



## **West Tisbury Board of Assessors**

**February 6, 2024**

### **Payment in Lieu of Taxes (PILOT) Overview**

#### **What is a Payment in Lieu of Taxes (PILOT)?**

Although charitable organizations own real estate and use municipal services, they are exempt from paying property taxes under Massachusetts law. Consequently, their land ownership may also reduce the tax base of a community, increasing the burdens on remaining taxpayers.

A number of municipalities across the State have asked exempt organizations to voluntarily make financial contributions to partially offset expenses and support the community. The voluntary payments by exempt organizations are essentially a payment in lieu of taxes (PILOT).

According to the Massachusetts Non-Profit Network, 85 communities had at least one PILOT arrangement in 2011. A Lincoln Institute study showed 92 communities with PILOTs in Massachusetts as of 2012.


#### **The Boston Model**

Boston leads the nation in PILOT program revenue. In 2009, the Boston PILOT Task Force set out to standardize requested contributions based on assessed values of exempt properties. They opted to request that exempt institutions pay 25% of the full taxes they would pay if not exempt, with an additional 50% reduction for documentation of community programs that directly benefit Boston residents. They also worked to formalize the negotiating process with exempt organizations in order to “structure longer term, sustainable partnerships focused on improving services for Boston residents.”

While the PILOT program is completely voluntary, Boston has had great success in bringing in revenue through this process.

#### **What about West Tisbury?**

Unlike Boston whose non-profits include secondary educational and medical non-profits, conservation organizations make up 94% of West Tisbury’s charitable property ownership.

Institution	 Parcels	Total Acres	Assessed Value
TRUSTEES OF RESERVATIONS	7	557	\$ 108,566,800
SHERIFFS MEADOW FOUNDATION INC	32	529	\$ 102,592,000
MV LAND BANK COMMISSION	58	641	\$ 79,612,900
NATURE CONSERVANCY	11	698	\$ 37,701,500
POLLY HILL ARBORETUM INC	4	72	\$ 7,720,600
MARTHAS VINEYARD AGRICULTURAL	3	31	\$ 4,411,200
OPTIONS IN EDUCATION INC	2	7	\$ 4,107,500
MVCHC FOUNDATION INC	1	6	\$ 3,623,400
MARTHAS VINEYARD PRESERVATION	2	4	\$ 2,864,900
MARTHAS VINEYARD GARDEN CLUB	2	3	\$ 1,963,300
FRIENDS OF MVYRADIO INC	1	1	\$ 1,480,800
THE ISLAND AUTISM GROUP INC	1	8	\$ 1,464,300
AMERICAN YOUTH HOSTELS INC	1	3	\$ 1,250,900
ISLAND CHILDRENS SCHOOL INC	1	1	\$ 1,085,600
ISLAND WALDORF COMMUNITY INC	1	2	\$ 1,064,400
<b>Grand Total</b>	<b>127</b>	<b>2562</b>	<b>\$ 359,510,100</b>

Based on the combined value of these conservation organizations in FY24, these conservation properties would have contributed nearly \$1,500,000 in property taxes to the Town if they had not been exempt.

A Boston model 25% payment would amount to over \$350,000 in PILOT revenue, with a potential community benefit reduction of 50% to about \$175,000.

**What payment model could make sense for West Tisbury?**

If West Tisbury chooses to further consider a PILOT program, the Town could examine direct expenses from services provided to these organizations. Police, Fire, and Highway come to mind. Each department in Town government could be asked to itemize or estimate costs, for these properties.

The next consideration is indirect costs. As exempt organizations continue to purchase taxable land, the tax burden is shared by a smaller number of taxpayers. Exempt organizations purchased over \$43,000,000 worth of property in West Tisbury in just the past ten years. This lost tax revenue could also be considered in PILOT negotiations.

Interestingly, the Town of West Tisbury receives a payment of approximately one million dollars from the State to offset lost tax revenue from State Forest land. This property is assessed for about sixty-two million dollars, meaning the State is contributing nearly four times the amount it would generate if taxable at the West Tisbury FY24 rate.

A study considering the direct and indirect costs to West Tisbury of exempt property ownership would be a logical next step in determining potential revenue and initiating negotiations.

### **Staffing Requirements**

Assessors would presumably create a list each year of total assessed value for each charitable organization, and a requested payment amount based on a formula to be developed by the Town. Evaluation of community programming discounts would need to be handled by a Town department as well. Tracking of payments would likely fall to the collector and accountant.

It is hard to imagine PILOTs requiring any staffing changes given the relatively limited work involved.