





Issue Brief:
An Examination of Payments in Lieu of Taxes

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EXECUTIVE SUMMARY

All 50 states exempt property owned by charitable nonprofits, such as universities, religious institutions and hospitals, from property taxes. State laws establish exemption rules, although 17 states let local governments decide which nonprofits qualify within certain categories.[1] However, these nonprofits still benefit from local taxpayer-funded services such as police, fire protection, and street maintenance, thereby shifting the cost of funding those services to other property owners. To help offset these costs, some local governments seek voluntary contributions from tax-exempt property owners.

Payments in Lieu of Taxes (PILOTs) are payments made by tax-exempt entities to units of local government to make up for some of the forgone revenue from property taxes. These arrangements take different forms but are traditionally defined by the Lincoln Institute of Land Policy as voluntary payments made by tax-exempt nonprofits to local governments as a substitute for property taxes.[2] In some places, the state makes these payments to local governments instead. This issue brief describes both kinds.

Facing rising costs and flat or shrinking revenue bases, local governments around the nation are increasingly exploring PILOT agreements with nonprofit organizations to supplement their revenues, support service delivery and reduce property tax reliance.

Discussions of payments in lieu of taxes are particularly relevant in Illinois now as the state House of Representatives approved legislation in April 2026 creating a PILOT agreement for the Chicago Bears' new stadium in Arlington Heights that would freeze the property's assessed value for up to 40 years in exchange for negotiated payments to local taxing districts, potentially saving the team more than $1.5 billion in property taxes.[3] However, the Senate has not approved the bill and there are ongoing discussions about the nature of a Bears Stadium economic development package.

This issue brief examines to what extent PILOTs can serve as a stable and reliable revenue source for funding local services. It looks at three examples:

- **City program:** Boston asks large nonprofits to make voluntary payments.
- **Negotiated arrangement:** Evanston, Illinois negotiated an agreement with Northwestern University for the University to make a series of payments to the City as part of the City's approval of its new football stadium.

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[1]Daphne A. Kenyon and Adam H. Langley, Payments in Lieu of Taxes: Balancing Municipal and Nonprofit Interests (Cambridge, MA: Lincoln Institute of Land Policy, 2010), 2, 10–11, https://www.lincolninst.edu/publications/policy-focus-reports/payments-in-lieu-taxes/ .

[2]Kenyon and Langley, Payments in Lieu of Taxes, 2, 6.

[3] An alternative proposal would establish a publicly owned stadium authority, making the stadium generally exempt from property taxes while leaving surrounding private development taxable. Cook County Treasurer. Illinois Megaproject Bill: A Bears Incentive with Wide Property Tax Ramifications, May 26, 2026.

- **State program:** The State of Connecticut pays cities and towns to make up for property the State exempts from taxes.

SUMMARY OF FINDINGS

PILOTs have the potential to serve as supplemental revenue to local budgets, but how much they generate and how steady and reliable this revenue is depends on how the PILOTs are set up, whether payments are voluntary or required by law, and how long the commitments last. Seven key findings emerge:

- **PILOTs usually generate modest amounts of revenue.** Cash from nonprofits equaled about 1% of Boston's and Evanston's operating budgets. Most places that receive PILOTs nationwide report similarly small amounts.

- **Allowing in-kind or community benefit services in place of cash reduces the cash governments receive.** Boston lets nonprofits count the value of services they provide to residents, such as scholarships for local students, toward up to half of what the City requests. In FY2025, nonprofits covered 76% of the City's request this way, but cash covered only 27%.

- **Longer agreements make payments more predictable, but they tend to come with limiting conditions.** Northwestern University's commitment to Evanston runs for 15 years, replacing earlier gifts that stopped in 2022 and 2023. Because it was made as part of a zoning approval, not under Illinois' law on service payment agreements, the law's five-year limit does not apply. The payments hold only if the legal and regulatory environment stays substantially the same as in 2023, and the agreement does not define what change would end them.

- **State-funded PILOT programs can provide substantially more revenue to local governments than voluntary agreements, but payments may fluctuate annually depending on state funding decisions.** Connecticut illustrates this approach. The state provides grants to municipalities to compensate for tax-exempt properties, recognizing that colleges, hospitals and state facilities serve residents beyond their host communities. Connecticut funds these payments through a dedicated share of state sales tax revenue. The state's grant to New Haven equals approximately 14% of the city's General Fund budget, demonstrating the potential fiscal significance of state-funded PILOTs. However, the amount municipalities receive remains dependent on state funding decisions.

- **Illinois law limits PILOT agreements.** Section 15-30 of the Illinois Property Tax Code allows voluntary agreements for up to five years at a time**.**

- **PILOTS do not necessarily benefit overlapping governments**. Because multiple local governments levy taxes on the same property, a payment to one government, such as a municipality, does not necessarily benefit other taxing bodies, such as school districts.

- **Interest in PILOTs is growing, but there is no clear sign of a national trend.** The most recent national count from 2012 identified PILOTs in at least 218 localities in 28 states.

For Illinois local governments, PILOT agreements offer a potential source of additional revenue but are unlikely to provide substantial or reliable fiscal relief under current law. Payments are voluntary, limited in duration and generally benefit only the governments receiving them, leaving other overlapping taxing districts without additional revenue. PILOTs can therefore best be viewed as a supplemental revenue source rather than a significant solution to local government fiscal challenges.

