
Property Tax Exemptions and Payments in Lieu of Taxes in Maryland

**Department of Legislative Services
Office of Policy Analysis
Annapolis, Maryland**

January 2014

Presentation Overview

- Tax-exempt Properties and Local Government Revenues
- Categorical Breakdown of Tax-exempt Properties in Maryland
- Overview of PILOTs and Related Agreements
- PILOTs and Related Agreements in Maryland and Baltimore City
- PILOTs and Related Policies Applied to Tax-exempt Entities in Other Jurisdictions

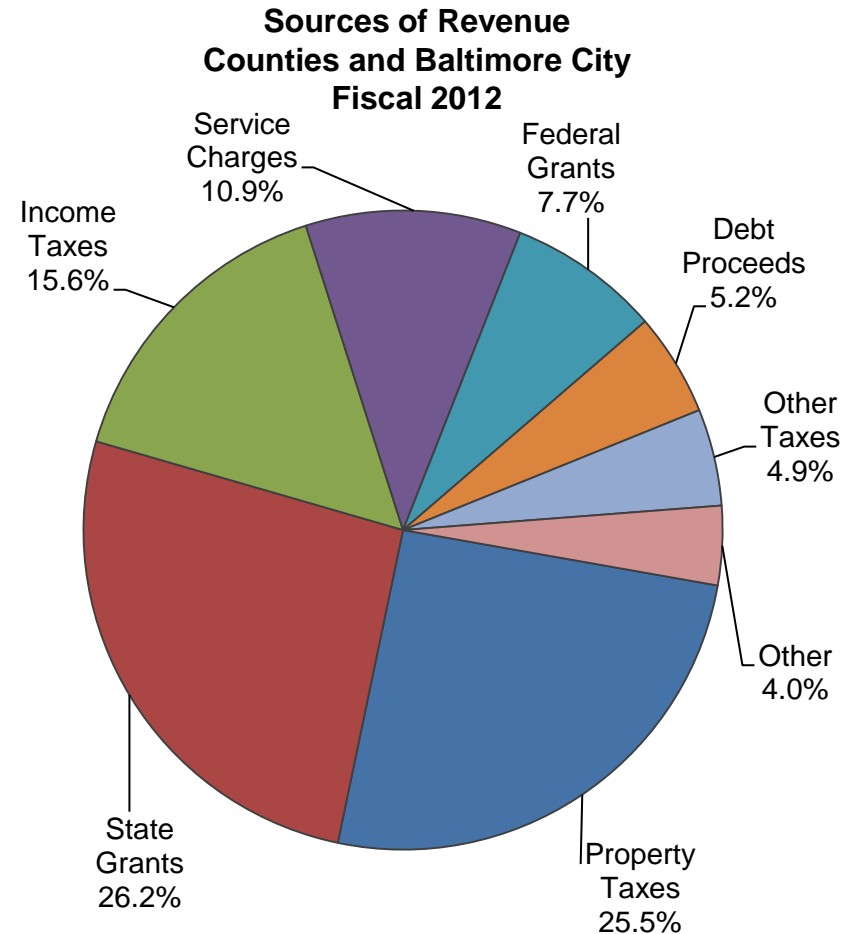
Issue with Property Tax-exempt Entities

- **Significance of Property Tax:**

- Property tax is a major source of revenue for local jurisdictions

- **Key Stats in Maryland:**

- In fiscal 2014, tax-exempt properties in Maryland have assessed values totaling nearly \$80 billion
- Tax-exempt properties account for 11% of the total assessable property tax base in Maryland



Source: Brody, et al. *The Charitable Property-Tax Exemption and PILOTs*; State Department of Assessments and Taxation; Department of Legislative Services

Property Tax Exemptions for the 20 Most Populous U.S. Cities with Available Data

(\$ in Millions)

City	Year	Taxable Parcels	Fully Exempt Parcels	Total Assessed Value	Total Exempt Value	Total Exempt %
New York, NY	2011	1,030,202	39,102	\$255,582	\$107,953	42.2%
Washington, DC	2011	183,627	12,464	220,816	81,528	36.9%
Baltimore, MD	2013	NA	NA	49,154	15,535	31.6%
Philadelphia, PA	2012	554,749	24,580	18,023	5,570	30.9%
Boston, MA	2012	153,807	8,347	118,784	34,800	29.3%
Jacksonville, FL	2011	309,744	19,169	57,726	16,615	28.8%
Columbus, OH	2011	254,301	19,073	19,606	5,596	28.5%
Denver, CO	2011	226,009	18,487	14,190	3,979	28.0%
Fort Worth, TX	2011	299,223	8,576	46,535	12,065	25.9%
Houston, TX	2011	566,695	40,476	165,002	42,692	25.9%
Phoenix, AZ	2012	475,311	21,923	16,214	3,838	23.7%
Dallas, TX	2011	361,376	15,060	100,232	23,445	23.4%
Seattle, WA	2012	202,577	7,835	142,039	31,564	22.2%
Charlotte, NC	2011	502,605	5,929	98,961	12,614	12.7%
Austin, TX	2011	237,753	8,393	88,006	10,869	12.4%
Indianapolis, IN	2011	338,370	16,403	61,263	4,593	7.5%
San Diego, CA*	2011	369,520	1,915	176,120	6,508	3.7%
Los Angeles, CA*	2011	NA	NA	1,035,951	37,848	3.7%
San Jose, CA*	2012	239,410	1,333	111,321	3,946	3.5%
San Francisco, CA*	2012	199,284	4,939	153,449	5,207	3.4%

*In California, government-owned property is considered “nontaxable” and does not require an exemption, so such properties are not reflected in the listed assessed values. Exempt values shown are only for nonprofits and others specifically required to obtain an exemption from the locality of the Board of Equalization.

