PIONEER OPPORTUNITY

PILOT Agreements:
Nonprofits' Fair Portion or Government Extortion?

By Andrew Mikula & Nina Weiss

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Introduction

In November 2017, a *Bloomberg* op-ed laid out the pros and cons of relying on property taxes to fill government coffers.[1] Unlike sales taxes, they're hard to avoid in the short term, which is seemingly a boon for governments. Unlike payroll or income taxes, they can quickly become divorced from the amount of disposable wealth a taxpayer has, which also helps stabilize coffers during economic contractions. Both of these facts are grounds for indignation among landowners, many of whom have been priced out of booming cities across the U.S. by rising property values in recent years.

But broad-based property tax relief is difficult in places that are heavily reliant on such taxes to fill coffers, especially since many U.S. cities are facing exorbitant pension debts, rising health-care costs, and infrastructure maintenance backlogs. Some cities, however, have implemented a common solution to these trends: strike deals, called "payment in lieu of taxes" or "PILOT" agreements, with otherwise tax-exempt organizations to keep revenue flowing in without further burdening residents or small businesses.

Municipal officials may consider these agreements a fair way to address fiscal challenges. As Boston City Councillor Lydia Edwards put it in February 2021, "it's really hard for me to justify that people are pissed off that their taxes went up and Harvard isn't even committing to paying [their fair share]."[2]

Particularly in the aftermath of the financial crisis of 2008–2009, PILOT agreements became more common. A survey from the National Association of Independent Schools found that from 1998 to 2011, the share of schools reporting that local governments requested a PILOT from them increased from 9 percent to 13 percent.[3] The survey also asked about "SILOT," or "services in lieu of taxes," arrangements.

There are many reasons why such organizations, which often include private hospitals, charities, and schools, make appealing targets for these agreements. Occasionally, municipal officials have good reasons to believe that some nonprofits can pay more. The city of Cambridge, Massachusetts, for example, has two PILOT agreements in effect during fiscal year 2022, one for Harvard University and one for the Massachusetts Institute of Technology.[4] Both schools have endowments in the tens of billions of dollars, well over $1 million per student.[5]

Elite schools often purchase off-campus real estate for housing students or faculty, thus shifting property tax burdens onto homeowners and small businesses. PILOT agreements may be seen as an appropriate way of mitigating the adverse effects of these real estate purchases. Moreover, many towns and cities are strictly limited as to how much they can raise property taxes on existing residential and commercial properties. In Massachusetts, a 1980 ballot initiative known as Proposition 2½ limited the annual rate of property tax increases to 2.5 percent.[6] Thus, in the long-term, the physical expansion of nonprofits could deprive municipalities of revenue.

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However, PILOT programs have also been derided as forms of extortion that rely on political pressure and are applied arbitrarily to different organizations. Some observers also question their efficiency as revenue generators for municipalities or raise concerns that extracting payments from nonprofits could undermine the organizations' charitable activity.[7] In this paper, Pioneer considers various options for implementing a more systematic approach to PILOT programs in Massachusetts and beyond, whether administered at the local level or otherwise, that are fair and predictable for all parties involved.

Background and Legal History

There are dozens of types of nonprofits sanctioned via the federal tax code, but the most common is 501(c)(3) organizations, with over 1.5 million nationwide as of 2016.[8] The IRS tax code exempts nonprofits from paying income, property, and consumption taxes.[9] However, a nonprofit may have to pay federal income taxes for activities it conducts that are unrelated to its expressed charitable purpose.[10]

Theoretically, a state could levy taxes on charitable organizations without violating the federal tax code. In practice, every state allows 501(c)(3)s to apply for tax-exempt status, and in all but four (California, Montana, North Carolina, and Pennsylvania) the process is no more arduous than notifying the relevant state agency of your federal 501(c)(3) status.[11] In many states, nonprofits can also apply for a sales tax exemption.[12]

All 50 states exempt nonprofits from paying property taxes, which are most often used to fund services at the local level.[13] Ostensibly, this is because those charities provide services to the community that act as a stand-in for monetary payments. However, some observers point out that, in the decades since tax exemption for nonprofits became the norm, these institutions have become more committed to serving national or even international beneficiaries rather than their host communities. For example, consider that 58 percent of Boston College students hailed from Massachusetts in 1973[14], compared to just 22 percent of the class of 2023.[15]

All 50 states exempt nonprofits from paying property taxes, which are most often used to fund services at the local level.