INTRODUCTION

Property taxes supplied 28.9% of local governments' general revenue nationally in 2022.[4] State constitutions and statutes, not the local governments that levy the tax, have the authority to decide which property is tax-exempt. All 50 states exempt property owned by charitable nonprofits, on the view that these institutions serve the public. Property owned by governments is generally exempt as well.[5] Exempt property still receives police and fire protection, streets, and other local services, so the cost of those services is shifted to the taxes paid by owners of taxable property.

This shift in costs is largest where a large amount property is exempt, such as in central cities and college towns.[6] When the City of Boston reviewed its PILOT program in 2010, 52% of the City's land was exempt. In New Haven, the value of exempt property equaled 52.4% of the City's 2022 total value of taxable property.[7] Payments in Lieu of Taxes (PILOTs) are one way governments try to recover part of these costs without ending the exemption.

PILOTs are particularly relevant in Illinois, where approximately 6,000 local governments levy property taxes, often on overlapping properties, and state law limits their ability to obtain payments from tax-exempt property owners. [8] Growing fiscal pressures on local governments have renewed interest in PILOT agreements as a potential source of additional revenue to support public services and ease the burden on property taxpayers.

This issue brief explains what PILOTs are, where they are allowed and used, how they work, and how much revenue they generate, including whether that revenue is recurring or only supplemental. Its main goal is to assess whether PILOTs serve as a steady, dependable revenue source for local governments to help fund local services.

The issue brief looks at three case studies, each showing one form: Boston's voluntary program, Northwestern University's payments to Evanston, and Connecticut's state payments to cities and towns. Each case answers the same six questions:

- Why was the arrangement set up?
- Which institutions take part?
- Is taking part required or voluntary?
- How are payments calculated?

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[4]Lincoln Institute of Land Policy, "Summary—Local Property Tax Revenue, by State, 2022," Significant Features of the Property Tax, https://apps.lincolninst.edu/data/significant-features-property-tax/government-finance-data/200-summary-local-property-tax-revenue-by-state-2022.
[5]Kenyon and Langley, *Payments in Lieu of Taxes,* 4, 10–11.
[6]Kenyon and Langley, *Payments in Lieu of Taxes*, 18.
[7]City of Boston, *Mayor's PILOT Task Force: Final Report & Recommendations* (Boston, 2010), 6, https://www.boston.gov/sites/default/files/file/2021/10/PILOT_TaskForce_FINAL.pdf; Connecticut Conference of Municipalities, "New Haven," CCM Data Hub, https://hub.ccm-ct.org/community/new-haven/.
[8]Illinois Department of Revenue, *An Overview of Property Tax*, PIO-16 (October 2023), 1–2, https://tax.illinois.gov/content/dam/soi/en/web/tax/research/publications/documents/pios/pio-16.pdf.

- How much revenue do they generate?
- How is that revenue used or distributed?

Next, the brief compares how much the payments matter to each government's budget and weighs the advantages and disadvantages for governments, institutions, and taxpayers. It ends with recent developments, including whether PILOTs are becoming more important, and what the comparison means for Illinois.

WHAT ARE PAYMENTS IN LIEU OF TAXES?

Payments in Lieu of Taxes (PILOTs) are payments made to local governments to replace some of the property tax revenue they lose when property is exempt from taxation. The Lincoln Institute of Land Policy defines the term narrowly, referring only to voluntary payments by nonprofits to governments, but notes that it can also refer to payments from state or federal governments to local governments.[9] This brief uses the term for both: any payment made in place of property taxes on exempt property, whether it is voluntary, negotiated, or required by law.

Many PILOT programs start with the property's **tax equivalent**, the amount of property tax it would owe if it were not exempt and then request or pay a share of it. Boston asks institutions for 25% of the tax equivalent, and Connecticut reimburses towns for a set share of the tax. Northwestern University's payments to Evanston, by contrast, are a negotiated flat amount.

PILOTs can be paid in cash or, in some programs, partly through services. Boston lets institutions meet up to half of what the City requests through **community benefit credits**: the value of services they provide to City residents, such as scholarships for local students, which institutions report to the City each year. This brief reports these credits separately from **cash payments**, because only cash goes into a government's budget. Evanston's arrangement is a **community benefits arrangement**: a broader set of commitments, made as part of a development approval, that includes cash payments to the City along with contributions to other local groups. Connecticut's grants are paid entirely in cash.

The issue brief judges each case by its **fiscal significance**, meaning the size of a government's yearly PILOT cash compared with its budget, and its **reliability**, meaning whether payments are required, how long they are set to last, and whether they have continued over time.

Dollar amounts are not adjusted for inflation, so small increases over time can hide a loss in buying power. For example, Boston's cash payments rose 3.9% from FY2019 to FY2025, while consumer prices rose about 26% over the same period.[10]

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[9]Kenyon and Langley, *Payments in Lieu of Taxes*, 2, 6.

[10]U.S. Bureau of Labor Statistics, *"Consumer Price Index for All Urban Consumers (CPI-U), U.S. City Average, All Items,"* annual averages for 2019 and 2025, https://www.bls.gov/cpi/. Change calculated. (The index rose from 255.657 to 321.943, or 25.9%.)

