

Pipeline Update

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Pipeline Valuation Process



Process for pipeline (PUPP) valuation:

- Year 1—placed in service.
- Year 2—valued for tax purposes.
- Year 3—paying taxes.

Pipelines are assessed at 88% of true value, which has historically been cost to construct rather than the value of the commodity flowing through them. Totally different process than Board of Revision, although pipeline additions or enhancements made in the future may appealed as to valuation.

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PUPP Valuation Steps



Department of Taxation valuation steps:

- Tax Commissioner notifies utility of preliminary assessment.
- Petition for reassessment (non-public hearing).
- Final Determination of Tax Commissioner.
- Appeal of Final Determination to Board of Tax Appeals (BTA).
- Appeal of BTA decision to either Ohio Supreme Court or Court(s) of Appeal.

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Board of Tax Appeals (BTA)



Standing in BTA hearing (R.C. 5717.02):

- PUPP Taxpayer.
- County Auditors of affected counties.

No local government has standing at the BTA hearing, although the hearing is open to the public.

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Nexus and Rover Status



Current status of major pipeline BTA hearings:

- **Nexus**—in settlement discussions with the Tax Commissioner under a joint motion on February 14, 2022 to remand the case.
- **Rover**—case continued from May 9 until August 1, 2022. Parties actively engaged in discovery.

No local government has statutory authority to have an independent settlement from that of the State of Ohio.

Tender Payments, Penalties and Interest



Tender payments—tax due on undisputed value during the appeal period

Penalties—R.C. 323.121

Interest on Unpaid Tax—R.C. 5727.47(B)/5715.19(E):

- Amount determined to be due versus amount billed versus amount tendered—interest computed from the date the taxes were due.

Interest Computation



Prescribed by R.C. 5703.47:

- Determined by Tax Commissioner on October 15 of each year for following calendar year.
- Consists of:
 - Federal Short Term Rate per Internal Revenue Code Sec. 1274, rounded to nearest whole number per cent, **plus**
 - 3.00%.

Underpayments and Overpayments



Underpayment--County Auditor notifies County Treasurer who bills and collects tax.

Overpayments—County Auditor discretion:

- Refund entire overpayment.
- Refund a portion and prorate the balance against future taxes.
- Prorate the entire amount as a credit against future taxes.

Questions?



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