Source: *Governing*; Department of Legislative Services

Comparison of Tax-exempt Real Property in Fiscal 2014 Per Capita Basis and Percent of Total Property Base

County	Real Property	Tax-exempt Property (\$ in Millions)	Total		Tax-exempt Property		Tax-exempt Property	
	Assessable Base (\$ in Millions)		Property Base (\$ in Millions)	Percent Tax Exempt	Per Capita Basis		Percent of Total Base	
Allegany	\$3,587	\$1,322	\$4,908	26.9%	1. Baltimore City	\$25,002	1. Baltimore City	31.6%
Anne Arundel	73,251	6,265	79,516	7.9%	2. St. Mary's	18,968	2. Allegany	26.9%
Baltimore City	33,619	15,535	49,154	31.6%	3. Allegany	17,859	3. Somerset	22.7%
Baltimore	75,160	7,436	82,596	9.0%	4. Montgomery	17,735	4. Wicomico	17.5%
Calvert	11,247	952	12,199	7.8%	5. Garrett	15,949	5. St. Mary's	15.0%
Caroline	2,540	306	2,847	10.8%	6. Somerset	15,289	6. Washington	13.5%
Carroll	17,967	1,947	19,914	9.8%	7. Kent	14,615	7. Dorchester	13.1%
Cecil	9,278	856	10,133	8.4%	8. Queen Anne's	14,246	8. Charles	11.9%
Charles	15,333	2,078	17,412	11.9%	9. Charles	13,802	9. Prince George's	10.9%
Dorchester	2,879	433	3,313	13.1%	10. Dorchester	13,316	10. Caroline	10.8%
Frederick	25,156	2,587	27,744	9.3%	11. Worcester	13,144	11. Montgomery	10.0%
Garrett	4,618	476	5,095	9.3%	12. Washington	12,379	12. Carroll	9.8%
Harford	24,547	2,537	27,084	9.4%	13. Talbot	12,297	13. Kent	9.5%
Howard	42,505	2,868	45,374	6.3%	14. Wicomico	12,241	14. Harford	9.4%
Kent	2,817	295	3,112	9.5%	15. Carroll	11,641	15. Garrett	9.3%
Montgomery	161,084	17,819	178,903	10.0%	16. Anne Arundel	11,381	16. Frederick	9.3%
Prince George's	72,751	8,873	81,625	10.9%	17. Frederick	10,799	17. Baltimore	9.0%
Queen Anne's	7,646	692	8,338	8.3%	18. Calvert	10,626	18. Cecil	8.4%
St. Mary's	11,712	2,067	13,780	15.0%	19. Harford	10,204	19. Queen Anne's	8.3%
Somerset	1,365	401	1,767	22.7%	20. Prince George's	10,070	20. Anne Arundel	7.9%
Talbot	8,808	469	9,277	5.1%	21. Howard	9,580	21. Calvert	7.8%
Washington	11,857	1,847	13,704	13.5%	22. Caroline	9,366	22. Howard	6.3%
Wicomico	5,811	1,232	7,043	17.5%	23. Baltimore	9,096	23. Talbot	5.1%
Worcester	14,805	678	15,483	4.4%	24. Cecil	8,414	24. Worcester	4.4%
Total	\$640,345	\$79,973	\$720,318	11.1%	Statewide	\$13,590	Statewide	11.1%

State Tax-exempt Assessments in Fiscal 2014

(\$ in Millions)

County	Federal	State	County/ Municipal	Educational	Religious	Charitable/ Fraternal	Individual	Total
Allegany	\$86	\$464	\$327	\$14	\$113	\$299	\$19	\$1,322
Anne Arundel	1,312	1,274	1,956	346	624	533	220	6,265
Baltimore City	774	4,275	4,509	1,380	1,362	3,182	53	15,535
Baltimore	521	1,810	2,627	431	1,199	693	153	7,436
Calvert	73	118	503	13	132	81	32	952
Caroline	8	63	121	22	53	31	9	306
Carroll	14	185	1,030	154	314	213	37	1,947
Cecil	102	142	297	41	130	114	30	856
Charles	904	144	685	12	178	84	72	2,078
Dorchester	28	86	93	2	59	52	114	433
Frederick	350	133	991	287	412	356	58	2,587
Garrett	5	165	206	4	68	19	10	476
Harford	889	102	870	51	258	262	104	2,537
Howard	93	601	1,523	63	341	165	81	2,868
Kent	10	32	83	77	40	46	7	295
Montgomery	3,115	1,011	8,364	803	3,167	917	442	17,819
Prince George's	2,444	1,706	2,619	151	1,222	397	335	8,873
Queen Anne's	3	205	317	6	83	52	26	692
St. Mary's	1,101	216	464	107	100	44	34	2,067
Somerset	4	234	77	6	33	40	8	401
Talbot	18	23	162	24	84	136	22	469
Washington	68	277	653	52	354	407	36	1,847
Wicomico	5	387	427	16	145	233	19	1,232
Worcester	88	79	301	16	100	75	19	678
Total	\$12,015	\$13,734	\$29,205	\$4,078	\$10,570	\$8,431	\$1,938	\$79,973