How PILOTs Work: Legal Authority and Common Approaches

Because property tax exemptions are generally established by state law, the local government usually cannot require payment as a condition of a nonprofit's exemption. Payments by nonprofits are therefore usually voluntary, although municipalities may encourage them through their influence over zoning and permits.11 Written agreements may remain voluntary: Boston's 2026 agreement with Boston University sets a five-year schedule but states that it creates no binding legal obligation, and either party may end it on four months' notice.12

In Illinois, Section 15-30 of the Property Tax Code allows any taxing district to enter into a mutually acceptable agreement under which an exempt owner pays for the direct and indirect costs of the district's services. An agreement is not required for an exemption, a district may not defer or delay zoning changes or other administrative measures to coerce one, and a Section 15-30 agreement may last no more than five years, renewable for up to five years at a time, with payments capped at the taxes reasonably calculated to be due if the property were not exempt.[13]

Within these constraints, PILOTs take three principal forms:

1. In a city program, one formula applies to many institutions, as in Boston.
2. In a negotiated arrangement, payments are agreed upon with one or more institutions, as in Evanston.
3. In a state program, the state pays under a formula set in law, as in Connecticut.

Federal payments for federal land are also called PILOTs, but they serve a different purpose and are not discussed here.

The Lincoln Institute's 2012 study, the most complete national count identified to date, identifies voluntary payments by private nonprofits only, excluding payments by public entities and mandatory payments. It found that at least 218 localities in at least 28 states had received voluntary payments since 2000, totaling more than $92 million a year. Even as a minimum, that is a small fraction of the roughly 90,800 local governments in the United States, which suggests PILOTs are uncommon and concentrated in particular places.14 Universities and hospitals provided more than 90% of that revenue, and about 75% to 80% of PILOT activity was in the

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[11]Kenyon and Langley, *Payments in Lieu of Taxes*, 6, 11; Adam H. Langley, Daphne A. Kenyon, and Patricia C. Bailin, *Payments in Lieu of Taxes by Nonprofits: Which Nonprofits Make PILOTs and Which Localities Receive Them?*, Working Paper (Cambridge, MA: Lincoln Institute of Land Policy, 2012), 2, https://www.lincolninst.edu/publications/working-papers/payments-lieu-taxes-nonprofits/.
[12]City of Boston and Boston University, *Memorandum of Understanding* (June 23, 2026), secs. 8, 13, https://content.boston.gov/sites/default/files/file/2026/07/Boston%20University%20MOU%20FY26.pdf.
[13]35 ILCS 200/15-30 (1994), https://www.ilga.gov/Documents/legislation/ilcs/documents/003502000K15-30.htm.
[14]Mercera Silva and Chris Wintemute, Government Organization Summary Report: 2022 & 2025 (Washington, DC: U.S. Census Bureau, May 2026), https://www.census.gov/library/publications/2026/econ/govtorg2225.html.

northeastern states. Most recipients were cities and towns; across the whole country, only seven school districts and four counties received PILOTs.[15]

Administration and Oversight of PILOT Agreements

Once a PILOT arrangement is in place, the receiving government has three ongoing tasks.

- First, if payments are based on the tax equivalent, it must estimate the value of the exempt property.
- Second, if a local government accepts community benefit credits, it must establish in advance which services and benefits qualify and how their value will be determined. It must then assess the value of the services actually provided and determine the amount that can be credited against the required PILOT payment.
- Finally, it must track the amount of revenue it receives. That task matters most when payments are voluntary, because they are not taxes and cannot be collected through tax enforcement.

The case studies that follow show how Boston, Evanston, and Connecticut handle each of these tasks.

Three Case Studies

The following three case studies illustrate each of the three forms of PILOTs examined in this report, ranging from non-binding arrangements between local governments and institutions to mandatory reimbursement from state to local government. Each case study answers the same six questions.

Boston: A Voluntary Program Based on City Guidelines

Why it was established: Boston had collected voluntary payments from tax-exempt institutions for years, negotiating them with one institution at a time, often when an institution took property off the tax rolls. Those payments were criticized as unfair and inconsistent: they were not tied to how much exempt property each institution owned, and in 2010 they equaled about 1% of the City's operating budget. With property taxes expected to supply 64% of its FY2011 budget, Mayor Thomas Menino created a task force in January 2009 to review the program. The City adopted new guidelines in January 2011 and first applied them in FY2012.[16]

Which institutions participate: Educational, medical, and cultural institutions that own property worth more than $15 million participate in the program. In FY2025, the City asked 38 institutions to pay: 20 educational institutions, such as Harvard, Boston, and Northeastern

[15]Langley, Kenyon, and Bailin, *Payments in Lieu of Taxes by Nonprofits*, abstract, 9.
[16]City of Boston, *Mayor's PILOT Task Force*, 5–9, 23–24; City of Boston, Assessing Department, "Payment in Lieu of Tax (PILOT) Program," https://www.boston.gov/departments/assessing/payment-lieu-tax-pilot-program.

