



Payments in Lieu of Taxation (PILOT) Programs: an Opportunity for Municipalities or a Threat to Non-Profits?

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Key Takeaways

- PILOT programs help municipalities pay for vital services when large non-profits make up a significant portion of taxable property.
- Boston's 2011 PILOT guidance provides cities with a model for how to approach voluntary PILOT contributions without harming non-profits.
- PILOTs do not provide substantial revenues to offset spending and should only be used to fund necessary local services.

Property tax is a hot issue in state politics today. Taxpayers feeling the strain of numerous economic pressures recognize property tax payments as one of the most burdensome taxes they pay. Many are putting pressure on local and state officials for action. In the past decade, several states targeted non-profits, particularly their tax exempt status in relation to property taxes.

Payments in Lieu of Taxes (PILOT) programs are an option for localities to raise revenues for essential services as tax exempt organizations expand their footprints. These voluntary payments from non-profits like hospitals and universities supplement some of the tax base that disappears as they buy more land.

PILOTs are not a new phenomenon. [In the 1930s](#), states began providing PILOT funds to local governments to offset state-owned property not being on the tax rolls. The Department of the Interior began [a similar program](#) in the 1970s to pay local governments for federal land within their boundaries. In 2025, the Department of the Interior paid Montana and Idaho counties \$46.5 million and \$42.9 million, respectively.

In Maine, the governor released a budget proposal that would allow municipalities to tax private land trusts. A New Jersey judge ruled that a medical non-profit was not entitled to an exemption on property tax. The Council of Nonprofits, a network of non-profits, [states](#) that frequently “state and local legislative bodies attempt to rewrite the laws to change the definition of ‘charitable’ or ‘charitable purposes’ or limit how much property can be exempt by each charitable entity.”

In some areas, non-profit organizations such as institutions of higher learning and medical centers can make up a large share of property ownership. These non-profits use many of the public services paid for by property taxes but often do not pay property tax because of their tax-exempt status.

Non-profit expansion can therefore be a double-edged sword for taxpayers. Non-profits are often among the largest employers and economic drivers in these areas. Yet, homeowners and business owners may find themselves shouldering an increasing share of public services relative to their tax-exempt neighbors.

Some cities with long-standing PILOT programs provide guidance for how other localities can approach PILOTs:

Case Study: Boston

Boston relies heavily on its property tax, as it does not impose local tax on income, payroll, or sales. The growth of non-profit organizations in the Boston area pushed the government to adopt a Payment in Lieu of Tax (PILOT) program in the 1970s. Boston established a voluntary payment program for non-profit organizations to make up for the lack of property taxes. Non-profits participating in the voluntary arrangement agree to accept requests from the city for both cash and community benefits that range from youth programs to food pantries.

In 2010, as the city struggled with revenue in the wake of the 2008 recession, the mayor of Boston [appointed a task force](#) to determine the best approach to reforming the PILOT program. Leaders from several non-profits, the business community, and the city made up the task force. They released [recommendations](#) on how the city should determine what to request from non-profits, how to credit community benefits toward payment, which non-profits should be involved, and the enforcement mechanisms for the program. The city has used these recommendations as guidance since their release in 2011.

