



A Vision for Boston: Questions for the 2009 Mayoral Candidates

DAY 1: PILOTS

What is the basis by which nonprofit institutions should make payments-in-lieu-of-taxes (PILOTs) to Boston in a way that provides a reasonable payment for city services without harming the economic benefits of the institutions?

Nonprofit institutions play a significant role in the growth and vitality of the Boston economy. However, their tax-exempt status in a city highly dependent on property tax revenue puts more pressure on taxable property. In addition, exempt institutional development in Boston can result in a loss of property tax revenue.

To help offset lost revenue to Boston, many institutions make payments-in-lieu-of-taxes as part of what has been described as one of the most effective PILOT programs in the country. Nevertheless, some observers have called for larger and more standardized sources of payment. In fiscal 2009, PILOTs to the city amounted to \$32.5 million and the budget for fiscal 2010 is \$34 million. Last year, Massport made Pilot payments of \$16.1 million which represented close to half of the total \$32.5 million. Medical institutions contributed \$4.5 million and educational institutions contributed \$8.2 million in PILOTs in fiscal 2009.

However, on a land area basis, private non-profit institutions account for a relatively minor part of the city's tax exempt property. While, 51% of the city's landmass is occupied by tax-exempt owners, 78% of exempt property area is publicly owned by the City, the Commonwealth and its authorities and the federal government. Educational and medical institutions represent less than 5% of the City's land area. Religious institutions also represent a large share of private exempt area.

A mayor must balance his or her desire to fund city services at an adequate level, charge users of the services appropriately, and spread the cost of government over the widest possible base. Yet, it is vital to acknowledge the pivotal role that educational and medical nonprofit institutions play in producing jobs and anchoring our economy. For example, universities and hospitals alone account for almost 20% of the jobs in Boston and a recent report of the Conference of Boston Teaching Hospitals set the economic benefit that Boston's hospitals generate for the City at greater than \$8 billion. Additionally, teaching hospitals dedicated nearly \$175 million to community benefit programs as defined by the state's Attorney General's Office.

It is a challenge for a mayor to determine how best to achieve a fair level of cost sharing without damaging the city's ability to preserve its current base of nonprofits, encourage their expansion within the city, and attract new entrants.

What is the basis by which private nonprofit institutions should make payments-in-lieu-of-taxes to Boston? What do you believe is the appropriate level of payments in lieu of taxes by non-profits? What is your strategy for achieving that level without making Boston unfriendly to non-profits?

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