universities; 15 medical institutions, such as Massachusetts General Hospital and Boston Children's Hospital; and three cultural institutions, including the Boston Symphony Orchestra.[17]

Whether participation is mandatory or voluntary: Participation is voluntary, and not every institution pays. The task force considered making payments a legal requirement but recommended keeping the program voluntary, concluding that a mandate would face significant opposition and undercut the partnership between the City and its institutions. In FY2025, ten institutions paid no cash. Eight of them contributed only through community services, while two, Joslin Diabetes Center and Shriners Hospitals for Children, made no contribution of any kind.[18]

How payments are calculated: The City requests 25% of the taxes the property would owe at the commercial rate, after exempting the first $15 million of value; the 25% approximates the share of the City's budget spent on essential services such as police, fire protection, and snow removal. Institutions may generally meet up to half of the request by providing services to City residents, which the City credits at their reported value.[19]

How much revenue is generated: For FY2025, the City requested $133.6 million and received $35.5 million in cash and $66.6 million in community benefit credits. Five institutions supplied 68% of the cash. From FY2019 to FY2025, cash rose 3.9% while the request rose 22.5%.[20]

How revenues are used or distributed: Cash payments are part of the City's local revenue, alongside excise taxes, licenses, and fees; credited services go directly to residents.[21]

What distinguishes the approach: A common formula makes differences among institutions visible, but because payment remains voluntary, the formula sets an expectation rather than an amount owed.

Evanston: A Related Community Benefits Arrangement

Evanston, a city just north of Chicago, is home to Northwestern University. Unlike most nonprofits, whose exemptions rest on general state law, Northwestern's exemption comes from its own charter: an 1855 amendment exempts its property, and the U.S. Supreme Court upheld the exemption in 1878.22 Evanston therefore cannot tax Northwestern's property, and it has no formal PILOT program. Northwestern's payments work like a PILOT, as regular cash

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[17]City of Boston, *Fiscal Year 2025 PILOT Contributions* (Boston, 2026), https://www.boston.gov/sites/default/files/file/2026/04/FY25%20PILOT%20Recap%20Metrics%20-%20FINAL%204-1-26_1.pdf.
[18]City of Boston, *Mayor's PILOT Task Force*, 11; City of Boston, *Fiscal Year 2025 PILOT Contributions*.
[19]City of Boston, *Mayor's PILOT Task Force*, 11–12, 17–18.
[20]City of Boston, "Payment in Lieu of Tax (PILOT) Program"; City of Boston, *Fiscal Year 2025 PILOT Contributions*. Shares and changes calculated from the published amounts.
[21]City of Boston FY2027 Budget, "FY27 Local Revenue," https://www.boston.gov/departments/budget/fy27-local-revenue.
[22]University v. People, 99 U.S. 309 (1878), https://law.resource.org/pub/us/case/reporter/US/99/99.US.309.html.

payments from a tax-exempt institution to its host city, but they were negotiated as part of a development approval rather than under a PILOT program. This brief therefore treats them as a related arrangement.

Why it was established: In 2015, Northwestern agreed to give the City $1 million a year for five years through a new Good Neighbor Fund, to pay for City projects and services chosen jointly each year by the mayor and the university's president. The gift was voluntary and not tied to a development approval; after a further $1 million in 2021, funding stopped in 2022 and 2023.[23] The current commitments were made as part of the City Council's November 2023 approval of Northwestern's plan to rebuild Ryan Field and host up to six concerts a year.[24]

Which institutions participate: Only Northwestern University.

Whether participation is mandatory or voluntary: Northwestern offered the commitments through a negotiated agreement, and the City Council adopted them as conditions of the zoning ordinance approving the stadium. So, in this case, participation was conditional, not voluntary. The ordinance conditions them on a new Ryan Field being built, a condition met when the stadium opened on October 2, 2026, and on a legal and regulatory environment substantially like that when the ordinance took effect.[25] Their 15-year term places them outside Section 15-30, which limits agreements to five years.

How payments are calculated: The amount is negotiated rather than based on property value: $3 million a year for 15 years from 2024, adjusted for inflation by up to 3% a year for ten years and then held constant. For 15 years from the stadium's completion, Northwestern also guarantees the City at least $2.5 million a year in liquor and amusement taxes from stadium events, paying any shortfall between that minimum and the taxes collected.[26]

How much revenue is generated: The City's adopted FY2025 budget included the $3 million payment, which Northwestern makes each year of the 15-year term.[27] Northwestern reports

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[23]Northwestern University, "Northwestern to Donate $1 Million Annually to City of Evanston," news release, March 20, 2015, https://news.northwestern.edu/stories/2015/03/northwestern-to-donate-1-million-annually-to-city-of-evanston; Isaiah Steinberg, "By the Numbers: How Evanston Has Spent NU's Good Neighbor Fund Money," *Daily Northwestern*, February 26, 2025, https://dailynorthwestern.com/2025/02/26/city/by-the-numbers-how-evanston-has-spent-nus-good-neighbor-fund-money/.

[24]City of Evanston, "Message from the Mayor: My Thoughts on Ryan Field," November 21, 2023, https://content.govdelivery.com/accounts/ILEVANSTON/bulletins/37adac5.

