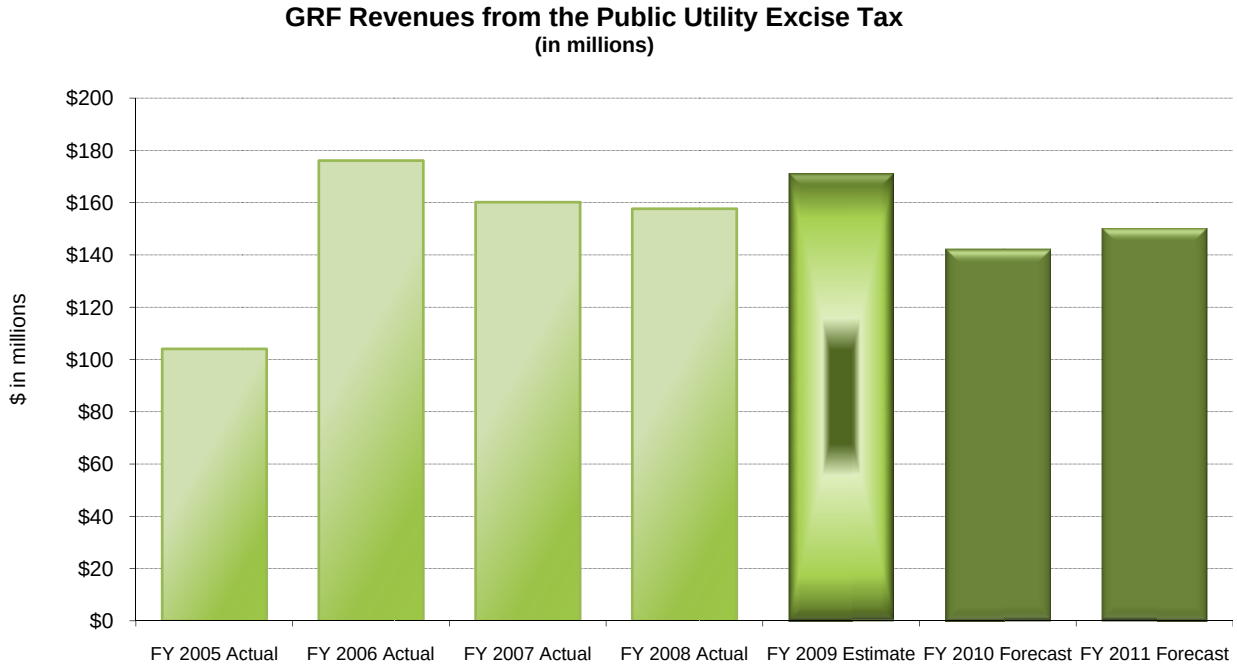
Public Utility Excise Tax



	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Estimate	FY 2010 Forecast	FY 2011 Forecast
Revenue	$104.1	$176.2	$160.2	$157.7	$171.1	$142.1	$150.1
Growth	-54.0%	69.2%	-9.0%	-1.6%	8.5%	-17.0%	5.6%

The public utility excise tax, also known as the gross receipts tax, is a tax on the intrastate revenues of public utilities. The tax is levied on natural gas utilities, pipeline companies, heating companies, waterworks, and water transportation companies. All companies subject to the tax pay 4.75% of gross receipts except pipeline companies, which pay a tax of 6.75% of gross receipts.

Most of the revenue from the public utility excise tax is from natural gas companies. They accounted for about 98% of public utility excise tax revenue in FY 2008. So changes in natural gas prices and consumption are important determinants of public utility excise tax revenues. From lows in 2006, natural gas prices in commodity markets rose sharply until mid-2008, then fell sharply. This pattern contributed to a rise in year-to-date tax revenues in FY 2009, as commodity price fluctuations are reflected in tax receipts with a lag. But the natural gas price decline since mid-2008 is expected to result in a drop in tax revenues in the April-June quarter of FY 2009, compared with a year earlier, and in FY 2010. Natural gas consumption is also expected to be lower in FY 2010. Tax revenues are projected to grow in FY 2011 as prices are expected to rise.[3]

[3] The large tax revenue decline in FY 2005 shown in the table above was due to a change in the tax base as

The estimate of public utility excise tax revenue for FY 2009 is based on year-to-date tax receipts through December; on Ohio residential, commercial, and industrial consumption of natural gas and average prices through October; and on projected natural gas usage and prices in the East North Central states. The Ohio data and East North Central state projections are from the United States Energy Information Administration (EIA). The projections are from the EIA's January 2009 Short Term Energy Outlook. Year-to-year percent changes projected for East North Central state natural gas consumption and prices are used as an indicator of changes in Ohio. A further small downward adjustment is made to projected tax revenues in the second half of the current fiscal year for the continued shift of natural gas industry customers to nontraditional suppliers under the Choice program. Revenues under the Choice program are subject to the sales tax rather than the public utility excise tax. The tax revenue estimates for FY 2010 and FY 2011 are based on the EIA projections. Public utility excise tax receipts from utility companies other than those in the natural gas industry are assumed, in FY 2009 through FY 2011, to remain at a level comparable to tax receipts from these companies in FY 2007 and FY 2008.

provided by Am. Sub. H.B. 95 of the 125th General Assembly, exempting local telephone companies from the tax. They were simultaneously subjected to the corporate franchise tax, and their sales were subjected to the sales tax. The increase in GRF tax revenue in FY 2006 was due primarily to a change in the share of total public utility excise tax revenue going to the local government funds.