Revenue Impact of Tax-exempt Real Property in Fiscal 2014 Per Capita Basis and Property Tax Rate Equivalent

County	Real Property Tax Rate	Tax-exempt Property (\$ in Millions)	Estimated Revenue Loss (\$ in Millions)	Per Capita Revenue Loss	Estimated Revenue Loss Per Capita Basis	Estimated Revenue Loss Tax Rate Equivalent
Allegany	\$0.9800	\$995	\$10	\$132	1. Baltimore City	\$0.5552
Anne Arundel	0.9500	4,309	41	74	2. Allegany	0.2128
Baltimore City	2.2480	11,026	248	399	3. St. Mary's	0.1758
Baltimore	1.1000	4,808	53	65	4. Somerset	0.1105
Calvert	0.8920	449	4	45	5. Charles	0.1044
Caroline	0.9400	185	2	53	6. Kent	0.1033
Carroll	1.0180	917	9	56	7. Dorchester	0.1032
Cecil	0.9907	559	6	54	8. Montgomery	0.1004
Charles	1.2050	1,394	17	112	9. Prince George's	0.0867
Dorchester	0.9760	341	3	102	10. Garrett	0.0716
Frederick	1.0640	1,596	17	71	11. Washington	0.0663
Garrett	0.9900	270	3	90	12. Anne Arundel	0.0661
Harford	1.0420	1,667	17	70	13. Wicomico	0.0640
Howard	1.1900	1,345	16	53	14. Frederick	0.0635
Kent	1.0220	212	2	107	15. Harford	0.0566
Montgomery	1.0210	9,455	97	96	16. Queen Anne's	0.0563
Prince George's	1.3190	6,254	82	94	17. Baltimore	0.0547
Queen Anne's	0.8471	375	3	65	18. Worcester	0.0528
St. Mary's	0.8570	1,604	14	126	19. Carroll	0.0494
Somerset	0.9150	325	3	113	20. Cecil	0.0397
Talbot	0.5120	306	2	41	21. Howard	0.0365
Washington	0.9480	1,194	11	76	22. Caroline	0.0343
Wicomico	0.9086	805	7	73	23. Calvert	0.0191
Worcester	0.7700	377	3	56	24. Talbot	0.0172
Total		\$50,767	\$669	\$114	Statewide	\$114
						Statewide
						\$0.0969

Note: Tax-exempt property excludes county/municipal.

Revenue Impact of Tax-exempt Real Property in Fiscal 2014

(\$ in Millions)

County	Federal	State	Educational	Religious	Charitable/ Fraternal	Individual	Total
Allegany	\$0.8	\$4.6	\$0.1	\$1.1	\$2.9	\$0.2	\$9.8
Anne Arundel	12.5	12.1	3.3	5.9	5.1	2.1	40.9
Baltimore City	17.4	96.1	31.0	30.6	71.5	1.2	247.9
Baltimore	5.7	19.9	4.7	13.2	7.6	1.7	52.9
Calvert	0.7	1.1	0.1	1.2	0.7	0.3	4.0
Caroline	0.1	0.6	0.2	0.5	0.3	0.1	1.7
Carroll	0.1	1.9	1.6	3.2	2.2	0.4	9.3
Cecil	1.0	1.4	0.4	1.3	1.1	0.3	5.5
Charles	10.9	1.7	0.1	2.1	1.0	0.9	16.8
Dorchester	0.3	0.8	0.0	0.6	0.5	1.1	3.3
Frederick	3.7	1.4	3.1	4.4	3.8	0.6	17.0
Garrett	0.0	1.6	0.0	0.7	0.2	0.1	2.7
Harford	9.3	1.1	0.5	2.7	2.7	1.1	17.4
Howard	1.1	7.2	0.8	4.1	2.0	1.0	16.0
Kent	0.1	0.3	0.8	0.4	0.5	0.1	2.2
Montgomery	31.8	10.3	8.2	32.3	9.4	4.5	96.5
Prince George's	32.2	22.5	2.0	16.1	5.2	4.4	82.5
Queen Anne's	0.0	1.7	0.0	0.7	0.4	0.2	3.2
St. Mary's	9.4	1.9	0.9	0.9	0.4	0.3	13.7
Somerset	0.0	2.1	0.1	0.3	0.4	0.1	3.0
Talbot	0.1	0.1	0.1	0.4	0.7	0.1	1.6
Washington	0.6	2.6	0.5	3.4	3.9	0.3	11.3
Wicomico	0.0	3.5	0.1	1.3	2.1	0.2	7.3
Worcester	0.7	0.6	0.1	0.8	0.6	0.1	2.9
Total	\$138.7	\$197.2	\$58.9	\$128.1	\$125.2	\$21.3	\$669.4

