OLR Bill Analysis

sHB 5424

AN ACT CONCERNING THE ELIGIBILITY OF CERTAIN REAL PROPERTY FOR THE PAYMENT IN LIEU OF TAXES PROGRAM.

SUMMARY

This bill expands the properties eligible for reimbursement under the payment in lieu of taxes (PILOT) program to include all real property that is exempt from property tax under CGS § 12-81, except houses of worship (see below, for covered property types).

Currently, the PILOT program provides grants to municipalities and certain special taxing districts for (1) state-owned property, municipally owned airports, and Indian reservation land, and (2) private, nonprofit college and hospital property. The law sets reimbursement rates for these PILOT-eligible properties (45% of lost property tax revenue for most state-owned real property and 77% for most nonprofit college and hospital property) and requires additional payments for municipalities that host specified properties or institutions.

The bill sets the reimbursement rate for real property that is exempt from property tax under CGS § 12-81 properties at 77% of the lost property tax revenue, but keeps the existing reimbursement rates, ranging from 45% to 100%, for state-owned property, municipally owned airports, Indian reservation land, and the U.S. Department of Veterans Affairs Connecticut Healthcare Systems campus. The bill's PILOT grants are in addition to the existing reimbursements the state gives to municipalities for specified tax-exempt properties (e.g., reimbursement for the tax exemption for individuals with disabilities (CGS § 12-94a) and state aid to distressed municipalities (CGS § 32-9s).

The bill's expanded PILOT grants are subject to the tiered PILOT proration method that under existing law applies when appropriations are insufficient to fund the PILOT grants (see BACKGROUND).

EFFECTIVE DATE: October 1, 2022

EXPANSION OF PILOT PROGRAM TO INCLUDE PROPERTY EXEMPT UNDER CGS § 12-81

The bill expands the PILOT program to cover the various charitable use, commercial and industrial, government and public use, religious use, and privately owned (e.g., veteran owned) real property that is exempt from property tax under CGS § 12-81. This includes the following property types, if certain conditions are met:

1. federal, state, and municipal property and reservation land;
2. property that a municipal corporation (e.g., taxing district) uses for a public purpose (including property it leases);
3. property held in trust for public purposes and certain private property devoted to public use;
4. regional council of governments property, if locally exempt;
5. city beach property;
6. religious organization property used exclusively for certain purposes (e.g., a school, daycare, recreational facility, or parish house) and clergymen dwellings (the bill specifically makes houses of worship ineligible for PILOT grant reimbursement);
7. property owned by nonprofit scientific, educational, literary, historical, or charitable organizations if used exclusively to carry out these purposes or to preserve open space (except certain housing);
8. property leased to a charitable, religious, or nonprofit organization, if locally exempt;
9. certain nonprofit health care institution, hospital society or corporation, or sanatorium property;
10. nonprofit camps or recreational facilities, water or air pollution control structures, and certain renewable energy facilities;

11. American National Red Cross, volunteer fire company, and Connecticut National Guard property;
12. property held in trust for specified colleges;
13. manufacturing facilities in specified areas (e.g., distressed municipalities and enterprise zones), for five years;
14. agricultural or horticultural society property used for an annual agricultural fair;
15. Metropolitan Transportation Authority property related to the New Haven line and privately-owned airports' landing areas; and
16. property owned by (a) blind or disabled people or their family members and (b) veterans, servicepeople, or their family members or veterans' organizations.

Existing law generally exempts these properties whether owned by, or held in trust for, the qualifying entity.

BACKGROUND

Tiered Pilot Proration Method

By law, if the amount appropriated for PILOT grants is not enough to fully fund them according to the statutory reimbursement rates, the grant amounts must be prorated according to a three-tiered proration method. This method is based on each municipality's (1) equalized net grand list (ENGL) per capita, (2) designation as an alliance district, and (3) percentage of state-owned property.

The three tiers receive 50%, 40%, and 30% of their PILOT grants, respectively, or a proportionately reduced amount if the appropriation is not enough to fund the grants at these prorated percentages. If the annual appropriation exceeds the amount required to fund the grants at these percentages, then the grants must be proportionately increased.

Related Bills

sHB 5168 (File 177), favorably reported by the Planning and

Development Committee, (1) expands the type of housing owned by federally tax-exempt, charitable organizations that is exempt from state property tax and (2) specifies that government payments for the treatment, support, or care of individuals housed in a property are not government housing subsidies that disqualify a property for a tax exemption (§ 1).

sHB 5169 (File 25), favorably reported by the Planning and Development Committee, (1) in conformity with current practice, specifies that only fire districts, rather than all special taxing districts, are eligible for PILOT grants and (2) specifies that PILOT grants should be paid to municipalities and districts annually by May 30 (§§ 18-19 & 22).

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Substitute
Yea 17 Nay 9 (03/25/2022)