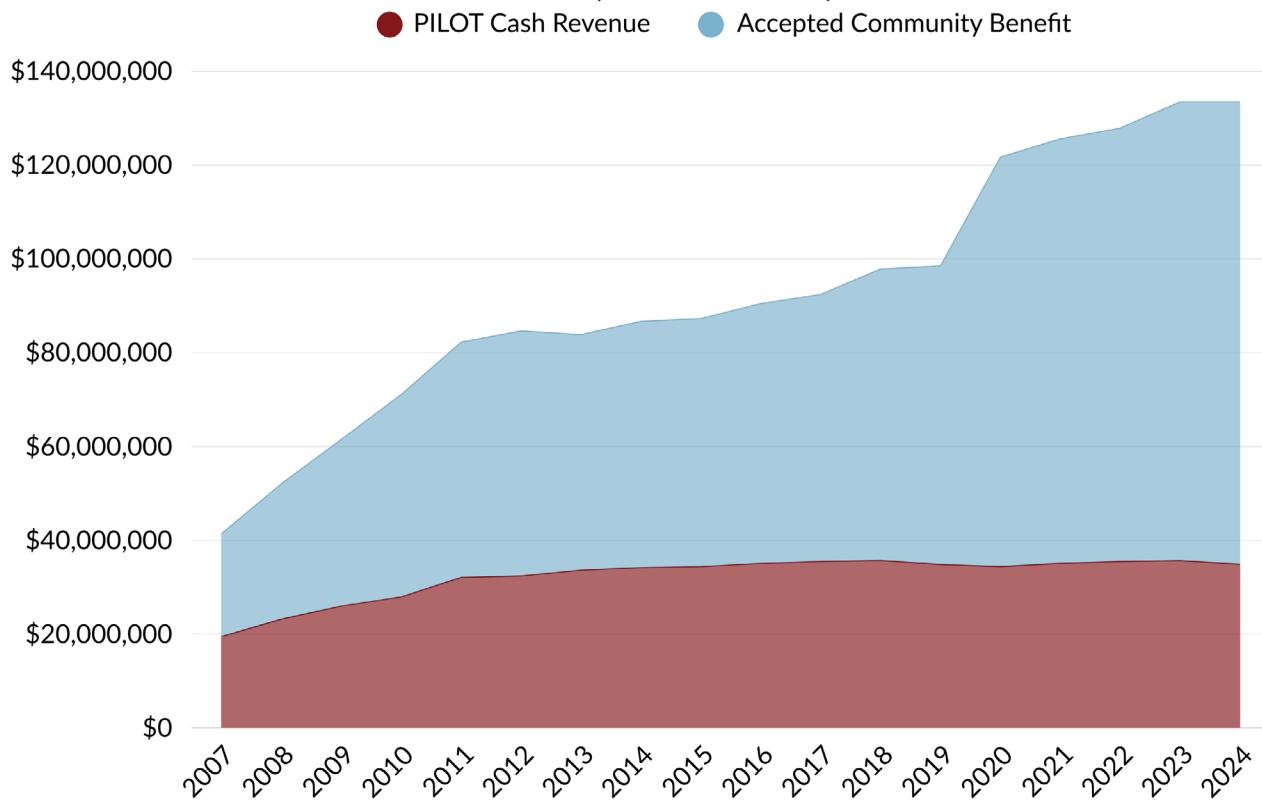
The biggest takeaways from the task force’s recommendations were the necessity of voluntary participation from non-profits and transparency on what the non-profits would owe if their property were not exempt. Boston’s approach to using the task force’s recommendations was to

standardize the requested contributions from non-profits with property valued over \$15 million at 25% of the taxable amount and allow them to cover up to 50% in community benefits. The 25% value was chosen on the basis that “essential services” including fire, police, and snow removal made up approximately 25% of the city’s budget according to the report.

Many non-profits far exceed the 50% community benefit limit. The reported totals for community benefits in Boston are three times the value of what the city accepts toward the PILOT program. Due to the nature of many community benefits, it would be impossible to precisely and consistently attach a dollar amount. In 2024, the New England Aquarium and Northeastern University both reported providing community services via volunteers. The aquarium valued this benefit at approximately \$33 per hour for the work of volunteers, while the university valued their volunteers at \$39 per hour. Every organization reports their own community benefits with opaque calculations for value but this does not undercut the importance of the services provided. Instead it points to the incentive for organizations to inflate the value of the benefits they bring to their communities.

