

## Tax-Exempt Institutions Increase Pilot Payments

*Largest share of growth due primarily to Massport*

Payments in lieu of taxes (Pilots) received by Boston from tax-exempt property totaled \$28.6M in FY06, an increase of \$5.1M or 21.8%. Over half of that increase is due to the implementation of a new 10-year agreement with Massport which raised its payment to \$14M last year, an increase of \$2.9M or 25.8%. Boston's medical institutions increased their payments to \$4.9M (+18%) and educational institutions increased their support to \$7.1M (+7%). Other exempt properties made payments totaling \$2.5M.

Boston is a city that depends on the property tax for 57% of its total operating revenue and yet 53% of its land area is exempt from taxation. In this position, it is understandable that the City would look to tax-exempt institutions to make reasonable payments in lieu of taxes to assist in funding some portion of the cost of city services rendered to the tax-exempt entity. However, complicating this situation is the fact that 78.6% of all tax-exempt property in Boston is publicly owned by the Commonwealth or its authorities, the U. S. Government or the City itself. Religious property represents another 8.1% of tax-exempt land. Of the state-owned land, Massport does make an annual Pilot payment that totaled \$14M in FY06 which represents 49% of the total Pilot payments. State aid for Boston includes a reimbursement for state owned land that came to \$349,232 last year.

Educational and medical institutions in Boston account for 10% of all tax-exempt land and about 5% of total city land area. These institutions represent a very important part of the City's economy and its growth, which requires a delicate balance in the City's support of these institutions with its efforts to increase Pilot payments.

The City and Massport negotiated a new 10-year agreement that established a base in FY06 of \$14M that will increase each year by the CPI within a 2%-8% range. Starting in FY07, Massport will provide an additional \$700,000 each year for 10 years. The total payout of this new 10-year agreement is approximately \$167M. In addition to the \$14M last year, Massport also paid \$3.5M that had been due after 9/11 but was not paid as a consequence of the drop in airline use. These funds brought the total Pilot payment to \$32.1M in FY06.

### City of Boston Pilot Payments Figures in 000's

	FY05	FY06	Change FY05-FY06
Massport	\$11,128.4	\$14,000.0	\$2,871.6
Medical Inst.	4,192.9	4,939.7	746.8
Educational Inst.	6,664.6	7,112.4	447.8
Others	1,461.8	2,510.3	1,048.5
<b>Total</b>	<b>\$23,447.8</b>	<b>\$28,562.4</b>	<b>\$5,114.6</b>
Massport Delayed Payment		\$3,500.0	
<b>Grand Total</b>	<b>\$23,447.8</b>	<b>\$32,062.4</b>	