



OLR RESEARCH REPORT

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FARMINGTON'S PAYMENT IN LIEU OF TAXES FOR THE UCONN HEALTH CENTER

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You asked several questions regarding Farmington's payment in lieu of taxes (PILOT) for the UConn Health Center (UCHC). The questions and answers follow.

Can UCHC change its designation for PILOT purposes so that its property qualifies as private college and hospital property rather than state-owned property?

No, UCHC cannot change the designation of its property for PILOT purposes so that it qualifies as private college and hospital property instead of state-owned property. Because the designation is fixed in law, the legislature would need to change it.

Can the timing of the PILOT be changed so Farmington does not incur a two-year delay in its payment whenever UCHC acquires property?

Yes, but the legislature would need to amend the statutes that govern the timing of PILOT payments.

Towns must wait at least 18 months between the time they claim a PILOT for tax-exempt property and receive payment from the state.

This lag time is set by statute. By law, PILOTs are paid once a year by September 30 based on claim forms town submit by April 1 of the prior

year. For example, the claims paid on September 30, 2012 will be against claims that were submitted on April 1, 2011. Each April 1 claim form reports the assessed value of the PILOT-eligible land and buildings as of the prior October 1 (the start of the preceding grand list year). Towns submit these forms to the Office of Policy and Management (OPM) secretary, who has until August 1 of the *following* year to audit the towns' claims and reevaluate a property if he believes that the value the town submits is inaccurate.

Towns can request an administrative hearing to contest the reevaluations to OPM within 10 days after receiving the reevaluation notice. Any town denied a hearing or unhappy with its outcome can appeal to the Superior Court (CGS §§ [12-19b](#) and [-20b](#)). The actual payments are made by the treasurer by September 30, 18 months after the town first requested the reimbursement (CGS §§ [12-19c](#) and [-20b](#)).

The timeframes for submitting, auditing, and processing the claims create a 15 month lag between the time when the town would have collected taxes on the property had it been taxable (July 1) and when it receives the PILOT (September 30, in the following fiscal year). Suppose, for example, a town submitted a claim form to OPM on April 1, 2012 for its state-owned property. The form would detail the property's assessed value based on the town's October 1, 2011 grand list. The town would not receive its reimbursement for the property until September 30, 2013.

But the wait could potentially be as long as three years if the state acquires the property between October 1 (the start of the assessment year) and April 1, the deadline for submitting a claim to OPM for a PILOT. Suppose the state acquires property on October 2, 2011. The town would have to wait until April 1, 2013 before it notifies OPM about the property. The town would not receive its first PILOT for the property until September 30, 2014, nearly three years after the state acquired it.

The legislature could shorten this waiting time by requiring OPM to audit the valuations after, rather than before, it processes and pays the claims. But this option would likely pose an administrative issue for OPM, which would have to credit or charge towns for underpayments and overpayments based on the subsequent audits.

For your further information, we have attached a copy of OLR report [2005-R-0427](#) which further describes the lag time for PILOTs and discusses other policy options to reduce it.

Will Farmington's PILOT decrease when Jackson Laboratory takes ownership of the land on which it builds its research facility?

When Jackson Lab takes ownership of the parcel of state land on which it builds its research facility, Farmington will no longer receive a PILOT payment for the land. Thus, assuming there are no other changes to the other state land and property for which Farmington receives a PILOT, its overall payment will decrease.

But the timing of the decrease depends on when title to the land is actually transferred from the state to Jackson Lab. Under its [agreement](#) with Connecticut Innovations, Inc., Jackson Lab has a 98 year lease on the 17-acre parcel of state land, with an option to purchase the land for \$1 after it creates at least 600 jobs. The land will remain tax-exempt even after Jackson Lab takes ownership because of the state property tax exemption for organizations operated exclusively for scientific, charitable, or other exempt purposes (CGS § [12-81 \(7\)](#)).

RP:ro