

MEMORANDUM OF SUPPORT

S.1045 (COONEY) / A.1567 (MCDONALD)

Relates to payment in lieu of taxes

The Educational Conference Board (ECB), comprised of the seven leading statewide public school organizations representing parents, classroom teachers, school related professionals, school boards, building administrators, superintendents, and school business officials, supports the above referenced legislation and urges its immediate enactment.

This bill would make a technical adjustment to the property tax cap law originally enacted in 2011 by incorporating as part of the “tax base growth factor” the value of new property on the exempt side of the tax rolls due to a payment in lieu of taxes (PILOT) agreement. This formula adjustment would apply to both school districts and municipalities.

Under the current tax cap law, revenue received by a school district or municipality through PILOT agreements is directly accounted for in the tax cap formula. However, such properties are not accounted for in the state’s calculation of the district’s tax base growth factor. Nor is the property accounted for in the tax base growth factor when such property’s PILOT agreement expires.

The tax base growth factor was specifically incorporated as part of the tax cap formula in order to reflect positive growth in the taxable property within a school district due to physical and quantity change. The state’s current application of this step in the formula is problematic, as it does not allow school districts to recognize any benefit from new construction and a broadened tax base when the growth is associated with a PILOT. Further, growth and development related to a PILOT often causes the need for additional school services due to enrollment increases, whether that be directly with a new apartment complex or indirectly when a business creates new jobs. This bill makes it clear that such properties indeed should be factored in to the district’s tax base growth factor when a PILOT comes online.

To address this issue, language was adopted at the end of 2015 (Chapter 20) that would make this adjustment to the tax base growth factor. This change was designed to support our school districts while continuing to ensure that property taxpayers remained protected against large growth in their property tax bills. The language stated that the Commissioner of Taxation and Finance shall, “as appropriate,” issue rules and regulations which “may” adjust the tax base growth factor calculation to include properties making PILOT payments. Since then, the Department has not issued any such regulations. With the legislature’s previous approval and support from a wide range of stakeholders – public, private and non-profit – it is past time for this change to be implemented.

For all these reasons, the Educational Conference Board supports this legislation and urges its approval by the legislature.