Because municipalities lack the authority to impose taxes on charitable organizations, yet are heavily reliant on property taxes to fill coffers, many have turned to work-around arrangements like PILOT agreements to avoid over-burdening residents. These agreements can either take the form of long-term contracts that stipulate precise payment amounts in a given year, formula-based agreements that tie payment values to property assessments, or more discretionary requests for annual "gifts" to local governments.

PILOT arrangements are especially common in northeastern states, which are disproportionately reliant on property tax revenue compared to many others. In 2010, Massachusetts alone was home to over 70 percent of the municipal PILOT programs in the United States.[16] Since 2000, at least 117 municipalities in at least 18 states have formally solicited PILOT payments from nonprofits at some point, according to the Lincoln Institute of Land Policy.[17]

However, PILOTs and other fee schedule arrangements between governments and nonprofits have proven politically contentious. The National Council of Nonprofits goes so far as to call them "discriminatory," as only certain high-profile nonprofits are often targeted.[18] PILOTs have been the subject of numerous constitutional challenges since the mid-20th century, both at the state and federal levels.[19] In a New Jersey case from 1995, one judge concluded that the City of Middletown "went beyond the scope of its authority" to make an "arbitrary and capricious" decision to require the plaintiff to sign a PILOT agreement as a condition for operating a charitable boarding house.[20]

In some cases, other governments own a large portion of a municipality's tax exempt property, providing a basis for extensive transfer payments. In Edgartown, Massachusetts, home to a wildlife refuge, state forest, and several public beaches, state-owned land will be worth over $180 million in fiscal year 2022, more than 5 percent of the value of all of the town's real estate.[21] In March 2021, legislators in both chambers[22] of the Massachusetts legislature filed bills that would mandate that the state compensate local jurisdictions for the property tax impacts of state-owned land in their communities.[23] While a similar effort to compensate municipalities for tax exempt, state-owned properties existed before, a 2020 audit showed that the state legislature only provided about 65 percent of the money needed to fully fund the program in fiscal year 2020.[24]

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The federal government has a similar fund that reimburses local governments, usually counties, for the cost of providing services on land that it owns. This model is analogous to a PILOT agreement, except the terms of the agreement are set primarily by the landowner (i.e., the federal government), and not the municipality. Operated by the Department of the Interior, it spent over $375 million on the program in fiscal year 2011. Relative to the volume of land owned by the federal government, this program is quite small, especially compared to the property tax reimbursement payments made by states. Local governments may be compensated as little as $0.33 per acre owned by the federal government every year.[25] Further, many cities in southern New England, including Boston, do not receive this compensation[26], likely because their county governments have been disbanded.[27]

Some jurisdictions choose to make PILOT payments to other governments on behalf of private organizations, rather than have those institutions pay themselves. For example, the State of Connecticut spent nearly $110 million in fiscal year 2020 to reimburse municipalities for the property tax exemptions of private hospitals and schools within their borders.[28] While Massachusetts reimburses municipalities for tax-exempt state-owned land, it relegates to the local level any attempt to extract similar payments from private entities.[29] The stark difference between Massachusetts and Connecticut in state authority to facilitate PILOT agreements is grounds for reconsidering how to best administer these PILOT programs.

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The Nonprofit Board's Dilemma

While Payment in Lieu of Taxes programs are relatively new phenomena in most parts of the country, the National Association of Independent Schools (NAIS) published a lengthy article on the subject in 2002. Five years earlier, in 1997, the general counsel for the American Council on Education called the political debates over PILOT programs "Armageddon."[30]

Both sides of the "Armageddon" have had common talking points. City officials have lamented the fact that taxpayers end up funding the education of kids whose parents both live and work on nonprofit campuses, even though their homes are tax-exempt. They also emphasize that many nonprofits, especially elite schools and large hospitals, have grown more powerful since they were first granted tax exempt status in large numbers in the 1950s.[31] Meanwhile, nonprofit boards have complained that some municipalities skirt exemptions by levying taxes on facilities "not devoted exclusively to educative purposes," such as dining halls.[32] Whether any of these outcomes is acceptable is highly subjective.