Source: State Department of Assessments and Taxation

Property Tax Rate Equivalents of Tax-exempt Real Property Fiscal 2014

County	Federal	State	Educational	Religious	Charitable/ Fraternal	Individual	Total
Allegany	\$0.0183	\$0.0994	\$0.0029	\$0.0242	\$0.0640	\$0.0040	\$0.2128
Anne Arundel	0.0161	0.0156	0.0042	0.0076	0.0065	0.0027	0.0528
Baltimore City	0.0390	0.2153	0.0695	0.0686	0.1602	0.0027	0.5552
Baltimore	0.0072	0.0249	0.0059	0.0165	0.0095	0.0021	0.0661
Calvert	0.0056	0.0090	0.0010	0.0101	0.0062	0.0024	0.0343
Caroline	0.0027	0.0217	0.0075	0.0183	0.0108	0.0030	0.0640
Carroll	0.0007	0.0100	0.0083	0.0169	0.0115	0.0020	0.0494
Cecil	0.0103	0.0143	0.0042	0.0130	0.0115	0.0030	0.0563
Charles	0.0651	0.0104	0.0008	0.0128	0.0061	0.0052	0.1004
Dorchester	0.0085	0.0260	0.0007	0.0179	0.0156	0.0345	0.1033
Frederick	0.0139	0.0053	0.0114	0.0164	0.0142	0.0023	0.0635
Garrett	0.0009	0.0334	0.0007	0.0138	0.0038	0.0021	0.0547
Harford	0.0353	0.0041	0.0020	0.0103	0.0104	0.0041	0.0663
Howard	0.0025	0.0163	0.0017	0.0093	0.0045	0.0022	0.0365
Kent	0.0035	0.0109	0.0260	0.0134	0.0156	0.0022	0.0716
Montgomery	0.0186	0.0061	0.0048	0.0190	0.0055	0.0026	0.0566
Prince George's	0.0408	0.0285	0.0025	0.0204	0.0066	0.0056	0.1044
Queen Anne's	0.0004	0.0216	0.0006	0.0088	0.0055	0.0027	0.0397
St. Mary's	0.0709	0.0139	0.0069	0.0065	0.0029	0.0022	0.1032
Somerset	0.0020	0.1268	0.0032	0.0179	0.0216	0.0044	0.1758
Talbot	0.0010	0.0013	0.0013	0.0047	0.0076	0.0012	0.0172
Washington	0.0049	0.0201	0.0038	0.0257	0.0296	0.0026	0.0867
Wicomico	0.0006	0.0532	0.0023	0.0200	0.0320	0.0025	0.1105
Worcester	0.0045	0.0040	0.0008	0.0051	0.0038	0.0010	0.0191
Total	\$0.0201	\$0.0285	\$0.0085	\$0.0185	\$0.0181	\$0.0031	\$0.0969

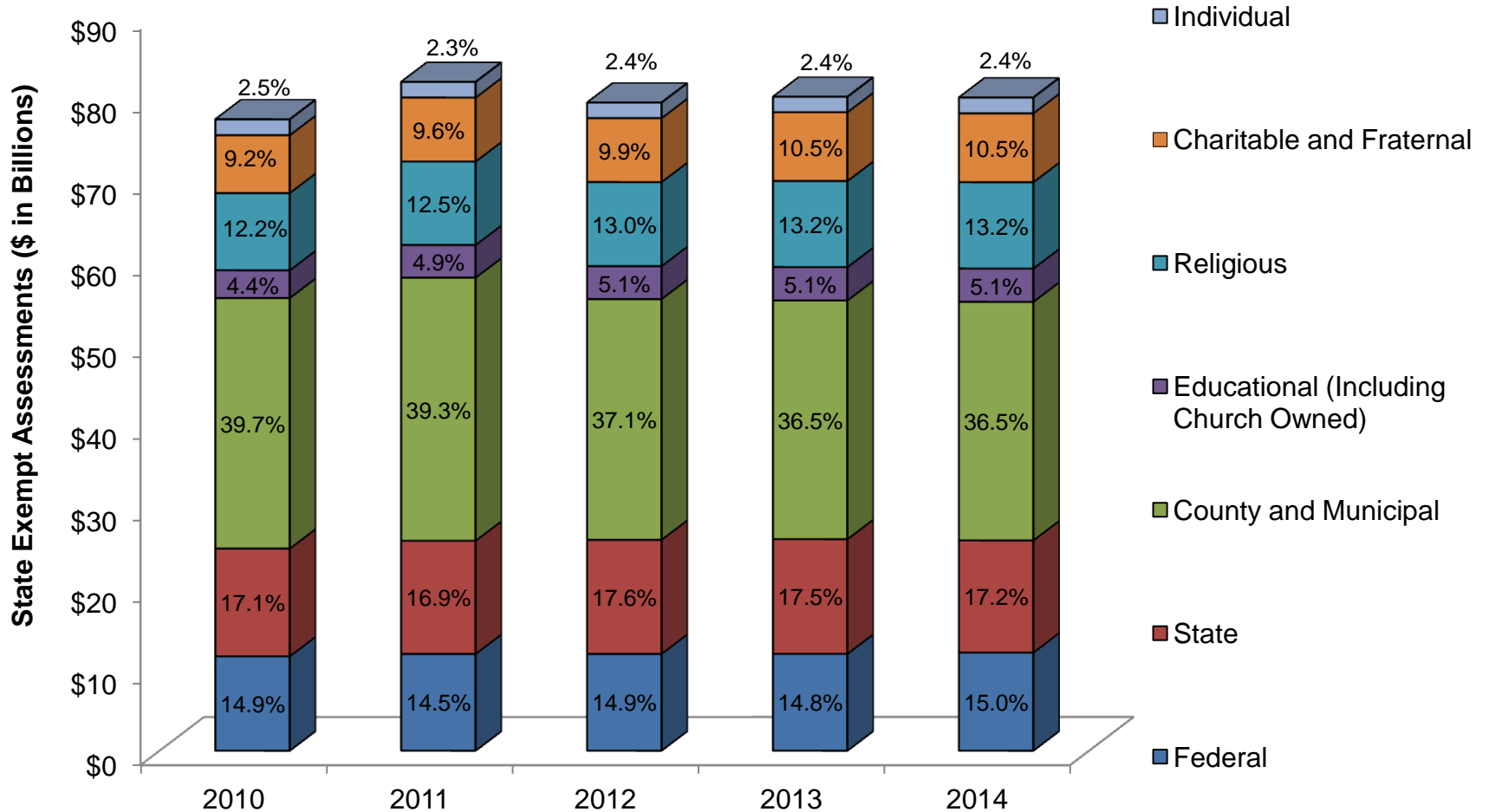
Sources for Determining a Property's Tax-exemption Status