[25]City of Evanston, Ordinance 108-O-23, An Ordinance Granting a Special Use for a Planned Development to Demolish the Existing Ryan Field Ancillary Maintenance Building and Construct a New Stadium in the U2 University Athletics Facilities District (November 20, 2023), 10–13, https://www.cityofevanston.org/Documents/Departments/Community%20Development/Planning%20and%20Zoning/Proposed%20Projects/Approved%20Developments/Ryan%20Field%20Stadium/SP2%20108O23.pdf; Northwestern Now Staff, "Photos Capture the Excitement of Ryan Field," *Northwestern Now*, October 8, 2026, https://news.northwestern.edu/stories/2026/10/photo-gallery-ryan-field.

[26]City of Evanston, Ordinance 108-O-23, 10–13.

[27]City of Evanston, 2025 Adopted Budget, 10–16.

that in 2024, the City used $1.5 million of the payment to avoid generals property tax increase.[28]

How revenues are used or distributed: The ordinance requires at least $1 million a year for affordable housing and $500,000 for climate initiatives. The FY2025 budget transfers the remaining $1.5 million to the General Fund, equal to about 1.1% of the fund's $140.2 million in revenues and transfers.[29]

What distinguishes the approach: In this case, a fixed, negotiated amount is linked to a land-use decision rather than to property value. The 15-year term offers a longer stated planning horizon than the earlier gifts, but payment depends on the ordinance's conditions, and half of it reaches general operations.

Connecticut: Statutory State Reimbursement

In Boston and Evanston, the exempt institution pays the municipality an amount reflecting what it has agreed to contribute. Connecticut, in contrast, changes the payer: in this case, the State pays municipalities based on a formula tied to the tax equivalent.

Why it was established: Connecticut has made annual grants in lieu of taxes on state-owned property since 1969 and on private nonprofit college and hospital property since 1978. Since 2021, the grants have been calculated under a single tiered formula.[30] The usual rationale for state funding is that colleges, hospitals, and state facilities serve residents beyond the town where they are located, so the cost of their exemption should be shared statewide.[31] Since FY2024, the grants have been paid from the State's Municipal Revenue Sharing Fund, which receives a share of state sales tax revenue.[32]

Which institutions participate: Participation in the program includes municipalities and fire districts containing state-owned property, certain land held in trust by the federal government, or private nonprofit college and hospital property. Colleges and hospitals make no payments.[33]

Whether participation is mandatoryor voluntary: Participation is mandatory for the State, which must pay a grant to every eligible municipality and fire district to replace part of the

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[28]Northwestern University, "Good Neighbor Fund Contribution," Ryan Field, A New Vision.
[29]City of Evanston, Ordinance 108-O-23, 10; City of Evanston, 2025 *Adopted Budget*, 10–11, 16. Share calculated.
[30]Rute Pinho, *History of PILOT Program Reimbursement Rates*, OLR Report 2023-R-0190 (Hartford: Connecticut General Assembly, Office of Legislative Research, 2023), https://prdext3.cga.ct.gov/2023/rpt/pdf/2023-R-0190.pdf; State of Connecticut FY2026 and FY2027 Biennial Budget, Office of Fiscal Analysis, "General Government B: Office of Policy and Management," Tiered PILOT (Municipal Revenue Sharing Fund), https://prdext2.cga.ct.gov/ofa/Documents/year/agbs/2026AGBS-20250701_Policy%20and%20Management,%20Office%20of.pdf.
[31]Kenyon and Langley, *Payments in Lieu of Taxes*, 26.
[32]Rute Pinho, MRSA and MRSF, OLR Report 2023-R-0189 (Hartford: Connecticut General Assembly, Office of Legislative Research, 2023), 2–3, https://prdext3.cga.ct.gov/2023/rpt/pdf/2023-R-0189.pdf.
[33]Connecticut Office of Policy and Management, "*Tiered Payment in Lieu of Taxes (PILOT),*" https://portal.ct.gov/OPM/IGPP/Grants/PILOT/Tiered-Payment-in-Lieu-of-Taxes.

property taxes lost on exempt state-owned, college, and hospital property. The legislature sets the total each year, and every grant is raised or cut by the same percentage to match it.[34]

How payments are calculated: The grant is developed in four steps.

1. First, the State calculates the tax equivalent: assessed value multiplied by the mill rate (the tax per $1,000 of assessed value).
2. Second, it applies a reimbursement rate based on the type of property: 77% for private colleges and hospitals, generally 45% for state property, and 100% for prisons and certain other property.
3. Third, it applies a tier percentage based on the municipality's wealth, so less wealthy municipalities receive a larger share: 53% for Tier One, 43% for Tier Two, and 33% for Tier Three. Tier One covers municipalities with taxable property value per resident below $100,000, municipalities whose school districts are designated alliance districts (low-performing districts), and municipalities where the State owns more than half the property; Tier Two covers those between $100,000 and $200,000; and Tier Three covers those above $200,000.
4. Finally, grants are raised or cut proportionately to match the appropriation, with no municipality receiving less than in FY2021. Before that final adjustment, a Tier One municipality receives about 41% of the tax equivalent on a private college or hospital.[35]

How much revenue is generated: The State appropriated $346.0 million for FY2026 and, after 2026 budget revisions, $354.3 million for FY2027.[36] New Haven projects more than $105 million in FY2026–27, up from $41 million in 2020, or about 14% of the $744.3 million General Fund budget the Board of Alders adopted for that year.[37]

How revenues are used or distributed: Municipalities do not receive the grants automatically. Each year, by April 1, they must report the value of each eligible property to the State Office of Policy and Management, which can check those values. The State then pays the grants by September 30 from its Municipal Revenue Sharing Fund. State law does not limit how municipalities use the grants.[38]

What distinguishes the approach: The cost shifts to state taxpayers, and the formula makes grants predictable in structure, but they replace only part of the taxes forgone, in amounts the legislature decides.

