Understanding PILOTs and School District Tax Levies

This one-page overview is intended to help school boards, administrators, and community members understand how Payments in Lieu of Taxes (PILOTs) affect school district budgets, tax levies, and the tax cap.

What is a PILOT?

A Payment in Lieu of Taxes (PILOT) is an economic development agreement between a property owner and local taxing jurisdictions, including school districts. Instead of paying full property taxes immediately, the property owner makes scheduled PILOT payments that typically start lower and increase over time.

How PILOTs Are Reflected in School Budgets

For school districts, PILOT payments are treated as a separate revenue source and are deducted from the budget before calculating the tax levy. While a PILOT is active, the associated property is removed from the taxable portion of the assessment roll and classified as exempt.

What Happens When a PILOT Ends?

When a PILOT expires, two changes occur simultaneously:

1. The final PILOT payment is no longer available as budget revenue, which causes the tax levy to increase by that same amount.

2. The property returns to the taxable portion of the assessment roll, increasing the district's total taxable assessed value.

Because these changes happen at the same time, the increase in levy is offset by an increase in taxable value.

Why the Tax Rate Changes Very Little

Although the levy may increase when a PILOT ends, the tax rate is calculated by dividing the levy by the total taxable assessed value. When both increase proportionally, the resulting tax rate typically changes very little.

Key Points for School Districts to Communicate

- The expiration of a PILOT does not represent a new spending decision by the school district.
- The apparent increase in the tax levy is an accounting shift, not a structural tax increase.
- The school district receives the same value in revenue, just through standard taxation instead of a PILOT.
- Returning properties strengthen the long-term tax base for the district.

Bottom Line

When a PILOT ends, the school district's financial position remains stable. The transition reflects a shift from PILOT revenue to traditional property tax revenue, with minimal impact on individual taxpayers and full compliance with the New York State tax cap.

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