PILOT Contributions Have Grown Consistently Since 2012 Taskforce Recommendations

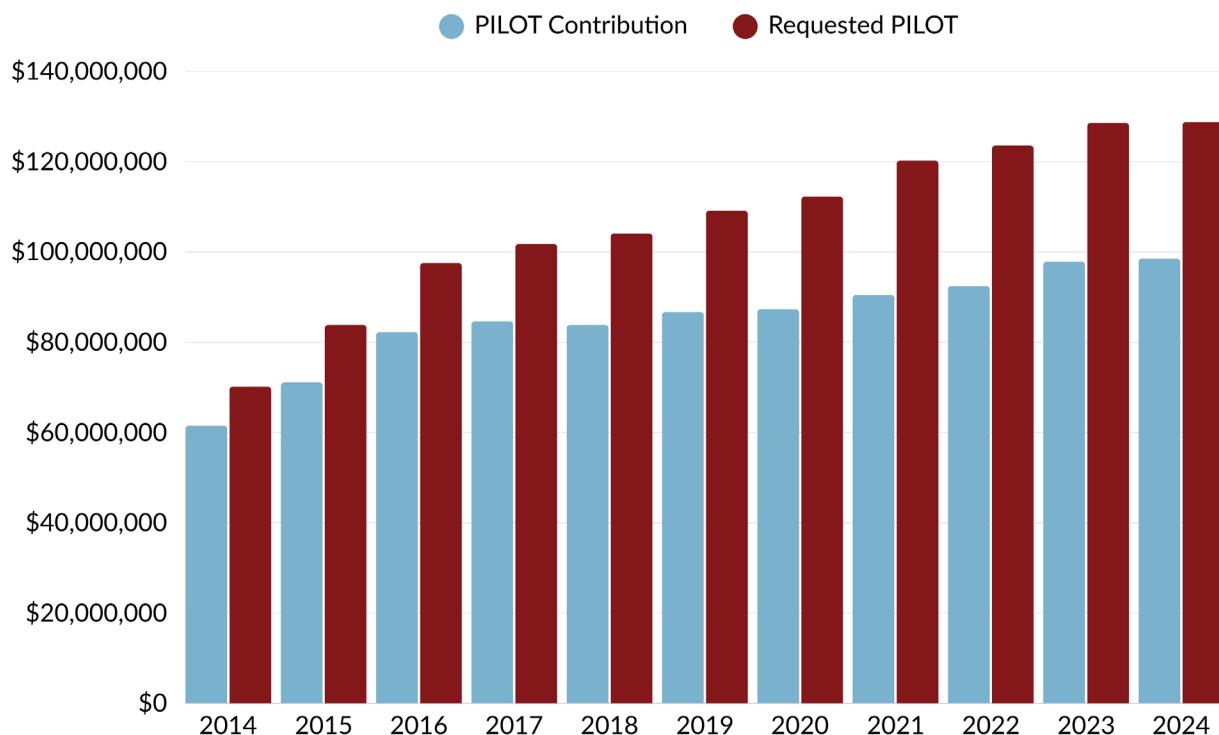
Boston PILOT Contributions (2012-2024)



In 2024, Boston received [76% of requested PILOT contributions](#), consisting of \$34.8 million in cash and \$63.7 million in community benefit credit. Increasing requests each year out-pace the increased contributions from the city's non-profit organizations. While contributions increased 60% from 2014 to 2024, requests increased 84% in the same ten-year period.

PILOT Requests from City Government Outpace Contributions

Boston PILOT Contributions vs City Requests



Boston's PILOT program demonstrates that bringing community leaders together with non-profit organizations results in the best outcome for both. The non-profit community in Boston is now a reliable partner for community programs rather than a growing drain on public services. Together, leaders found a solution specifically tailored to the city's public service expenditures, non-profit footprint, and community needs.

City Budget Reform Is Essential

Several other cities in the northeast also receive PILOT contributions. Baltimore officials reached a [10-year PILOT agreement](#) in 2016 that resulted in the 14 largest non-profits in the city paying a total of \$6 million each year. In [a pair of agreements in 2023](#), four of the largest higher education institutions in Providence, Rhode Island, agreed to pay \$223.4 million over 20 years. The majority of these payments will come from Brown University.

Pittsburgh remains a major outlier in the northeast as a metropolitan area with a sizable non-profit presence but no major PILOT agreements. The lack of payments by non-profits, especially

University of Pittsburgh Medical Center (UPMC), has been a contentious issue in the city for over a decade. Several mayoral primaries and races hinged on the commitments candidates made during their campaigns to make non-profits “pay their fair share.” In the Democratic Party primary held in 2025, non-profit payments were a major talking point as incumbent Mayor Ed Gainey failed to uphold a campaign promise from the 2021 election to make them pay. Gainey lost that primary in May.