As the 2002 NAIS article concludes, the solution to these ambiguities likely has more to do with politics than policy. Proactively cultivating better relationships with municipal officials and residents might not stop taxing authorities from seeking to erode nonprofit exemptions, but it could also provide nonprofits substantially more leverage in a debate that historically has them playing defense. Specific low-cost recommendations include inviting city councilors to participate in commencement ceremonies and sending out regular surveys to nearby residents on how the institution can be a "better neighbor."[33]

Many nonprofit boards simply choose to ignore PILOT payment requests, a move with short-term financial return but potential long-term political consequences. While PILOT requests occur in part because of strained budgets, nonprofits are often targeted for payments over other entities because of a perception that they currently don't pay their "fair share." Eroding this perception will require nonprofits to carefully document and publicize efforts they make to contribute to the community, whether by allowing locals to use their athletic and dining facilities, creating scholarship funds for area schoolkids, or otherwise. Much more detailed guidance on PILOTs for nonprofits is available in a 2012 NAIS report.[34]

Among the most common complaints nonprofits have about PILOT programs is the lack of "formal rules" surrounding them, leaving the entire process of soliciting payments dependent on local politics.[35] Standardization of PILOT payments could give local governments broader authority to require and enforce PILOT agreements. Since such an effort is likely to take place at the state level, nonprofit boards need to ask themselves whether they would rather appeal to state politicians during PILOT negotiations or, as is currently the case, to local politicians. Institutions like Harvard University, which has a significant presence in several Massachusetts communities, may have more influence at the state level. Smaller nonprofits may find it easier to shape local politics.

Among the most common complaints nonprofits have about PILOT programs is the lack of "formal rules" surrounding them.

In recent years Massachusetts lawmakers have taken important steps to standardize PILOT payment schedules across municipalities. A (failed) 1998 state bill would have greatly restricted which private schools could file for tax-exempt status.[36] More recently, a 2015 House bill would have allowed municipalities to compel nonprofits to pay up to 25 percent of the equivalent property tax payment of a commercial entity every year, with some deductions for "community benefits."[37] While the 2015 bill also failed to become law, the details of the proposal reflect an approach already taken at the municipal level in several Massachusetts communities, notably Boston.

"Standardization" may seem like an appealing option to nonprofits and municipalities, both of whom seem to crave more predictability and less political discretion in the process of negotiating PILOT agreements. However, in the words of Boston's 2010 PILOT Task Force, requiring payments on a reliable schedule "runs counter to the spirit of partnership between the City and its institutions that a successful PILOT program would provide."[38] The result is that, for now, Massachusetts nonprofit organizations have a lot of leeway in how they respond to PILOT requests, and they are often taken to task for how they do.

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Boston: A Case Study

While some municipalities opt to negotiate multi-year PILOT agreements with individual nonprofits, others simply send charities, hospitals, and private schools invoices every year based on a formula. The most high-profile example of this approach is in the city of Boston.

It used to be that Boston would negotiate PILOT payments with a number of nonprofits one at a time. But in 2009 and 2010, Mayor Menino directed a task force to consider reforms to this system to increase transparency and save administrative costs by standardizing PILOT payment schedules, among other goals.[39] The city began to phase in the task force's recommendations in fiscal year 2012. This involved seeking voluntary annual payments corresponding to commercial tax levies on 25 percent of the value of real estate and personal property owned by nonprofits with over $15 million in tax-exempt property, with a deduction of up to 50 percent for community benefits the nonprofits provide.[40] Thus, many Boston nonprofits are asked to pay 12.5 percent (i.e., 50 percent of 25 percent) of what they would owe if they were incorporated entities.[41]

With its $15 million exemption, Boston can claim some success in "mitigating the financial impact of PILOT payments" on smaller institutions, as described in the task force's December 2010 final report.[42] However, it's hard not to conclude that the $15 million figure itself is fairly arbitrary, and the report gives no indication of how the task force chose it.

Other aspects of Boston's PILOT program have a more convincing rationale. The task force allegedly chose to assess 25 percent of the full tax-exempt property value for the PILOT program, rather than a different number, because so-called "core services," like emergency responders, utilities, and roads, typically comprise about 25 percent of the city's budget.[43] Ostensibly, nonprofits use city services more so than other major elements of local government spending, such as education and recreation. This alignment of services required and PILOTs made is an economical and equitable way of having nonprofits contribute to municipal coffers, but in reality it can be difficult to isolate the costs of, say, providing fire service to student dormitories at a private school.

