

Vermont Legislative Joint Fiscal Office

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Vermont PILOT (Payment in Lieu of Taxes) Programs

Vermont has several PILOT programs to reimburse towns for state-owned properties that are exempt from municipal property taxes.¹ These programs are for state-owned buildings, Agency of Natural Resources land, correctional facilities, and the City of Montpelier. The method of determining the state payments is different for each.

The state-owned buildings PILOT program began in FY 1996 and reimburses towns through an annual budget appropriation. The annual appropriation has never covered the full cost of the program, and therefore the payments to the towns are prorated. To calculate the full PILOT payment, replacement cost (insured value) is multiplied by the municipal tax rate. In FY 2008 the appropriation was \$3.5 million and the full funding amount was \$6.4 million, therefore towns received approximately 55% of the total payment. Since FY 2004 the appropriation has increased from 43% to 55% of the full funding level (see Table 1). A majority of the funding for the buildings PILOT program is revenue generated from the portion of the local option tax (30%) that is paid to the state and dedicated to this purpose. This funding amounts to \$3.4 million of the total FY 2008 appropriation.

The ANR PILOT reimburses towns for state owned land in that town. Annual appropriations have typically covered the full cost of this program, or \$1,574,000 in FY 2008 (see Table 2). The ANR PILOT payment formula is the total assessed fair market value (assessed by the Property Valuation and Review division) of state-owned land multiplied by 1%, or an effective tax rate of \$1.00 per \$100 of assessed value. Most towns receive more than full compensation for these properties.

The Corrections PILOT program began in FY 1997. Five municipalities receive Corrections PILOT payments (see Table 3). This program supplements payments made to towns through the state-owned buildings PILOT. Building values are assessed at replacement cost, which is multiplied by the municipal tax rate to generate the full PILOT payment for each of the properties. The payments are prorated because the appropriation is less than the amount necessary to fully fund the program. In FY 2008 the total appropriation was \$40,000. This appropriation has remained constant since the program's inception in FY 1997.

The City of Montpelier began receiving PILOT payments in FY 1983, prior to the creation of the other statewide PILOT programs. This program supplements payments made to the City of Montpelier through the state-owned buildings PILOT. Since FY 1997, the appropriation has been \$184,000.

¹ Other payments for hosting state facilities are made to towns through contractual agreements.

Table 1: State Buildings PILOT Appropriations

Fiscal Year	Full Cost	Appropriation	Funding Percentage
2008	\$6,400,000	\$3,500,000	55%
2007	\$6,335,549	\$3,300,000	52%
2006	\$6,081,049	\$3,100,000	51%
2005	\$5,742,284	\$2,500,000	44%
2004	\$5,669,506	\$2,450,000	43%

Table 2: ANR Land PILOT Appropriations

Fiscal Year	Appropriation
2008	\$1,574,000
2007	\$1,574,000
2006	\$1,449,000
2005	\$1,229,000
2004	\$1,194,315

Table 3: Corrections PILOT recipients:

Town	FY07 Amount
City of Newport	\$15,496
Town of St. Johnsbury	\$7,202
City of Rutland	\$6,372
Town of Windsor	\$4,951
City of South Burlington	\$3,274
Town of St. Albans	\$2,705