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[34]Rute Pinho, *Formula for Tiered Payments in Lieu of Taxes Grants*, OLR Report 2026-R-0095 (Hartford: Connecticut General Assembly, Office of Legislative Research, 2026), 2, 4, https://prdext3.cga.ct.gov/2026/rpt/pdf/2026-R-0095.pdf; Conn. Gen. Stat. §§ 12-18b, 12-19a, 12-20a.

[35]Pinho, *Formula for Tiered Payments in Lieu of Taxes Grants*. The 41% equals 77% multiplied by 53%.

[36]Office of Fiscal Analysis, "General Government B: Office of Policy and Management"; Conn. Pub. Act 26-68, § 9 (2026), https://www.cga.ct.gov/2026/act/pa/pdf/2026PA-00068-R00SB-00001-PA.pdf.

[37]City of New Haven, "Statement by Mayor Elicker on the New Haven Board of Alders' Vote Approving the City Budget for Fiscal Year 2026-27," news release, May 27, 2026, https://www.newhavenct.gov/Home/Components/News/News/707/15; Laura Glesby, "$744M Budget Approved; Smith Dissents," *New Haven Independent*, May 27, 2026, https://www.newhavenindependent.org/2026/05/27/744m-budget-approved-smith-dissents/. Share calculated.

[38]Pinho, *Formula for Tiered Payments in Lieu of Taxes Grants*, 2; Conn. Gen. Stat. §§ 12-19a, 12-20a.

Fiscal Significance of the Different PILOT Approaches

In Boston and Evanston, payments by nonprofit institutions provide supplemental municipal revenue, consistent with the 2012 study's finding that PILOTs accounted for less than 1% of general revenue in 165 of 181 localities with information available.[39] Connecticut's reimbursement provides a substantially larger share of New Haven's budget, reflecting a statewide funding source, a formula tied to the tax equivalent, and the City's concentration of exempt property. Legal terms, institutional commitments, and the size of the recipient's budget also matter.

Size and reliability are separate questions. A small payment can recur steadily: Boston's cash has remained between $32 million and $36 million a year since FY2016, even as requests grew.[40] A larger or longer commitment can still change: Northwestern's payments remain subject to the ordinance's conditions, and Connecticut's grants rise or fall with appropriations.

Exhibit 1 compares the three PILOT arrangements, highlighting differences in their funding structures, contributions to local government budgets and revenue reliability. PILOT revenues account for approximately 1% of the respective budgets in Boston and Evanston, compared with approximately 14% in New Haven, where funding comes from a state grant rather than direct institutional payments. These percentages are calculated using each government's applicable fiscal year and budget measure, as identified in the exhibit.

Exhibit 1. The Three PILOT Cases Compared

	Boston	Evanston	New Haven
Payer	38 institutions asked to contribute	Northwestern University	State of Connecticut
Basis	25.0% of tax equivalent; up to half by credits	Negotiated; conditions of a 2023 zoning ordinance	Statutory share of tax equivalent, adjusted to appropriation
Cash counted ($ millions)	$35.5 received	$1.5 General Fund portion of $3.0 payment	More than $105.0 projected state grant
Budget compared ($ millions)	$4,600.0 operating budget, FY2025 (July–June)	$140.2 General Fund revenues and transfers, FY2025 (calendar year)	$744.3 adopted General Fund budget, FY2026–27 (July–June)
Share of budget	0.8%	1.1%	About 14%
Main reliability risk	Voluntary; cash below request	Conditions in ordinance	Appropriation levels

Note: New Haven's state grant is a projection of more than $105 million, so its share is rounded. Connecticut's statewide appropriation was $346.0 million in FY2026.

[39]Langley, Kenyon, and Bailin, *Payments in Lieu of Taxes by Nonprofits*, abstract.
[40]Niki Griswold, "Amid Trump Attacks, Boston Nonprofits' Payments to City Remained Flat," *Boston Globe*, April 3, 2026, https://www.bostonglobe.com/2026/04/02/metro/boston-pilot-payments-tax-exempt-nonprofits-2025/.

Sources: Civic Federation analysis of the sources cited in the case studies; City of Boston FY2025 Budget, "Fiscal Year 2025," https://www.boston.gov/departments/budget/fiscal-year-2025.