- **Maryland Code:** Tax-Property Article, Title 7, Subtitle 2 provides for the general statutory definitions of tax-exempt properties
- **State Department of Assessments and Taxation (SDAT):** Provides criteria for exempt properties when delegated the duty by State legislature
- **Court Decisions:** SDAT has deferred to the courts to create criteria for certain types of tax-exempt entities, including charities and educational institutions

General Tax-exempt Property Categories in Maryland

Category	Definition
Religious	Religious groups may receive an exemption for properties used exclusively for public religious worship, a parsonage or convent, or educational purposes. The law does not extend this type of exemption to properties owned by religious groups that are used as a caretaker's residence, a residence for a minister of music, or a residence for an administrator or other employee.
Charitable	These groups must demonstrate that the use of the property serves the traditional objects of charity and not just merely providing a service to a particular segment of the community. Moreover, nonprofit use is not the equivalent of charitable.
Fraternal, Sororal	These organizations are generally limited to receiving an exemption on property used as a meeting location.
Educational	These groups must show that the property's use adds to the systematic dissemination of education or knowledge to the general public of Maryland. Hobby support organizations do not meet the tests for receiving this type of exemption.
Blind Persons	Those persons with a central visual acuity of 20/200 or less in the better eye may receive, with a doctor's certification, an exemption of \$15,000 of assessment reduction on the dwelling house and surrounding yard. Legally blind persons may apply at any time and need not meet the general September 1 filing deadline.
Disabled Veterans and Surviving Spouses	Armed Services veterans with a permanent, service-connected disability rated 100% by the Veterans Administration may receive a complete exemption from real property taxes on the dwelling house and surrounding yard. These veterans also may apply at any time and do not have to meet the September 1 filing deadline. Unremarried surviving spouses also may apply for this exemption. Surviving spouses of military personnel killed in the line of duty may apply for an exemption.
Other Exemptions	There are other special tax exemptions granted to government-owned properties, cemeteries, community water systems, fire companies and rescue squads, historical societies, housing authorities, environmental conservation groups, and certain specifically named organizations.

Statewide Property Tax-exempt Assessments Fiscal 2010-2014



Examples of Educational, Charitable, and Religious Tax-exempt Properties

Educational

Charitable

Religious

Johns Hopkins University

Anne Arundel Medical Center

Advent Healthcare

McDaniel College

Frederick Memorial Hospital

Daughters of Charity Ministries

Mount St. Mary's University

The Johns Hopkins Hospital

Holy Cross Hospital

St. John's College

Meritus Medical Center

Mercy Hospital

Washington College

Western Maryland Health System

St. Agnes Hospital

Source: State Department of Assessments and Taxation

Approaches to Addressing Tax-exempt Properties

- **PILOTs:** Increases efforts to collect voluntary payments in lieu of taxes
- **Services in Lieu of Taxes (SILOTs):** Considers services the nonprofit organization donates/contributes to the community
- **Fees/Partial Tax Payments:** Attempts to collect revenues from tax-exempt properties to help cover the costs of services such as sewage, water, public safety, trash collection, and other services provided by local jurisdictions
- **Refine Scope of Tax Exemptions:** Targets the definition and basis for entities and properties that qualify for tax exemptions
- **State Payments to Local Jurisdictions Hosting Tax-exempt Institutions:** Offsets disproportionate burden by local government for State tax exemption of entities that are located in municipality
- **Transfer Exemption Authority to Local Government:** Allows local government where property is located to have more power over what entities and properties qualify for tax exemptions

What Is a PILOT?

