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Can PILOT Programs Plug Holes in Municipal Budgets?

Some American cities turn to “payments in lieu of taxes” programs to fill budget gaps. The jury’s still out on how effective they are.

Should municipalities ask nonprofits to pay fees for the land they use?

It’s a provocative question that, for years, has evoked strong responses for and against the idea. As many American cities grapple with declining property tax revenue in the wake of COVID-19 and the rapid adoption of remote work, the topic has received renewed interest.

One way municipalities may seek to add more dollars to their coffers is through “payments in lieu of taxes” programs, or PILOTs. These are agreements that require individual nonprofits to pay set amounts to their local municipality. The idea is to offset the cost of services that a nonprofit receives from the city, such as garbage removal or policing.

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Published Aug. 8, 2025

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