PILOT ADVANTAGES AND DISADVANTAGES

For **recipient governments**, PILOTs generate additional revenue without requiring changes to state property tax exemption laws. However, voluntary payments may fall short of requested amounts or may be discontinued, while negotiated agreements can result in inconsistent treatment of similar institutions. The Lincoln Institute of Land Policy has characterized these arrangements as "haphazard, secretive, and calculated in an ad hoc manner."[41] For example, in FY2025, Boston College met 22% of Boston's request and Beth Israel Deaconess Medical Center met all of it.[42] However, it is important to note that determining community benefit credits should require rigorous valuation to distinguish services provided as part of an institution's normal operations, such as hospital charity care and income-based fee waivers, from additional benefits that could qualify as offsets against PILOT payments.

For **exempt institutions**, PILOTs preserve the exemption and let them negotiate terms, but payments draw on mission resources, and intuitional capacity varies. For example, Tufts Medical Center reduced its FY2025 contribution, citing financial challenges.[43] Institutions also point to what they already contribute: many pay property taxes on property not used for exempt purposes, and many provide services that governments would otherwise provide.[44]

For **taxpayers and residents**, PILOTs offset part of the cost that exemptions shift to taxable property. Community benefits reach residents directly but are hard to value and cannot reduce the levy as cash can. When the state pays, as in Connecticut, the cost of exemptions shifts from local property owners to taxpayers across the state. That includes taxpayers in communities with little exempt property, who help pay for the program but receive little from it.

Recent PILOT Developments

Several cities have recently secured larger agreements: in 2023, Providence, Rhode Island, more than doubled the payments scheduled from four colleges and universities over 20 years, to $223 million.[45] Yale and Boston University signed new agreements in 2026.[46]

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[41]Kenyon and Langley, *Payments in Lieu of Taxes*, 3.
[42]City of Boston, *Fiscal Year 2025 PILOT Contributions*.
[43]Griswold, "Amid Trump Attacks."
[44]Kenyon and Langley, *Payments in Lieu of Taxes*, 2, 12–13.
[45]City of Providence, "Mayor Brett Smiley Celebrates Passage of Historic PILOT Agreement," news release, October 5, 2023, https://www.providenceri.gov/mayor-brett-smiley-celebrates-passage-of-historic-pilot-agreement/.
[46]Thomas Breen, "Yale Ups Annual Payments to New Haven by $5 Million," *CT Mirror*, March 6, 2026, https://ctmirror.org/2026/03/06/yale-university-annual-payment-new-haven/; City of Boston and Boston University, *Memorandum of Understanding*.

The debate has surfaced in Illinois as well. In December 2024, as Chicago worked to close a projected $982.4 million gap in its FY2025 budget, an idea raised during budget negotiations would have sought tens of millions of dollars from exempt nonprofits.[47] The change would have required state legislation. Separately, arts, museum, and nonprofit groups opposed it, saying it would add to nonprofits' financial strain after the COVID-19 pandemic.[48]

In July 2026, according to the Illinois Policy Institute, three Evanston City Council members proposed a nonbinding question for Evanston voters on the November 2026 ballot, asking whether nonprofits with charter tax exemptions, such as Northwestern, should pay amounts equivalent to property taxes for commercial uses of their property. The question did not make the ballot after a 4–4 Council vote.[49] This activity shows renewed attention, but in small and piecemeal fashion. Without more recent national data than the 2012 Lincoln Institute study, it is difficult to gauge whether PILOT use is growing nationally.

Case Study Conclusions

PILOTs can provide supplemental revenue to local governments, but the amount, predictability and reliability of that revenue depend on how the agreements are structured, whether payments are voluntary, negotiated or legally required, and the duration of the commitments. Seven key findings emerge:

1. **PILOTs usually generate modest amounts of revenue.** Cash from nonprofits equaled about 1% of Boston's and Evanston's operating budgets. Most places that receive PILOTs nationwide report similarly small amounts.
2. **Allowing in-kind or community benefit services in place of cash reduces the cash governments receive.** Boston lets nonprofits count the value of services they provide to residents, such as scholarships for local students, toward up to half of what the City requests. In FY2025, nonprofits covered 76% of the City's request this way, but cash covered only 27%.
3. **Longer agreements make payments more predictable, but they tend to include limiting conditions.** Northwestern University's commitment to Evanston runs for 15 years, replacing earlier gifts that stopped in 2022 and 2023. Because it was made as part of a zoning approval, not under Illinois' law on service payment agreements, the law's

[47]Tia Ewing, "Chicago Faces $982M Deficit in 2025 Budget Forecast: 'Significant Challenge for Our City,'" FOX 32 Chicago, August 29, 2024, https://www.fox32chicago.com/news/chicago-faces-982m-deficit-2025-budget-forecast-significant-challenge-our-city.
[48]Rich Miller, "Once Again, a Chicago Revenue Idea Would Require State Approval," *Capitol Fax*, December 3, 2024, https://capitolfax.com/2024/12/03/once-again-a-chicago-revenue-idea-would-require-state-approval; Arts Alliance Illinois, Forefront, and Illinois Association of Museums, "Arts Alliance Illinois, Forefront, and the Illinois Association of Museums' Joint Statement on the Proposed PILOT Implementation in Chicago," news release, December 6, 2024, https://artsalliance.org/2024/12/joint-statement-proposed-pilot-implementation/.
[49]Riya Kapoor, "Northwestern's New Ryan Field Enjoys the School's 1855 Exemption from Property Taxes," Illinois Policy Institute, August 7, 2026, https://www.illinoispolicy.org/northwesterns-new-ryan-field-enjoys-the-schools-1855-exemption-from-property-taxes/.

five-year limit does not apply. The payments hold only if the legal and regulatory environment stays substantially the same as in 2023, and the agreement does not define what change would end them.

