

PILT Trust Funds

FOR DISCUSSION PURPOSES ONLY

HOW IT WORKS

For new land acquired through the Outdoor Heritage Fund or the Environment and Natural Resources Trust Fund, a dedicated trust fund is set up through the State Board of Investment (SBI). The investment earnings from that trust fund are dedicated to local governments to replace their lost property tax revenues based upon the land's tax burden when it was removed from the tax rolls. Under this system, no General Fund dollars are used.

HOW THE TRUST IS FUNDED: At the time the land is acquired, the purchaser is required to set aside an amount equal to thirty times the property taxes payable on the property in the current year. This would be in addition to the purchase price of the property. This money is then deposited with SBI. Previous conversations with SBI indicate that there would likely be no administrative costs for managing these trust funds.

PAYMENTS TO LOCAL GOVERNMENTS: SBI assumes an average 8.5% rate of return over the long run on their investments. The earnings from these trust fund would go directly to local governments and special taxing authorities in a manner directly proportional to the amount of revenue the entity was receiving from the property at the time it was removed from the tax rolls. Additional earnings would be used to grow the principal of the trust fund, in order to protect against market fluctuations and increase trust fund payments to keep pace with increased tax value of the land.

Example #1

Property:	155 acres in Rock Co.
Taxable Market Value:	\$524,400
Taxes Payable 2011:	\$2,268
<i>County:</i>	\$1,553
<i>Township:</i>	\$312
<i>School Voter:</i>	\$94
<i>School Other:</i>	\$292
<i>County Wide:</i>	\$10
<i>Extra Countywide:</i>	\$7
Purchaser Trust Fund Payment:	\$68,040 ($\$2,268 \times 30$)
Trust Fund Deposit:	\$65,772 ($\$68,040 - 2011 \text{ tax}$)
Assumed annual return:	\$5,591 ($\$65,772 \times 8.5\%$)

Example #2

Property:	40 acres in St. Louis Co.
Taxable Market Value:	\$12,000
Taxes Payable 2011:	\$114
<i>County:</i>	\$73
<i>State General:</i>	\$8
<i>School Voter:</i>	\$18
<i>School Other:</i>	\$4
<i>Special Tax:</i>	\$11
Purchaser Trust Fund Payment:	\$3,420 ($\114×30)
Trust Fund Deposit:	\$3,306 ($\$3,420 - 2011 \text{ tax}$)
Assumed annual return:	\$281 ($\$3,306 \times 8.5\%$)