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Medical and Educational Tax-Exempt Values Updated

These institutions make a significant contribution to Boston's economy

Given the recent interest in tax-exempt property in Boston and the Mayor's appointment of a PILOT (Payments-In-Lieu of Taxes) Task Force ([February Bureau Update](#)), the Assessing Department has taken steps to improve the accuracy of property values for 16 educational and 12 medical tax-exempt institutions in Boston for FY09. The new values will be used by the Task Force in developing a standard methodology for future PILOT agreements. Boston's educational and medical institutions are critical components of the City's economy and they provide employment opportunities for residents. Great care should be taken to insure that new city policies or strategies do not create unintended consequences.

In the past, the City did not focus much attention on tax-exempt values and land area was the primary measure used in comparing taxable and exempt property. However, in order to develop more uniform PILOT agreements, it was necessary for the city to insure more accurate tax-exempt values were in place.

Background

Educational and medical institutions are exempt from paying real estate taxes on property used for charitable purposes. Over the years, Boston has worked out voluntary PILOT agreements with many tax-exempt institutions to help defray the costs of providing city services to these institutions. In addition to PILOT payments, many institutions also provide services, scholarships for students or neighborhood access

to its facilities among other activities that benefit Boston residents.

Boston is a city that depends on the property tax for 58% of its total operating revenue, yet 50% of its land area is exempt from taxation. Further, 78% of all tax-exempt property in Boston is publicly owned by the Commonwealth or its authorities, the City and the U.S. Government. Only 5% of the City's total land area is owned by the medical and educational institutions. The Commonwealth should increase its aid for state-owned property in Boston which represents 49% of all tax-exempt land.

Tax Exempt Property Data Review

Type	FY09 Exempt Value	FY09 PILOT Payment
Educational	\$7.0B	\$8.7M
Medical	\$5.7B	\$5.8M

- 50% of land in Boston is tax-exempt
- 78% of tax-exempt land is owned by government entities
- 22% of tax-exempt land is owned by private entities