**PILT: Payments in Lieu of Taxes Payments**

**One-Line Description:**

The Payments in Lieu of Taxes Program (PILT) is a nationwide compensation program to offset taxes lost to local and county governments for federal land holdings.

**Short Description:**

Administered by the Department of the Interior since it began in 1977, the Payments in Lieu of Taxes Program (PL 94-565) has distributed more than $7.1 billion to state, county, and local governments in the United States. The intent of PILT is to compensate local governments for federal properties exempted from taxation and that are not otherwise covered by revenue-sharing programs such as those documented on the *Follow the Money* website. In the American West, with its vast federal inholdings, PILT has operated as a fiscal balancing wheel for lands not used by natural resource industries. During its nearly forty years of operation, PILT has thus become ever more important as a source of revenue as ecological protections and recreational activities have restricted natural resource industries.

**Full Description:**

There are many in-lieu programs that compensate municipal, county, and state governments for taxes lost to government or non-profit holdings, but the Payments in Lieu of Taxes Act (PL 94-565) is the only nationwide program which offsets local and county governments for taxes due to federal withholdings. Although the history of in-lieu programs mostly centers on the vast public domain in the American West, there have always been significant amounts of federal property scattered around the country at the local level. With the establishment in 1920 of a congressional principle of compensating western states and counties for tax revenues lost to the public domain, there was growing political pressure in other parts of the country for a program that would address this issue on a more comprehensive basis. Passage, though, waited until the mid-1970s when it became coupled with passage of the Federal Land Policy and Management Act of 1976 (PL 94-579), which permanently closed the public domain to homesteading and other land distribution programs. PILT was thus Congress’s acknowledgement that many counties faced similar fiscal challenges in funding social services, and it was designed to provide a permanent and comprehensive response to taxes lost to federal lands.

What gets compensated, and at what rate, is a complicated subject. A key stipulation of PILT is that it provides payments only for lands that do not otherwise produce revenue via the sort of natural resource sharing programs documented on the *Follow the Money* site. The basic payment formula considers several contingencies. Each county is crediting the acreage of eligible federal land within it, but the rate of payment is adjusted to reflect the population (capped at 50,000) and any revenues derived from other federal natural resource programs are subtracted from the total payout. In theory populous counties with large natural resource payments could end up with no PILT contribution, but this is not the case. Even when the county population or revenues exceed PILT limits, it still receives a minimum rate (in 2012 it was $.34 per acre). There are also a number of quirks to the formula. Some federal spaces are exempted, including Fish and Wildlife Service, Department of Energy, post office, federal building, and base lands, and natural resource payments are not deducted from a county’s PILT entitlement if it has “pass-through” laws that channel funds directly to schools or municipal governments.

Political support has been another complicating factor in the payment program. The program’s first fifteen years coincided with high inflation that rapidly eroded the fiscal impact of PILT payments. In 1994 Congress added a cost of living adjustment to offset the diminished payments, but then a new problem emerged. The formula calculates each county’s entitlement, but Congress must appropriate sufficient funds, and when the earmarked support has fallen short, then the payments have been prorated. From 1995 to 2007, an era dominated by Republican control, the PILT appropriation was always less than each year’s calculated amount. The return of Democratic control in Congress brought adjustments. The Emergency Stabilization Act of 2008 (PL 110-343) mandated that appropriations equal the calculated payments, and the Moving Ahead for Progress in the 21st Century Act of 2012 (PL 112-141) extended this requirement through 2013. Inequities still exist within the formulas, however. Urban counties with large populations still receive PILT payments even though they have broad tax bases, while rural areas still often receive less than the revenues that could be generated from property taxes.

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