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# PAYMENTS IN LIEU OF TAXES

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**PILOT APPLICATION AND PAYMENT PROCESS**

Annually by April 1, municipalities must submit claim forms to the Office of Policy and Management (OPM) to report the assessed value of their PILOT-eligible property as of the prior October 1 (the start of the preceding assessment year).

The OPM secretary has until August 1 of the following year to audit the municipalities' claims and reevaluate a property if he believes the value the municipality submitted is inaccurate.

Municipalities can request an administrative hearing with OPM to contest the reevaluations. A municipality denied a hearing or unhappy with its outcome can appeal to Superior Court (CGS §§ 12-19b and -20b).

The actual payments are made by the treasurer by September 30, 18 months after the municipality first requested the reimbursement (CGS §§ 12-19c and -20b).

## ISSUE

What are the statutory formulas for calculating payments in lieu of taxes (PILOT) to towns to reimburse them for lost revenue for tax exempt state-owned property and private nonprofit colleges and hospitals? This report updates OLR report 2006-R-0340.

## SUMMARY

The state provides annual PILOTs to municipalities to reimburse them for a portion of the revenue loss from (1) state-owned property, Indian reservation land, and municipally-owned airports and (2) private nonprofit college and hospital property. The PILOTs are based on a specified percentage of taxes that the municipality would otherwise collect on the property. With certain exceptions, the rates are 45% for state-owned property and 77% for college and hospital property. However, both PILOTs are proportionately reduced if the state's annual appropriation is not enough to fully fund them.

Further information on the state's PILOT programs and their FY 15 funding amounts (based on October 2014 data) is available on the Office of Fiscal Analysis' website.

## STATE-OWNED PROPERTY

By law, the state makes annual PILOTs to municipalities (towns and boroughs) to reimburse them for a part of the property tax revenue they lose because they are not able to tax (1) state-owned real property (including highway administration or maintenance property, but not highways and bridges); (2) Indian reservation land; and (3) municipally-owned airports (CGS § 12-19a). The PILOTs are based on a specified percentage of taxes that the municipality would otherwise collect on the property, but are proportionately reduced if the state's annual appropriation is not enough to fund the full amount. Table 1 shows the statutory PILOT rates by type of property.

**Table 1: Statutory PILOT Rates for State-Owned and Other Specified Types of Property**

| ***Type of Property*** | ***PILOT (% of lost revenue)*** |
|---|---|
| Correctional facility or juvenile detention center | 100% |
| John Dempsey Hospital permanent medical ward for prisoners | 100% |
| Mashantucket Pequot reservation land (1) designated within 1983 settlement boundary and (2) taken into trust by the federal government for the Mashantucket Pequots on or after June 8, 1999 | 100% |
| Land in any town where more than 50% of the land is state-owned[1] | 100% |
| Connecticut Valley Hospital | 65% |
| Mashantucket Pequot reservation land (1) designated within the 1983 settlement boundary and (2) taken into trust by the federal government for the Mashantucket Pequots before June 8, 1999 | 45%[2] |
| Mohegan reservation land taken into trust by the federal government | 45%[2] |
| All other state-owned real property[3] | 45% |
| Municipally-owned airport | 45% |

[1]Voluntown is the only municipality that qualifies under this provision. It also receives an additional $60,000 PILOT for state-owned forest land (CGS § 12-19b(b)).

[2]The 45% PILOT rate is phased in over five years, from FY 13 to FY 17, and is not subject to proportional reductions until FY 17.

[3] Beginning in FY 15, the four towns (Windsor Locks, Suffield, East Granby, and Windsor) receiving specific annual payments from the Connecticut Airport Authority for Bradley International Airport property no longer receive state PILOTs for such property.

## PRIVATE NONPROFIT COLLEGES AND HOSPITALS

The state also provides PILOTs to municipalities to reimburse them for a portion of the taxes that would have been paid on tax-exempt real property owned by private colleges and hospitals. Unlike the state-owned property PILOTs, which the state provides only to towns and boroughs, the state provides college and hospital PILOTs to (1) towns, cities, boroughs, consolidated towns and cities, and consolidated towns and boroughs and (2) villages, fire, sewer, and combination fire and sewer districts, and other municipal organizations authorized to levy and collect taxes (CGS §12-20a).

The PILOTs are for real property owned by (1) private, nonprofit colleges and universities; (2) nonprofit general and chronic disease hospitals; and (3) urgent care facilities (a) operating for at least 12 hours a day and (b) that had been the location of a nonprofit hospital for a portion of the 1996 calendar year. It applies to campuses of the United States Department of Veterans Affairs Connecticut Healthcare Systems, but excludes other state- or federally-operated facilities. The statutory PILOT rate for most college and hospital property is 77% of the lost revenue (CGS §12-20a). However, the law specifies the PILOT amounts for two municipalities that host certain properties. Branford receives a $100,000 PILOT for Connecticut Hospice and New London receives $1 million for the U.S. Coast Guard Academy (CGS § 12-20b(b) and (c)).

As is the case with the state-owned property PILOTs, the law provides for proportional reductions if the state's annual appropriation is not enough to fund the full amount of the college and hospital PILOTs.

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