As candidates fight over PILOT agreements, public officials in Pittsburgh and elsewhere should remember that they have another lever to pull to improve budget outlooks without non-profits: lowering spending. Jake Haulk of the Pittsburgh-based research non-profit Allegheny Institute [noted](#) that “Pittsburgh has a revenue problem because it spends far more per capita (42 percent) than comparable benchmark cities and raises far more in revenue per capita (37 percent) than those benchmark cities.” He cites the Pittsburgh Public Schools and Pittsburgh Regional Transit as two of the biggest drains on public spending.

In the vast majority of cities, establishing PILOT agreements with non-profits will do little to improve budgets. In many of the cities with active and arguably successful PILOT programs, the revenue from the programs makes up less than 1% of total revenues. In Cambridge, Massachusetts, in 2024, revenues from the PILOT program were comparable to the revenue from the motor vehicle excise tax, a minute contributor to the budget.

PILOT Revenues Equate to Minor Taxes, Typically Less than 1% of Budget



As noted in the 2010 Boston taskforce report and a 2021 white paper from the Pioneer Institute, PILOT programs and the means used to achieve them can be political. Local officials who seek to implement PILOT programs must avoid coercion in convincing non-profits to participate as this can sour relations. Additionally, municipalities must do their best to determine reasonable requests. Milton, Massachusetts, requested a 25% payment from non-profits based on the model of Boston despite Milton only spending 17% of its budget on essential services. Cities shouldn’t use PILOT programs from other cities or counties whole cloth without modifying elements to fit their circumstances.

Recommendations for PILOT Programs

Recommendations from the [Pioneer Institute's 2021 paper](#) are listed below in bold, with NTU's comments:

1. **Payment Schedules of PILOT requests should align with the actual cost of providing services such as fire department use and street maintenance.** The majority of property tax revenue is used by municipalities to provide these basic services which non-profits still utilize. Basing PILOT requests on how much these services cost approximates some of the intention behind the property tax.
2. **Requested PILOT amounts should be calculated based on a common metric such as property values or university endowments.** Using one standard for all non-profits avoids discriminatory requests to organizations based on political or ideological preferences.
3. **Specific policies should be implemented to ensure that only the largest, most well-resourced non-profits are subject to payment requests.** In Boston, as in most other major U.S. cities, there are tens of thousands of non-profits. Of these, approximately [0.5% of non profits make over \\$100 million](#) and only about 12% make between \$1 million and \$100 million. The vast majority of non-profit organizations have tight margins, use few public resources, and provide substantial community benefits.
4. **Revenue from PILOT programs should be earmarked for particular uses relevant to non-profits' missions wherever possible.** The argument in favor of PILOT programs largely relies on the idea that large non-profits use public services like roads and emergency services; therefore, the money collected from the programs should be set aside for these services.
5. **Municipalities should provide ample opportunities for non-profits to reduce PILOTs requested of them through the provision of community services.** Most non-profits provide benefits to their communities, including donating facilities, education, and community health initiatives. Officials should take the value of these services into account when considering the net value of non-profits.
6. **Non-profits should seek to form meaningful relationships with local leaders and demonstrate their community involvement as a substitute for PILOT payments.** It is necessary for non-profit leadership and local officials to maintain good relationships with one another to ensure honest reporting on the part of non-profits and understanding of the benefits of community services on the part of officials.
7. **Municipalities should maintain PILOT programs as voluntary and based around collaborative public-private efforts to support the community.** If PILOT programs were required or tax exemptions were revoked from non-profits, it is likely many would be forced to shut down or significantly reduce the community benefits they provide.
8. **Efforts to systematize PILOT programs should be implemented primarily at the local level.** As with dispersing funds for municipal services, collection of PILOT revenues is best administered by local officials. Involvement of state officials could threaten the institutional nature of tax exempt non-profits.

Conclusion

Local universities and hospitals bring in thousands of people and help support local economies in addition to providing numerous free or discounted benefits to their communities. The continued expansion of these organizations can sometimes put local lawmakers in a bind as non-profits remove properties from tax rolls. PILOT programs can be an opportunity for local officials to recoup some lost tax revenue in places where certain non-profits are rapidly expanding.

While PILOTs can ease some of the tax burden, they are not a cure-all. Municipalities should reconsider their spending and budgets before asking non-profits for the minute revenue that PILOTs can bring in. Fiscal responsibility should always precede requests for more funds.



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