

Understanding Payment in Lieu of Taxes

Frequently Asked Questions

February 1, 2018

Q: What is Payment in Lieu of Taxes (PILT)?

A: The Legislature created this local government aid program to compensate counties and other local government units for the loss of tax base from state ownership of land. It also created PILT to help the disproportionate impact of state land ownership in counties with large public-land bases. While PILT payments to counties began for some lands as early as 1933, the Legislature created the modern PILT program in 1979. The aid program is written into state statute in chapter 477A.

Q: What are the annual state payments to counties?

A: In 2017, the state paid approximately \$32 million in payments to counties. The Legislature sets PILT rates and regularly reviews the calculations used to determine the payments. The Legislature also adjusts payments upward when appropriate. In 2013, the Legislature increased PILT payments by 15.5 percent.

Q: Does the money go to just counties?

A: No, a portion of the payments go to townships for state land within their boundaries. Also, with some types of public lands, school districts also get a portion of the payments.

Q: Does PILT adequately compensate counties for loss of tax revenue?

A: Yes. The Office of Legislative Auditor concluded in 2010 that PILT payments on DNR-acquired lands were generally higher than property taxes on similar private land. At least 12 counties have passed resolutions in support of PILT.

Q: Who makes the payments and when?

A: The state Department of Revenue sends the annual payments on July 20. You can learn more about PILT on the Department of Revenue web site:

http://www.revenue.state.mn.us/local_gov/prop_tax_admin/Pages/pilt.aspx

Q: What is the range of the payments?

A: In 2017, county payments ranged from \$17,762 for Red Lake County to \$3.075 million for St. Louis County.

Q: What kind of state lands does PILT apply to?

A: PILT payments are made on many different classifications of public lands. They include DNR-acquired lands, state forests, consolidated conservation lands (known as “con-con” lands, transferred to the state early in the 1900s), state parks and recreation areas, scientific and natural areas and wildlife management areas. They are also paid on DNR-managed lands such as school. More information on this topic can be found on the Department of Revenue website.

Q: Does the state also pay PILT for tax-forfeited lands that counties manage?

A: Yes, about \$4 million annually.

Q: Are payments made on all DNR administered state lands?

A: Yes. The state pays PILT payments on all state lands, even those that would otherwise never be developed or provide private-property tax revenue (e.g., large, inaccessible peatlands).

Q: How are payments calculated?

A: Different land types have different payment rates. Payment rates are largely determined on whether the land was on the tax rolls when the state acquired it. For example, the payment for lands purchased or donated by private parties is the greater of \$5.133 per acre or $\frac{3}{4}$ of 1 percent of the appraised value of all such lands within the county. Most lands that were acquired from other governmental entities and county administered tax forfeited land are paid at \$2 per acre.

Q: Why do PILT payments for certain lands vary from county to county?

A: It's because land values and types can vary significantly in different parts of the state. An acre of swamp in northern Minnesota will not be assessed at the same value as an acre of prairie land in the agricultural part of the state.

Q: How often do counties re-value their lands for PILT payments?

A: Every six years, counties provide the DNR updated assessed values for lands that determine PILT payments. The last reassessment took place in 2016.

Q: Can counties spend the PILT payment at their discretion?

A: No, distribution is governed by law and PILT is primarily used for property tax levy reduction.

Q: Has the Legislature ever reduced or failed to fund PILT?

A: No. While the Legislature has reviewed and modified the PILT laws, it has never reduced the overall payment or failed to fund PILT.

Q: Do counties receive other payments from the state for state land?

A: In many cases, they receive a share of revenue generated from state lands. For example, counties keep all revenue generated from tax-forfeited lands administered by the counties, and receive half of the gross revenue from consolidated conservation lands. Counties also receive payments from state mineral leases on tax-forfeited lands.

Q: What is the source of PILT funds?

A: PILT is paid by an open appropriation from the state's General Fund. An open appropriation means there is authority to spend an unspecified amount of resources to meet a program's objective or constitutional requirement. The General Fund is utilized for PILT payments due to the broad benefits to the state and all state citizens from public land.