- **Defined:** A **PILOT** is an agreement between a jurisdiction and a developer, business, or landowner that substitutes a negotiated payment for annual real estate taxes that are traditionally due on a property
- **Applied to Two General Categories of Properties:**
 - Tax-exempt Properties
 - Nonexempt Properties

The Two Property Categories

- **Tax-exempt Properties**

- **PILOT Application:** Exempt from paying all real property taxes, but voluntarily agrees to pay the jurisdiction a sum of money that may be calculated as a percentage of the property tax amount or to cover a share of the services the property consumes
- **Purpose:** Collect additional revenues to pay for the cost of services from entities that would otherwise be exempt from paying the taxes that fund services
- **SDAT Class, generally: 805** – Payment in Lieu of Taxes (exempt from all real property taxes)

- **Nonexempt Properties**

- **PILOT Application:** Taxable, but negotiates an agreement with the jurisdiction to pay a reduced fee over a period of time as an incentive to develop in the area
- **Purpose:** Provide for a certain exemption from local property tax for certain real estate located in local jurisdiction
- **SDAT Class, generally: 806** – Payment in Lieu of Taxes (county exempt, municipal exempt, State taxable)

PILOT Methods Used for Tax-exempt Properties

- **Long-term, Formal Contracts** signed by entities stipulating annual payments for a specific duration
- **Routine Annual Payments** initiated by local government sending annual letters to nonprofits requesting PILOTs or by some other similar means
- **Voluntary Property Tax Payments** that nonprofit elects to make on properties that are otherwise tax-exempt under State law
- **Irregular One-time Payments** to the jurisdiction as gifts or to support certain projects or programs

PILOT Methods Used by 92 Localities Where Methods Used for PILOTs Is Known		
<i>Method Used for PILOT</i>	<i>Number of Known Localities</i>	<i>Percent of Known Localities</i>
Long-term Contracts	53	57.6%
Routine Annual Payments	31	33.7%
Voluntary Property Tax Payments	11	12.0%
Irregular One-time Payments	10	10.9%

Note: 12 localities reported more than one method.

Source: Langley, et al. *PILOTs by Nonprofits*, Lincoln Institute of Land Policy, 2012.

Concerns with Tax-exempt Entities Making PILOTs

- It is sometimes unclear who qualifies as tax-exempt entities
- PILOT agreements are often made on an ad-hoc basis leading to inconsistent treatment of tax-exempt entities
- Threat of coercive methods by local governments to encourage nonprofits to make “voluntary” PILOTs
- Using funds raised by the nonprofits to make PILOTs takes resources away from nonprofits to use funds as was intended by donors

Properties Subject to PILOTs in Maryland

Code 805 PILOTs – Exempt from All Real Property Taxes

- By receiving a PILOT from Johns Hopkins University, Howard County ranks first in exemption value of exempt properties
- Baltimore City has nearly twice the amount of PILOT agreements with exempt entities than any other jurisdiction
- 2010 Nonprofit Assessment Agreement is not considered an 805 PILOT Agreement
- Housing authorities and housing nonprofits represent a large share of 805 PILOTs

Rank	Jurisdiction	Number of 805 PILOTs	Total 805 Exemption Value
1	Howard	1	\$190,225,033
2	Baltimore City	201	187,389,602
3	Allegany	19	29,646,801
4	Harford	4	21,915,700
5	Somerset	33	19,102,200
6	Prince George's	1	16,776,600
7	Baltimore	4	16,082,300
8	Frederick	2	7,700,433
9	Wicomico	102	6,181,596
10	Washington	3	6,002,570
11	Cecil	1	4,341,800
12	Talbot	3	4,000,400
13	Garrett	1	844,100
Total		375	\$510,209,135

Properties Subject to PILOTs in Maryland

Code 806 PILOTs – County Exempt, Municipal Exempt, State Taxable

- Baltimore City accounts for nearly two-thirds of all 806 PILOT agreements in the State
- Eight properties in Baltimore City account for nearly two-thirds of the total value of 806 exemption properties in the city
- This table does not reflect recent PILOT agreements made in Prince George’s County in 2012 or 2013

Rank	Jurisdiction	Number of 806 PILOTs	Total 806 Exemption Value
1	Baltimore City	205	\$570,186,114
2	Baltimore	36	155,308,101
3	Anne Arundel	68	109,962,267
4	Cecil	3	10,423,300
5	Harford	1	4,069,000
6	St. Mary's	3	857,133
7	Frederick	1	701,467
Total		317	\$851,507,382

2010 Nonprofit Assessment Agreement

- Not recognized as a PILOT agreement
- **Parties:**
 - Baltimore City
 - Certain members of:
 - Maryland Hospital Association (MHA)
 - Maryland Independent College and University Association (MICUA)
- **Purpose:** Voluntary payments by MHA and MICUA members to help assist the city's delivery of services in light of city's fiscal situation while at same time preserving their tax-exempt status

