold in a solid state at the time they become part of an automobile, including steel, glass, plastic, and rubber, and component parts made of steel, glass, plastic, and rubber. The bill specifically excludes oils, fuels, fluids, and other liquefied products used in automobiles from being counted as "automobile parts."

To claim the credit, a business must file an application with the Tax Commissioner on a form and in a format prescribed by the Commissioner by rule. A business that is approved for a credit receives it for the appropriate filing period, and the amount of the credit equals the self-assessed tax paid by the business in the preceding filing period.

The Commissioner may require businesses to furnish information necessary to support a claim for the credit. No credit will be allowed unless the information requested by the Commissioner is provided.

Credit to be paid for from General Revenue Fund tax proceeds

(R.C. 5727.96(D))

The bill provides that the tax credit is to be paid for from kilowatt-hour tax proceeds credited to the General Revenue Fund, rather than any of the various local government assistance funds to which kilowatt-hour tax proceeds are also credited.

Tax Commissioner to adopt rules

(R.C. 5727.96(B))

The bill requires that the Tax Commissioner, in addition to adopting rules establishing filing periods and the form and format of credit applications, must also adopt guidelines for determining whether a business satisfies the eligibility criteria described above for receiving the credit.

Existing criminal penalties applied to new credit

(R.C. 5727.99)

Continuing law imposes criminal penalties upon taxpayers who violate statutory requirements or administrative rules governing the reporting and payment of the kilowatt-hour tax. Upon a first violation, a taxpayer is guilty of a first-degree misdemeanor. On each subsequent offense, a taxpayer is guilty of a fourth-degree felony. The bill specifies that these existing criminal sanctions will apply with respect to violations of statutory requirements and administrative rules governing the new kilowatt-hour tax credit.

HISTORY

ACTION	DATE
Introduced	07-13-06

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