

# PILOT Task Force Report

Summary for Board of Estimates

July 29, 2013

# Overview

- Reliance on property tax; uniformity of taxation; limited broad-based alternative revenue options.
- Declining share of revenues from state aid; payment for municipal services prorated at 50% of formula entitlement (\$8.1 million impact on Madison).
- An estimated 30% of property is tax-exempt.
- Tax-exemptions provided in state constitution and law to support service efforts of non-profit organizations (hospitals, social services agencies, low-income/senior housing)

# Goals of Task Force

- Understand the City's service levels, revenue options, and mandates established under State law.
- Identify and quantify the value of services provided by owners of tax-exempt property to the community.
- Reach an understanding on service levels provided to owners of tax-exempt property and the means of equitably financing those service levels.
- Report findings, conclusions and recommendations to Mayor and Common Council.

# Work of Task Force

- Convened 8 times between August 2012 and May 2013.
- Reviewed city budget, state aid programs, state-local finance, state legal parameters, and PILOT programs in around the country.
- Studied City of Boston's program and held video conference with program manager.
- Produced report with recommendations.

# PILOT Program Considerations

- A PILOT program will have a relatively limited impact on city revenues.
- Non-profit entities that are exempt from property taxes face other funding pressures due to federal law changes, changes in the allocation of philanthropic and foundation awards, growing service populations, and day-to-day operating costs.
- Non-profit entities that are exempt from property taxes provide significant services to City of Madison residents that city taxpayers might otherwise be required to subsidize.
- The state constitution and state laws exempt these organizations from local property taxes in recognition of the important role each plays in providing value to Wisconsin citizens.

# Recommendations

1. Urge the State Legislature to meet its responsibilities to local property tax payers by fully funding the Municipal Services Program payments.
2. Educate the public on the long-term implications of the state's failure to adequately share income, sales and fuel tax revenues with local governments and the effect on essential local services of strict limits on growth in property tax levies and limits on user fees and other revenue sources.
3. Investigate broad-based, non-tax, revenue options.

# Recommendations (con't)

4. Present more information to the public on the value and cost of essential city government services and on the value of benefits to the community provided by tax-exempt organizations.
5. Develop and evaluate a proposal for the establishment of a voluntary PILOT program that would provide non-profits with the opportunity to contribute to the cost of city services. Such evaluation shall include the financial and non-financial ramifications for all stakeholders of such a program.