2010 Nonprofit Assessment Agreement

- **Agreement *per* the Memorandum of Understanding:**
 - **Term:** Fiscal 2011 through 2016, frontloaded
 - **Increased Taxes:**
 - Energy Tax increased by one-third to a rate of 8%
 - Telecommunications Tax rate increased by 14.28%
 - **Special Assessment:** \$20.4 million paid by 15 members to Baltimore City quarterly over a six-year period from fiscal 2011 through 2016
- **Looking Ahead:** “[W]e will need to renew a discussion with the broader nonprofit community – which accounts for more than \$4 billion in tax-exempt property” – Mayor Stephanie Rawlings-Blake, February 11, 2013

Source: Baltimore City; Memorandum of Understanding between Baltimore City and certain members of MHA and MICUA concerning the 2010 Nonprofit Assessment Agreement

Annual Nonprofit Assessment Payment by MHA and MICUA Members

Hospitals	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	Six-year Total
Bon Secours	\$65,670	\$65,670	\$41,348	\$29,187	\$29,187	\$17,026	\$248,088
Good Samaritan	132,693	132,693	83,547	58,974	58,974	34,402	501,283
Harbor Hospital	184,000	184,000	115,852	81,778	81,778	47,704	695,112
JHH & Bayview	1,258,254	1,258,254	792,234	559,224	559,224	326,214	4,753,404
MD General	163,503	163,503	102,946	72,668	72,668	42,390	617,678
Mercy Medical Center	201,867	201,867	127,101	89,719	89,719	52,336	762,609
Sinai	282,782	282,782	178,048	125,681	125,681	73,314	1,068,288
St. Agnes Health Care	169,694	169,694	106,844	75,419	75,419	43,995	641,065
UMMC	670,198	670,198	421,976	297,866	297,866	173,755	2,531,859
Union Memorial	180,634	180,634	113,732	80,282	80,282	46,831	682,395
Colleges and Universities							
Balt. International College	24,105	24,105	15,177	10,713	10,713	6,249	91,062
College of Notre Dame	38,122	38,122	24,003	16,943	16,943	9,883	144,016
Johns Hopkins University	1,672,658	1,672,658	1,053,155	743,404	743,404	433,652	6,318,931
Loyola College	294,945	294,945	185,706	131,087	131,087	76,467	1,114,237
Maryland Institute College of Art	60,876	60,876	38,330	27,056	27,056	15,783	229,977
Total	\$5,400,001	\$5,400,001	\$3,399,999	\$2,400,001	\$2,400,001	\$1,400,001	\$20,400,004

Source: Baltimore City; Memorandum of understanding between Baltimore City and certain members of MHA and MICUA concerning the 2010 Nonprofit Assessment Agreement

Top 20 Localities Receiving PILOTs from Nonprofits

			Nonprofits Making PILOTs	PILOT Revenue			Type(s) of PILOT Agreements				
City	State	Year		Total (\$ in Millions)	Pct. General Revenue	Pct. Property Taxes	Long-term Contracts	Routine Annual Payments	Voluntary Prop. Tax Payments	Irregular One-time Payments	Unknown
Boston	MA	2012	33	\$19.4	0.6%	1.5%		X	X		
New Haven	CT	2012	2	9.1	1.2%	4.6%	X				
Providence	RI	2012	7	8.9	1.1%	2.9%	X				
Palo Alto	CA	2009	1	7.1	3.4%	25.4%	X				
Baltimore	MD	2011	15	5.4	0.2%	0.8%	X				
Watertown	MA	2012	1	5.3	4.8%	7.3%	X				
Cambridge	MA	2008/2012	15	5.0	0.4%	1.8%	X	X			
Pittsburgh	PA	2011	46	2.6	0.4%	1.8%				X	
Dresden S.D.	NH	2009	1	1.9	10.5%	16.4%				X	
Ithaca (City)	NY	2009	1	1.6	2.9%	10.4%	X				
Lancaster	PA	2011	2	1.5	2.5%	9.2%				X	
Princeton Township	NJ	2010/2012	6	1.3	4.0%	6.1%		X			
Bedford	MA	2011	2	1.3	1.7%	2.8%	X				
Erie School District	PA	2011	10	1.2	0.7%	2.7%	X				
Princeton Borough	NJ	2012	1	1.2	4.2%	10.2%		X			
Erie	PA	2010/2011	13	1.1	1.0%	3.9%	X	X			
Lebanon	NH	2009	1	1.1	3.7%	8.1%				X	
Quincy	MA	2011	4	0.8	0.3%	0.5%	X				
Worcester	MA	2011	3	0.6	0.1%	0.3%	X				
Abington	PA	2010	4	0.6	1.1%	4.4%	X				

Source: Langley, et. al.. *An overview of payments in lieu of taxes by nonprofits*. Lincoln Institute of Land Policy, 2012

Boston PILOT Agreements

- Boston has been entering into PILOT agreements since 1925
- Current program, which began in 2012, is largest PILOT program in the nation
- **Premise:** Collect voluntary payments from large tax-exempt entities based on the estimated cost of providing basic city services, such as police and fire protection, snow removal, and emergency medical treatment (roughly 25% of the city's budget)
- **Results:** Collected \$23.2 million (82.4% of the requested PILOT amount) from educational, medical, and cultural institutions in fiscal 2013, the second year of the PILOT program

