International Property Tax Institute



PRESIDENT'S MESSAGE

December 2026

As this will be my last newsletter before Christmas, may I take this opportunity to wish you all the very best for a relaxing break with family and friends over the festive period.

I recently read an interesting paper (called an "issue brief") which focussed on what is known in the USA as Payments in Lieu of Taxation. The executive summary stated: "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. 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. 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.

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.
- 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."

Comment: The executive summary, whilst interesting, clearly only provides an indication of the detailed contained in the paper provides. The paper itself is available via the link below:

https://www.civicfed.org/PILOTS-Issue-Brief

Time now to move on to IPTI matters. We started November with an in-person two-day conference in Kingston, Jamaica. This was the annual event we run in partnership with the Royal Institution of Chartered Surveyors (RICS). We had the benefit of the National Land Agency (NLA) of Jamaica being our cooperating agency and, thanks to a combination of the RICS, NLA and IPTI, we had a great turn out at the conference. Most in-person events have a particular "feel", and this one had a relaxed and enjoyable "vibe" which is typical for our Caribbean conferences. We had a good mix of presentations from expert speakers and a series of panel sessions where a variety of views could be shared. We also had good audience participation along with a very enjoyable social side to the event.

Following the conference, we held a half-day hybrid workshop on the topic of compulsory purchase and the assessment of compensation. This was the final workshop in a series of four that the RICS and IPTI delivered over the last few months, the first three being online events.

Following the workshop, we set a test that the participants had to pass in order to get a certificate and I am pleased to say that almost everyone passed with flying colours.

More recently, we held another webinar in our series delivered jointly with the Institute of Municipal Assessors. This IMA-IPTI webinar was titled "Development of Capitalization Rates". Capitalization rates are one of the most critical elements in the income approach, directly influencing the relationship between a property's income and its value. Selecting an appropriate capitalization rate requires more than simply extracting rates from market sales. It demands an understanding of investment principles, risk, market conditions, and investor behaviour. This webinar provided a practical overview of capitalization rate theory and its application within both single-property valuation and mass appraisal systems. Our two expert speakers also explored the unique challenges faced by property assessment jurisdictions, particularly where sales data is limited, markets are thin, or statutory requirements differ from fee appraisal practice. Participants received insights into how capitalization rates can be developed, analyzed, and tested to improve valuation accuracy and consistency.

In relation to IPTI events, we have a number of both in-person and online events coming up. Full details about all of these are available on our website: www.ipti.org.

Now it's time for a quick look at what is making headlines concerning property taxes in selected jurisdictions and countries around the world. For more information, and links to the original news articles, please refer to IPTI Xtracts which can be found on our website: https://www.ipti.org/ipti-xtracts

I am going to start with the UK where, on Monday 23 November, a petition with over 100,000 signatures forced a debate in Parliament on property taxes. The Member of Parliament (MP) who opened the debate stated: "The petition calls on the Government to "commission a full, independent review of Council Tax and Stamp Duty to deliver the fundamental, evidence-based reform" of property taxation, which many of us have talked about for a long time. The petition's concern is that council tax, which in England is based on property valuations dating as far back as 1991, no longer reflects the values of today's homes or people's ability to pay." The MP continued: "With regard to stamp duty, the petition argues that a tax levied when someone purchases a property can distort the housing market. I would argue that is probably correct. It discourages people from moving and leaves families in homes that are no longer suitable for their individual circumstances. Those are significant questions. Property taxation affects almost every part of our economy and society, from first-time buyers and homeowners to landlords, tenants and – something we have experience in – local authorities. It also represents a crucial source of revenue for public services. Regardless of our political differences, I think all of us present can agree about the anxiety attached to the places we call home and recognise their importance in our lives."

He continued: "In response to the petition, the Government explained that council tax and stamp duty together raise around "£60 billion a year to fund essential services" which, in the view of many MPs in the debate, was not a reason to resist a review. Other MPs sought to widen the requested property tax review to include business rates – the annual property tax levied on non-domestic properties – but it seems unlikely that the government would agree to that. The debate was interesting but, I suspect, it will not lead to the desired outcome. If anyone would like to read the official record of the debate, it is available via the link below:

https://hansard.parliament.uk/commons/2026-11-23/debates/65220265-D21B-4817-AB46-8E6CB38A8923/CouncilTaxAndStampDutyLandTax

Moving on to New Zealand, another property tax debate recently took place in the city of Wellington where local councillors discussed the possibility of moving the basis of annual property rates from the current improved capital value system to a land value only tax. The news article which reported the debate said: "The move is underpinned by a drive among some councillors to incentivise growth in the city." The article explained: "Capital-value rating calculates the bill based on the value of someone's land and buildings, whereas land-based value assesses just the value of the land." An economist who spoke during the debate said: "Anyone land-banking valuable land in the city could see themselves paying higher rates. One group likely to pay less rates under a proposal are those who live in an inner-city apartment building. If you're in a big apartment building, you might have that land value spread across and shared across many more people." He also said: "Land value was not always accurate in determining how wealthy someone was." One of the councillors referred to "The example of two equally sized neighbouring plots of land – one with a four-person house and the other with six townhouses. You could have 20 people who are paying less in rates compared to a family of four, yet you'll have a lot more people using council services such as pools, parks and libraries." The report also stated that the council is looking at lowering the commercial differential over six years, from $3.70 in rates for commercial properties for every $1 of household rates to $3 for every $1 of household rates. It noted that commercial rates in Wellington are among the highest in the country. It seems that the debate was inconclusive!

Moving on again, this time to South Korea, a recent World Bank study highlights how fair property taxation, reliable land records and strong institutions can help developing countries curb speculation, finance infrastructure and support sustainable urban growth. A news report stated: "South Korea's transformation of its land and property valuation system offers important lessons for governments seeking to strengthen public finances, improve tax fairness and manage urban development. The report highlights the roles of the Ministry of Land, Infrastructure and Transport, the Korea Real Estate Board and the Korea Association of Property Appraisers in developing a system that supports taxation, infrastructure investment,

social welfare and economic planning." It continued: "Before 1989, South Korea operated four separate official land valuation systems managed by different government agencies. Their assessments represented only 15 to 30 percent of actual market prices, creating major inconsistencies in taxation and land acquisition compensation. Local governments struggled to generate sufficient revenue, while speculative landowners faced little financial pressure. Rapid industrialization and urbanization during the 1960s and 1970s worsened these problems as rising property prices encouraged speculation and widened economic inequalities. Today, publicly announced property values support approximately 60 administrative functions, including property taxation, compensation for government land acquisition, inheritance taxation, pension eligibility and social assistance. The framework covers approximately 35 million land parcels, with around 600,000 representative parcels receiving detailed professional assessments. Other properties are valued through standardized comparisons involving location, land use, road access and physical characteristics."

And finally, many years ago the people of Alberobello, a small town in southern Italy, came up with a "cunning plan" when they built Trulli. They are medieval homes erected without the use of mortar, a unique construction approach used to avoid property taxes. When officials from Naples were on their way to extract the kingdom's share of wealth, inhabitants of the Trulli would simply disassemble their homes. No home, no tax! When the tax collectors moved on, the house was reassembled, and life resumed. Whilst Picture 1 below shows what might be a "demountable" structure, Picture 2 indicates that taxpayers no longer bother to take their homes apart! However, in an age of increasing property taxes, this may offer a solution!



Picture 1



Picture 2

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