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# OHIO LEGISLATIVE SERVICE COMMISSION

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H.B. 349  
135<sup>th</sup> General Assembly

## Bill Analysis

**Version:** As Introduced

**Primary Sponsors:** Reps. Barhorst and Jones

Mackenzie Damon, Attorney

### SUMMARY

#### **EnergizeOhio program**

- Creates several incentives for the development of natural gas pipelines and related infrastructure within locally designated “EnergizeOhio zones.”

#### **Loan programs**

- Authorizes revolving loans to local governments and related entities to acquire natural gas pipeline easements on property located within an EnergizeOhio zone.
- Appropriates \$20 million to the revolving loan program from the Facilities Establishment Fund for FY2024.
- Additionally allows such entities to acquire easements with loans from the existing bond-funded 166 Direct Loan and Enterprise Bond Fund Loan programs.

#### **Taxation of natural gas company personal property**

- Modifies the valuation formula for natural gas company personal property that is placed into service in an EnergizeOhio zone, with the effect of reducing such property’s taxable value.

### DETAILED ANALYSIS

#### **EnergizeOhio program**

The bill creates various incentives for the development of natural gas pipelines and associated infrastructure. The incentives are available for projects located in locally designated areas, called EnergizeOhio zones, and include loan programs and a personal property tax reduction.

## **Creation of an EnergizeOhio zone**

A county, municipality, or township may petition the Department of Development to designate an EnergizeOhio zone. To request the designation, the subdivision must adopt an ordinance or resolution outlining the zone's boundaries. The Director of Development will approve the designation if the Director finds that a lack of natural gas infrastructure in the area is adversely affecting the area's economy.

Once approved, an EnergizeOhio zone designation lasts for five years. A zone can be renewed for an additional five years, if the subdivision requests the renewal and the Director finds that a lack of natural gas infrastructure continues to adversely affect the area economy.

The Director is required to notify the Tax Commissioner of each EnergizeOhio zone designation or renewal and to publish maps displaying each zone on the Department of Development's website.<sup>1</sup>

## **Pipeline easement loan program**

The bill creates a pipeline easement revolving loan program. Through the program, local governments and other entities can receive loans to purchase or lease natural gas pipeline easements on property located within an EnergizeOhio zone.

Loans are administered by the Director of Development and available to a county, municipality, township, port authority, community improvement corporation, regional council of governments, an economic development organization that operates in at least five counties, or a partnership consisting of any of those entities and a third party. The loan must be used to purchase or lease easements on property located in an EnergizeOhio zone with the goal of installing natural gas pipelines or other infrastructure on the property. Recipients cannot use a loan to acquire an easement by eminent domain.

The bill requires the Director, by the earliest date possible and in consultation with the Chief Investment Officer of JobsOhio, to adopt rules prescribing the terms and conditions of such loans and the criteria the Director will use to evaluate loan applications. These rules are exempt from continuing law that limits regulatory restrictions adopted by certain agencies.

For FY 2024, the bill initially appropriates \$20 million to the program from the Facilities Establishment Fund, discussed below, and subsequently allows the Director of Development to request additional transfers from the Facilities Establishment Fund to fund the program.<sup>2</sup>

## **Loans through existing bond programs**

Continuing law, enacted under authority granted by the Ohio Constitution, allows the Treasurer of State to issue bonds to generate revenue for economic development assistance

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<sup>1</sup> R.C. 122.161.

<sup>2</sup> R.C. 122.162 and 166.02(B)(10); Sections 3 and 5.

programs. These proceeds are credited to the Facilities Establishment Fund and are used to provide loans and other funding for certain infrastructure and economic development projects.

The bill allows the purchase or lease of natural gas pipeline easements in an EnergizeOhio Zone to qualify for funding under two of these bond-funded programs – the 166 Direct Loan program and the Enterprise Bond Fund program. Under both programs, the Director uses bond proceeds to make loans to eligible projects. In the 166 Direct Loan program, loans are provided from the Facilities Establishment Fund. Under the Enterprise Bond Fund program, the Treasurer can issue project-specific bonds, backed by money in the Facilities Establishment Fund, and the Director uses those bonds proceeds to provide loans.

The bill allows the Director to provide loans through both of these programs for the acquisition or lease of pipeline easements. The Ohio Constitution specifically restricts both programs from being used to fund “facilities to be constructed for the purpose of providing electric or gas utility service to the public,” but does not explicitly prohibit the acquisition of easements for such facilities. As with the Pipeline Easement Revolving Loan Program, the loans cannot fund the acquisition of easements by eminent domain.<sup>3</sup>

### **Taxation of NGC personal property**

Under continuing law, local property taxes apply to the tangible personal property, e.g., machinery and equipment, of public utilities. Similar to real property, the property tax due with respect such personal property involves (1) determining the “true” value of the property, (2) deriving its taxable value from that true value, i.e., applying an assessment percentage specified by law, and (3) applying the relevant local tax rate.

#### **Valuation**

Generally, the true value of NGC personal property is calculated by determining the cost of the property to the company, as capitalized on the company’s books, and subtracting annual depreciation allowances prescribed by the Tax Commissioner and based on the property’s useful life.

The bill modifies this valuation formula for NGC property that is placed into service in an EnergizeOhio zone. The effect is to reduce the valuation of such property, thereby reducing the property’s taxable value.

First, the bill requires that, when the Tax Commissioner determines the property’s annual depreciation allowance, the property’s useful life must be considered to be one-third (or less) of the useful life of similar, nonqualifying property. For example, if a pipeline typically has a useful life of 30 years, the useful life of a pipeline installed in an EnergizeOhio zone must be ten years or less. The result of this change is to accelerate the property’s depreciation allowances, producing a lower valuation.

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<sup>3</sup> R.C. 166.01 and Ohio Constitution, Article VIII, Section 13.

Second, the bill requires that the Tax Commissioner further reduce the value of property in an EnergizeOhio zone by 75%. This reduction occurs after the value is calculated using the accelerated depreciation allowance described above. Continuing the above example, if the pipeline in the EnergizeOhio zone would otherwise be valued at \$400,000 for a particular year (after taking into account a useful life of ten years), the Commissioner must further reduce its true value to \$100,000.

The bill's changes apply to property that is placed into service while an EnergizeOhio zone designation is in effect. However, the benefits are available to the property for ten years, beginning in the tax year that the property is placed into service, regardless of whether the EnergizeOhio zone designation expires during that ten-year period.<sup>4</sup>

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## HISTORY

Action	Date
Introduced	12-04-23

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ANHB0349IN-135/ts

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<sup>4</sup> R.C. 5727.11.