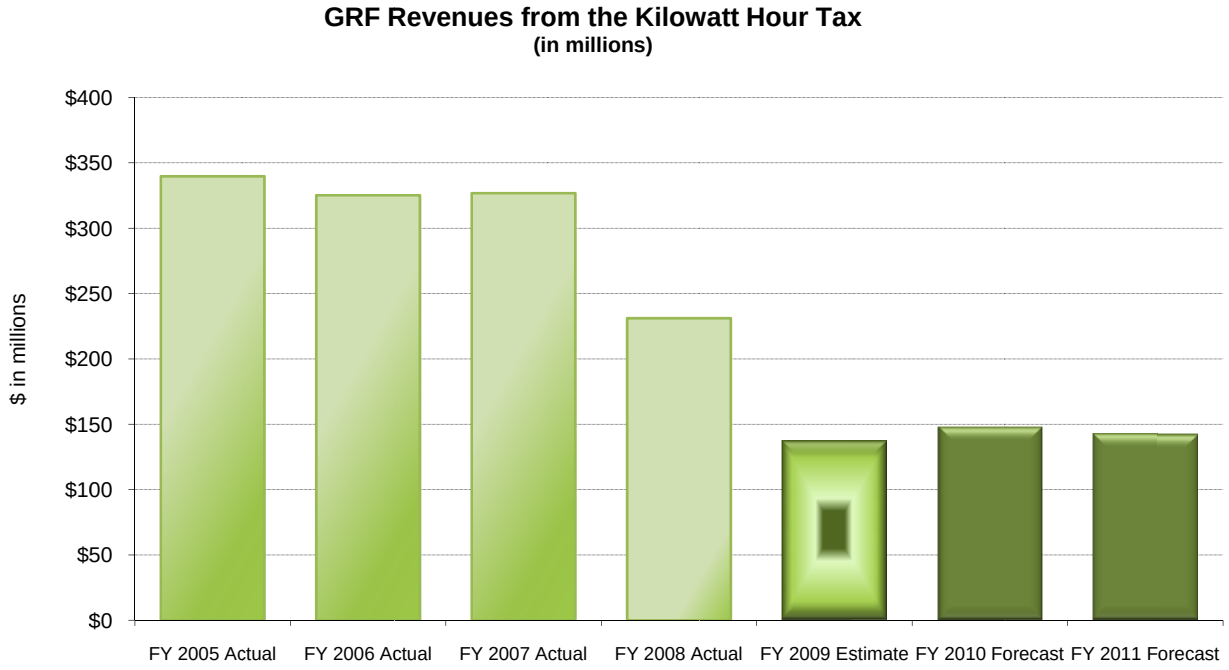
Kilowatt Hour Tax



	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Estimate	FY 2010 Forecast	FY 2011 Forecast
Revenue	$339.8	$325.3	$326.9	$231.2	$137.5	$147.6	$142.3
Growth	0.3%	-4.3%	0.5%	-29.3%	-40.5%	7.3%	-3.6%

The kilowatt hour tax is levied on electric distribution companies, which include the tax in the rates they charge for distributing electricity. The tax rate depends on the volume of electricity used by the customer. There are three distinct marginal tax rates, $0.00465 per kilowatt hour (kWh) for the first 2,000 kilowatt hours consumed in a month, $0.00419 per kWh for the next 13,000 kilowatt hours consumed, and $0.00363 per kWh for all kWh consumed over 15,000. Very large users, those that use over 45 million kWh per year, have the option of self-assessing, which enables them to pay a lower rate. The self-assessor tax is calculated as the sum of 3.5% of the total price of all electricity plus 0.075 cents per kWh on the first 504 million kWh of annual consumption. Prior to July 1, 2008, the rate applicable to the price component of the kWh tax paid by self-assessing purchasers was 4.0%.

The tax base of the kilowatt hour tax is one of the more stable among state taxes. The sharp falls in GRF revenue shown above for FY 2008 and FY 2009 are due to a shift in the distribution of revenue from the tax; since H.B. 119, more of the revenue from the tax is credited to the Public Library Fund, leaving a smaller share for the GRF.

Revenue to all funds from the tax increased by 3.3% in FY 2006, 0.4% in FY 2007, and 1.9% in FY 2008. Through December 2008, FY 2009 year-to-date revenue to all funds has decreased by about 5.2% as compared with the same period in FY 2008. One reason for the decline so far this year is the reduction in the tax rate for self-assessors, noted above, that went into effect at the beginning of FY 2009. Other reasons for the decline include weather-related changes in electricity usage and the effects of the economic slowdown.

The forecast of GRF kilowatt hour tax revenues was generated in two steps. First, the volume of electricity used by each type of end-user in Ohio (i.e., residential, commercial, and industrial) was estimated based on the growth rates of retail sales of electricity in the East North Central region as forecasted by the U.S. Energy Information Administration in the January 2009 edition of its publication *Short-Term Energy Outlook.* Then, the estimated tax revenue was calculated by multiplying the marginal tax rates by the estimated volume of electricity used for each type of end-user.[4]

[4] In performing the second step, it was assumed that the highest marginal tax rate ($0.00465 per kWh) applied to residential users, the second-highest rate applied to commercial users, and the lowest rate applied to industrial users. Although the correspondence between the electricity usage by these end-user categories and the usage categories represented in the structure of the tax are thought to be close, this is an approximation as the categories are not likely to align perfectly.