4. **State-funded PILOT programs can provide substantially more revenue to local governments than voluntary agreements, but payments may fluctuate annually depending on state funding decisions.** Connecticut illustrates this approach. The state provides grants to municipalities to compensate for tax-exempt properties, recognizing that colleges, hospitals and state facilities serve residents beyond their host communities. Connecticut funds these payments through a dedicated share of state sales tax revenue. The state's grant to New Haven equals approximately 14% of the city's General Fund budget, demonstrating the potential fiscal significance of state-funded PILOTs. However, the amount municipalities receive remains dependent on state funding decisions.
5. **Illinois law limits PILOT agreements.** Section 15-30 of the Illinois Property Tax Code allows voluntary agreements of up to five years at a time**.**
6. **PILOTS do not Necessarily Benefit Overlapping Governments**. Because multiple local governments levy taxes on the same property, a payment to one government, such as a municipality, does not necessarily benefit other taxing bodies, such as school districts.
7. **Interest in PILOTs is growing, but there is no clear sign of a national trend.** The most recent national count found for this brief, from 2012, identified PILOTs in at least 218 localities in 28 states.

For Illinois local governments, PILOT agreements offer a potential source of additional revenue but are unlikely to provide substantial or reliable fiscal relief under current law. Payments are voluntary, limited in duration and generally benefit only the governments receiving them, leaving other overlapping taxing districts without additional revenue. Moreover, Illinois already requires nonprofit hospitals to provide qualifying charitable benefits as a condition of property tax exemption, limiting the extent to which similar arrangements would generate new revenue. PILOTs can therefore best be viewed as a supplemental revenue source rather than a significant solution to local government fiscal challenges.

Implications for Illinois

The three cases illustrate the potential benefits and limitations of PILOT agreements for Illinois local governments under existing state law.

First, payments would likely be small and voluntary. Illinois law lets a taxing district ask an exempt owner for payments but not require them, and limits agreements to five years at a time.[50] Illinois governments are therefore in a position similar to Boston's, where institutions paid cash equal to about 1% of the City's budget. Evanston's larger, 15-year commitment arose

[50] 35 ILCS 200/15-30

as part of the City's approval for a new stadium, so similar arrangements would depend on individual development projects.[51]

Second, a payment to one government would not help the others that tax the same property. School districts received 62.6% of Illinois property taxes levied in 2015,[52] but few school districts receive PILOTs anywhere in the country, and Evanston's payments go to the City.[53]

Third, Illinois law already requires nonprofit hospitals seeking property tax exemptions to demonstrate that the value of their charitable activities and other qualifying services equals or exceeds the property taxes they would otherwise pay. [54] This requirement is similar to Boston's PILOT program, which allows institutions to receive credit for certain community benefits in lieu of cash payments. However, unlike Boston's program, the Illinois requirement is a condition of obtaining a property tax exemption and does not generate revenue for local governments.

[51]City of Evanston, Ordinance 108-O-23, 10–13.
[52]Civic Federation, "School Districts and Property Taxes in Illinois," October 6, 2017, https://civicfed.org/civic-federation/blog/school-districts-and-property-taxes-illinois.
[53]Langley, Kenyon, and Bailin, *Payments in Lieu of Taxes by Nonprofits*, 9; City of Evanston, Ordinance 108-O-23, 10.
[54]35 ILCS 200/15-86(c), (e) (2015), https://www.ilga.gov/Documents/legislation/ilcs/documents/003502000K15-86.htm.

CONCLUSION

Voluntary payments in lieu of taxes (PILOTs) can provide local governments with additional revenue to help offset the cost of public services provided to tax-exempt properties. However, these payments typically represent a small share of municipal budgets and are not a reliable solution to fiscal challenges. Because payments are voluntary, governments cannot guarantee their amount or continuation. Community benefit credits may provide valuable services to residents but do not generate cash for government operations. State-funded PILOT programs, such as Connecticut's, can provide more substantial revenue, but funding depends on annual legislative appropriations.

In Illinois, the potential use of PILOTs is constrained by state law and the structure of local government. Section 15-30 of the Property Tax Code authorizes voluntary agreements with tax-exempt property owners for periods of up to five years, subject to renewal. Moreover, because multiple taxing districts often overlap geographically, payments negotiated by one government do not necessarily compensate other districts that also forgo property tax revenue. Illinois also already requires nonprofit hospitals seeking property tax exemptions to provide qualifying charitable benefits equal to or greater than their estimated property tax liability, although these benefits do not generate revenue for local governments.

PILOTs should therefore be viewed as a supplemental revenue source rather than a significant solution to the fiscal challenges facing Illinois local governments. While negotiated agreements may provide additional resources in particular circumstances, their voluntary nature, limited duration and uneven distribution among taxing districts constrain their broader fiscal impact. Under current Illinois law, PILOTs are unlikely to replace a substantial portion of the property tax revenue forgone through exemptions or materially reduce local governments' reliance on property taxes.