The Boston Method

- **Approach:** Identify and request certain nonprofit institutions to make cash and community benefit contributions to the city
- **Target Institutions:** Private institutions from the educational, medical, and cultural sectors
- **Property Value Floor:** Only nonprofits with total property value greater than \$15 million asked to contribute
- **PILOT Calculation:** Requested PILOT amount is 25% of what nonprofit's property would yield if taxable
- **Community Benefits Deduction (Qualifying SILOT Substitute):** A dollar-for-dollar credit offered for certain quantifiable SILOTs, limited to 50% of the payment
- **Credit for Real Estate Tax Payments:** Institutions would receive a credit on their PILOT in the amount of real estate taxes paid on properties are used for tax-exempt purpose
- **Phased In:** Program phased in over a five-year period

Spread of the Boston Method

- **Massachusetts:** Currently considering state bill that would allow cities or towns to force certain exempt organizations to make PILOTs equal to 25% of the amount that would be paid if the property were not exempt from taxation
- **Sample of Other Local Jurisdictions Considering Boston-like Plans:**
 - District of Columbia
 - Pittsfield, MA
 - Albany, NY
 - Madison, WI

Pittsburgh's "Public Service Fund"

- **Initiated in 1996** as a coalition of Pittsburgh nonprofits that committed to make three annual gifts to the city totaling over \$13 million
- **Why the name?** Specifically avoided the word "PILOT" because nonprofits did not want to suggest that they were anything other than tax-exempt
- **The Current Agreement, May 2012:**
 - **Two years, \$5.2 million:** No promises are made to continue making payments beyond two years
 - **Avoids discrimination:** Clause inserted requiring the city to treat all licenses sought by nonprofits the same as for-profits
 - Declares that the city cannot ask for any fees or taxes
- **Nonprofit Task Force** has been created to determine longer term nonprofit commitments. However, timeline for findings of task force is presently unclear

PILOT Paid by State

State Payments to Municipalities Hosting Tax-exempt Properties

- **Connecticut:** State makes PILOT/grants to local jurisdictions for real property owned by:
 - **Private Colleges/Hospitals:** Municipalities that host tax-exempt private colleges, general hospitals, and freestanding chronic disease hospitals, equal to 77% of the property taxes those institutions would pay if they were taxable
 - **State:** Towns and boroughs that host state property owned and used by the state up to 45% (or more depending on use) of the property taxes the state would pay if it were taxable
- **Rhode Island:** State makes PILOT/grants to municipalities and towns equal to 27% of the property tax that would have been collected had the property been taxable, *subject to appropriations*
 - **Nonprofit real estate covered:** educational institutions and nonprofit hospitals
 - **State-owned real estate covered:** Hospitals, veterans' residential facility, and correctional facility
- **Possible Downside:** State fiscal challenges may leave local government susceptible to spending cuts

Other Methods

Transfer Exemption Authority to Local Government

- **Virginia:** In 2002, voters approved a referendum amending the state constitution so most property tax exemptions would be granted by localities instead of the General Assembly

Other Methods Fees

- **Water Service Fees:** Several jurisdictions have considered or passed fees that require nonprofit property owners to pay fees for water-related services:
 - **Chicago** recently unveiled a plan that exempts nonprofits with net assets of less than \$1 million from paying water fees, phase in discounts of 60% for nonprofits with between \$1 million and \$10 million in assets, and 25% for nonprofits with between \$10 million and \$250 million in assets. Certain nonprofits are provided with specific exceptions to these general guidelines
 - **Houston**, in November 2010, adopted a **drainage fee** to raise revenue to improve roads and stormwater systems, making the explicit decision not to exempt certain nonprofits
- **Trash Service Fees:** Several jurisdictions have considered trash collection service fees, including Richmond, VA; New York City, NY; Newton, MA; and Gloucester, MA
- **General Service Fees:** The fees may be based on a property's assessed value, square footage, or street frontage, to calculate payments to be used to pay for public goods
 - **Minneapolis, Minnesota:** 2009 bill (failed) would have imposed fees for street maintenance and street light operations that are based on the square footage of tax-exempt properties
 - **Beaufort, South Carolina:** The 2014 budget proposal by the city manager included a **public service fee** on nonprofit property owners that was based on 0.1% of the appraised property value

Other Methods

Partial Tax Assessments

- **Taxes to Cover Services:**
 - **Rhode Island:** March 2012 bill requested by Providence Mayor's administration would have (1) enabled municipalities to charge educational institutions and hospitals 25% of what they would pay in property taxes if they were not tax-exempt and (2) remove tax exemptions on the portion of property owned by colleges, universities, and hospitals used to produce income by means other than providing educational and healthcare services
 - **North Dakota:** rejected a 2013 bill that would have allowed cities to create improvement districts and levy special assessments against tax-exempt nonprofit properties to pay for public safety services
- **Generally, Special Assessments:** To pay for improvements that benefit specific properties within a municipality such as sewer hookups
- **Capping the Amount of Property Owned by Nonprofits:**
 - **Montana** considered a bill to authorize county governments to limit nonprofit ownership of land to a certain percentage of land in the county