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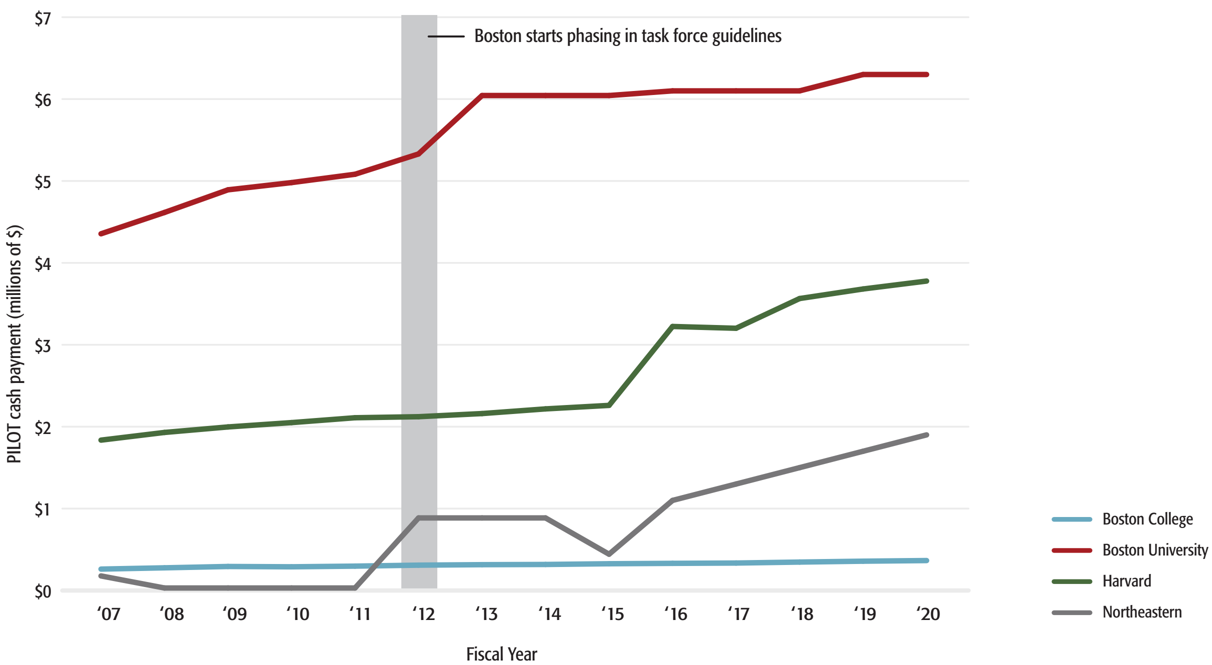
At their best, property tax-based formulas for calculating PILOTs can help align payments among similar organizations, advancing fairness and reducing political discretion. In fiscal year 2011, before implementing its task force's recommendations, Boston received cash contributions from its three largest universities that varied by orders of magnitude, with Boston University ($5.1 million) being the most generous and Northeastern ($30,571) the least, and Harvard University in between at $2.1 million.[44] By fiscal year 2020, the payments ranged from $1.9 million to $6.3 million, which was much closer to parity (see Figure 1).[45]

Figure 1: PILOT cash contributions made to the City of Boston by the largest universities in the program, FY2007-FY2020



One by one, it seems that many nonprofits, especially large schools and hospitals, have fallen in line with Boston's push to systematize PILOT payments. In 2020, Boston College was the only educational institution with over $100 million worth of property in the city that failed to submit a community benefits report, as the value of "community benefits" can fulfill up to 50 percent of the requested PILOT payment under the program.[46] In fiscal year 2020, despite the COVID-19 pandemic's devastating impact on healthcare, educational, and cultural institutions, nonprofits met 79 percent of Boston's PILOT payment requests, the same percentage as a year earlier.[47]

Still, a notable weakness of Boston's PILOT program is how much it depends on political pressure to function. In 2019, *Governing Magazine* attributed much of the recent political pressure in Boston to City Councillors Annissa Essaibi-George and Lydia Edwards.[48] Essaibi-George in particular has advocated for reforms that give the city more power to define what constitutes "community benefits," and assess the property values of nonprofits more frequently. Both these reforms would likely increase what Boston's PILOT formula spits out in recommended payments, but as long as the payments remain voluntary, there's no guarantee that will translate into increased revenues.

A notable weakness of Boston's PILOT program is how much it depends on political pressure to function.

Conversely, more frequent property assessments could make smaller nonprofits subject to PILOT payment requests, even as many of them have been priced out of the city by Boston's recent real estate boom.[49] While tax exempt organizations are not compelled to make these payments, one of the stated goals of the post-task force PILOT program is to maintain a "spirit of partnership between the City and its institutions."[50] Thus, for now city officials apply political pressure in mostly subtle ways, such as by listing out the largest organizations that did not file community benefits reports in annual PILOT payment summaries.[51]

The Devil's In The Details

Boston has been called "a leader in PILOT program implementation" by academic observers.[52] However, other Massachusetts communities have tried to implement a formulaic payment schedule for nonprofits with less success.

In 2015, Northampton, Massachusetts launched a PILOT program that was, on paper, quite similar to Boston's. It would entail annual requests for up to 25 percent of the corresponding property tax bill of a commercial enterprise, with substantial exemptions for religious and conservation organizations, a gradual phase-in period, and a generous credit for community benefits.[53] After only one organization made a PILOT payment under the program in fiscal year 2016, the plan was quickly abandoned.[54]

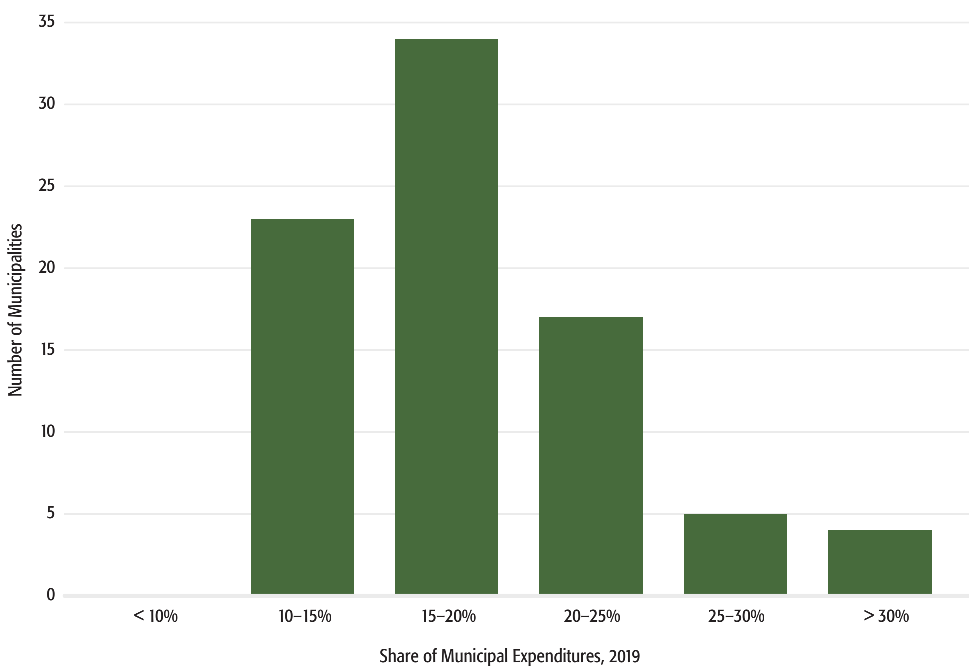
This underwhelming result may be because Boston's PILOT program exempted nonprofits with real estate values less than $15 million, but the corresponding figure in Northampton was just $1 million. In fact, of the 11 organizations identified as eligible for the program in 2015, only Smith College and Cooley Dickinson Hospital owned more than $15 million of land that year.[55] Both these organizations later pledged to make regular donations to the city on their own terms, albeit fractions of the amounts Northampton hoped to raise through its PILOT program.[56]

Municipalities with formulaic PILOT plans have also garnered criticism for bloated estimates of the share of property taxes they require to maintain public services used directly by the nonprofits. For example, a 2012 study found that Boston's "baseline of 25 percent of the revenues the city would collect if nonprofit organizations were taxable overestimates the cost of providing public safety, public works, and transportation services to these organizations by 21 percent."[57] This finding is based on a formal fiscal impact analysis, although regular analyses of the share of revenue devoted to servicing nonprofits are quite rare in municipal government. In administering an annual program, it may be more expedient to use a cruder proxy: the share of general fund revenues devoted to each category, using the assumption that nonprofits require the same usage of public resources as do commercial enterprises.

Formulaic PILOT plans have also garnered criticism for bloated estimates of the share of property taxes they require to maintain public services.

In fiscal year 2019, 26.2 percent of Boston's budget was spent on public works, public safety, or transportation services, up from 24.1 percent in 2009.[58] Clearly, these numbers line up well with the 25 percent figure used to calculate PILOT payments. However, other communities that borrow the 25 percent figure from Boston don't spend nearly as much on public safety and infrastructure.

Figure 2: Share of expenditures spent on public safety, public works, and transportation[59] among Massachusetts communities that solicit annual PILOT payments, 2019[60]



Neighboring Milton, for example, has attempted to implement a PILOT program that corresponds quite closely to Boston's, requesting payments of 25 percent of would-be property tax levies from charitable organizations, with an exemption of up to 50 percent for community benefits. However, it spent only 17.6 percent of its budget on public safety, public works, and transportation services in fiscal year 2021, and very few Massachusetts communities spend 25 percent or more of their budgets on those services (see Figure 2).[61] As of spring 2021, Milton has been unable to sign long-term PILOT agreements with any of its large schools or hospitals.

Municipal officials may argue that, after including debt service and employee benefits for the public safety and public works departments, the figure is much closer to 25 percent of expenditures. After all, Milton's PILOT Committee Charge explicitly states that the program was:

> established on the basis that the non-profit organization's payment amount is equal to the percentage of tax levy that supports the critical services of the Town's infrastructure including Police, Fire and Public Works operations. The Town has determined that this share is equal to at least 25% of the full levy.[62]

If a community derives its legitimacy in requesting PILOT payments from their core service needs, it can only benefit the municipality to be as transparent as possible about the cost of those services.

The Negotiated PILOT Schedule

In the absence of a formulaic approach, many towns simply negotiate PILOT agreements one at a time. This approach frequently reflects the presence of a small number of extremely well-endowed institutions in the town that own substantial amounts of land. For example, in recent years Phillips Academy Andover has been a large contributor[63] to the PILOT program in Andover, and is also currently ranked as the best private high school in America.[64] Another prominent example is the agreements between the City of Cambridge and Harvard University and MIT, which currently rank as the two best universities in the world.[65]

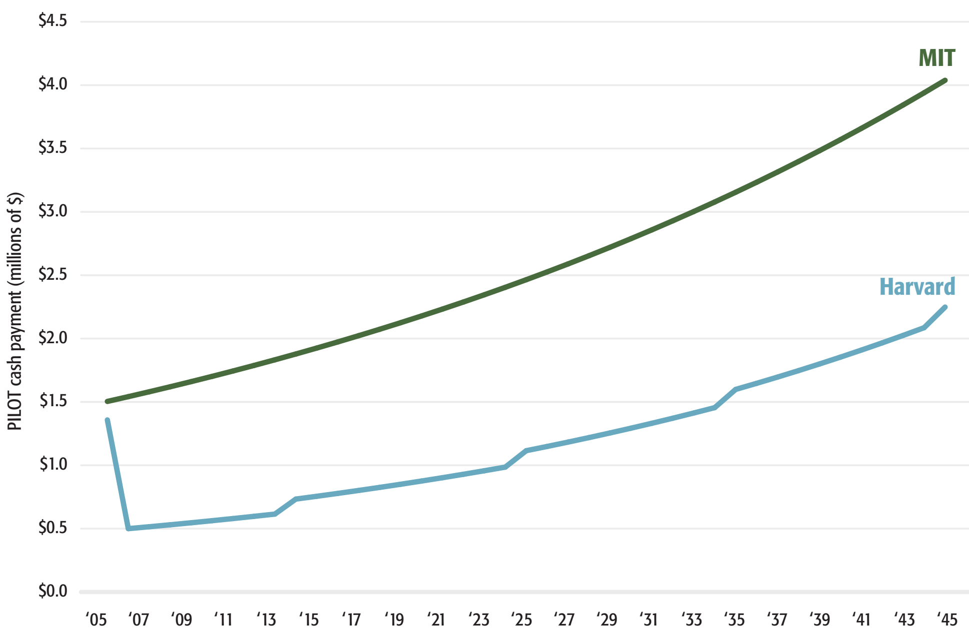
Many towns simply negotiate PILOT agreements one at a time.

In 2014, Andover attempted to standardize how it arranged PILOT agreements based on a formula that charged 25 percent of what a for-profit firm's tax bill would be. While Andover clearly defined which organizations would be subject to the payment requests as those with over $4 million worth of real estate in the town, it also said that community benefits packages "would be negotiated between the town and the individual school," thus leaving some discretion in the process.[66]

This sort of discretion can ultimately lead to PILOT agreements having different payment schedules for very similar institutions. Cambridge, for example, renewed privately negotiated long-term agreements for both Harvard and MIT in 2004.[67] Under the terms of those agreements, MIT has paid the city $1.5 million per year, escalated at 2.5 percent per year starting in fiscal year 2006.[68] Harvard paid a $500,000 base fee in fiscal year 2006, escalated at 3 percent per year thereafter, supplemented by various one-time payments and base fee increases every 10 years (see Figure 3).[69] Further, the terms of the MIT agreement last for 40 years, while Harvard's last for 20, with an optional 30-year extension. If parity between the institutions was regarded as a goal, one would expect that the escalation factor and timeframe would be the same in these two contracts.

Perhaps a more egregious example of this lack of parity is in the state's second-largest city, Worcester. Clark University's PILOT agreement stipulates that it pays Worcester 20 percent of the equivalent property tax it would pay if it were a for-profit entity, amounting to over $300,000 in fiscal year 2019. Meanwhile, the better-endowed College of the Holy Cross pays a flat fee of $80,000 per year under its PILOT agreement, which was renewed in 2017.[70] One observer in *Worcester Magazine* estimated that, if Holy Cross had the same PILOT arrangement as Clark, it would be paying roughly $1 million per year instead.[71]

Figure 3: PILOT payments stipulated to the City of Cambridge under contracts with Harvard University[72] and MIT[73] before deductions and exemptions, 2005-2045



Worcester Magazine estimated that, if Holy Cross had the same PILOT arrangement as Clark, it would be paying roughly $1 million per year instead of the current $80,000 per year.

Not only the terms of particular agreements, but also which institutions are made to sign long-term PILOT contracts in the first place, can seem arbitrary and, at worst, opportunistic. Newton, Massachusetts currently has a PILOT arrangement with The Stone Institute, a nonprofit senior living facility that owns $14.8 million worth of land in the city.[74] Meanwhile, Lasell College, which owns well over $100 million worth of land in Newton, has no such arrangement with the city in fiscal year 2022.[75] It's unclear why The Stone Institute got targeted for a PILOT agreement while Lasell did not. However, nonprofit advocates have cited multiple instances nationally in which PILOT payments were either portrayed as a prerequisite to bypass regulatory hurdles or were based on personal gripes.[76]

Conclusion

Payment in lieu of taxes programs are methods of soliciting money from otherwise tax-exempt entities that some observers regard as controversial. However, as long as political pressures exist to shift tax burdens away from residents and small businesses, these PILOTs are not going away anytime soon.

Nonprofit organizations should realize that PILOT-related political pressures are largely endemic to the needs of modern government, and are often rooted in a commitment to impartiality in tax policy. Charities' best hope of evading payment is by proactive involvement in advancing community welfare in non-monetary ways. Scholarly research has cast doubt on the idea that those organizations that are most frequently targeted for PILOT agreements, such as elite schools and large hospitals, will suffer financially because of them.[77]

Meanwhile, municipal officials should realize that PILOT programs are no substitute for relying on real reform and making difficult decisions to balance budgets, as PILOT payments rarely make up more than 1 or 2 percent of general revenues at the local level.[78] In the case of budget crises brought on by macroeconomic phenomena, the Lincoln Institute for Land Policy rightly claims that "singling out nonprofits to help address a municipal fiscal crisis is unfair," as many of them are undoubtedly facing similar challenges simultaneously.[79] PILOT agreements that arise from concerns of tax fairness between residents and nonprofits may be more politically relevant during most budget seasons.

PILOT programs are no substitute for relying on real reform and making difficult decisions to balance budgets.

The Lincoln Institute also argues that, as long as PILOT payments are largely voluntary, "some degree of horizontal and vertical inequity in PILOT programs is almost inevitable."[80] More problematic is that many municipalities apply payment requests to nonprofits inconsistently, as opposed to having a common basis for payment amounts. These observations form the basis for the following public policy recommendations regarding PILOTs:

Wherever possible, the payment schedules of PILOT requests should align with the actual cost of providing services.

- Wherever possible, **the payment schedules of PILOT requests should align with the actual cost of providing services**, such as fire department use and street maintenance, to nonprofit organizations. The City of Northampton is an exemplary model for how to do this, as their 2015 PILOT program proposal clearly links the chosen "25 percent of full assessment" value subject to the tax rate to the share of their annual budget devoted to public safety and public works.[81]
- **Requested PILOT amounts should be calculated based on a common metric, such as property values or university endowments**, that achieves some degree of parity between requests made to different institutions. This is an approach to systematizing PILOT payments that, in the context of Massachusetts, Boston helped pioneer.
- **Specific policies should be implemented to ensure that only the largest, most well-resourced nonprofits are subject to payment requests**. Boston's blanket exemption of the first $15 million in property owned by nonprofits is a good example.
- Wherever possible, **revenue from PILOT programs should be earmarked for particular uses that are relevant to nonprofits' missions**. Worcester has fulfilled this goal by allocating most of its PILOT payments from educational institutions to the operation of public libraries.[82]
- **Municipalities should provide ample opportunities for nonprofits to reduce PILOTs requested of them through the provision of community services**. This is the recommendation that has been most widely adopted already in Massachusetts communities with PILOT arrangements, including Andover, Cambridge, Boston, and Milton.
- **Nonprofits should seek to form meaningful relationships with local leaders and demonstrate their community involvement as a substitute for PILOT payments.** It is difficult to assess the degree to which this already takes place, although "PILOT credits" for community benefits and similar government policies can help encourage these relationships.
- **Municipalities should maintain PILOT programs as voluntary and based around collaborative public-private efforts to support the community.** In researching this topic, Pioneer turned up instances in which ongoing hostilities between nonprofits and municipal officials delayed progress[83] and angered residents.[84] Neither coercive tactics on the part of governments nor aloof arrogance from nonprofits help anyone. While Massachusetts' PILOT programs should remain voluntary, both parties should be willing to heed the other's concerns.
- For now, **efforts to systematize PILOT programs should be implemented primarily at the local level**. State-level efforts to require nonprofit organizations to pay more to governments have failed largely because of the precedent of tax exemption for these organizations set over several generations. Re-examining this precedent will require more comprehensive data and a broader discussion of the changing role that nonprofit organizations play in American society.

Efforts to systematize PILOT programs should be implemented primarily at the local level.

Ultimately, the level of commitment that nonprofit board members and municipal officials have to community goals and collaboration will determine the future of PILOT programs in Massachusetts in the coming years. To realize that future, and to keep it oriented to local needs, they both should come to the negotiating table with an open mind.

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About the Authors

Andrew Mikula is an Economic Research Analyst. Mr. Mikula was previously a Lovett & Ruth Peters Economic Opportunity Fellow at Pioneer Institute and studied economics at Bates College.

Nina Weiss is a Roger Perry Research Intern at the Pioneer Institute. Research areas of particular interest to Ms. Weiss include education and transportation. She is currently a student at Johns Hopkins University studying Sociology and International Relations.

Mission

Pioneer Institute develops and communicates dynamic ideas that advance prosperity and a vibrant civic life in Massachusetts and beyond.

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Success for Pioneer is when the citizens of our state and nation prosper and our society thrives because we enjoy world-class options in education, healthcare, transportation and economic opportunity, and when our government is limited, accountable and transparent.

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185 Devonshire Street, Suite 1101 Boston MA 02110 617.723.2277
www.pioneerinstitute.org Facebook.com/PioneerInstitute Twitter.com/PioneerBoston