

The Town of South Hadley Payment In Lieu of Tax (PILOT) Policy

South Hadley recognizes that tax-exempt organizations contribute directly to the quality of life within the community and welcomes them to the Town. In order to maintain the financial health of the community and to continue to provide a range of quality services, the Town must preserve its existing tax base and expand that revenue source where reasonably possible. It is the Town's policy to distribute the burden of cost in a fair method among all users of services: citizens, taxpayers, and tax-exempt institutions.

M.G.L. Chapter 59 section 5 enables the granting of tax-exempt status to certain tax-exempt organizations. Once an organization is granted an exemption, the Town cannot legally require that a tax-exempt organization pay a property tax. Therefore:

1. The Town will seek voluntary PILOT Agreements with all tax-exempt institutions within the community that own real property, or that rent real property from the Town.
2. These written PILOT Agreements should be based upon fair market value and a tax levy. PILOT Agreements should be established, based upon a percentage of the amount that the tax exempt property would pay if not exempt. The percentage should be determined based on the tax levy amount that supports the critical services of the Town's Police, Fire and Public Works operations. The Town has determined that this share is equal to at least 25% of the full levy;
3. If a tax-exempt organization enters into a voluntary PILOT agreement, the Town may offer to phase in the impact over a period of time. The Town expects to negotiate PILOT agreements, whereby once the payment target is reached, the payment will annually increase by an escalation factor generally equal to the average historic growth in annual tax levy;
4. For smaller, community-based tax-exempt organizations with controlling interests in properties assessed at less than \$2,000,000 in FY 2025 assessed value, consideration for community service may be granted as part of an approach to establish the basis for a PILOT Agreement. This value ceiling would be inflated by 2.5% per year in subsequent years. The Town may base such a PILOT Agreement on 15% of the full levy;
5. A PILOT Agreement will remain in force for the entire tenure of its contractual term as long as the use established in the PILOT Agreement has not changed. All property under the PILOT Agreement must still meet all the requirements for eligibility for exempt status;
6. A PILOT Agreement does not replace the requirement that each organization seeking property tax exemption must file a "Return of Property Held for Charitable Purposes" form (State Tax Form #3ABC) with the Board of Assessors on or before March first of each year.

EFFECTIVE: July 1, 2026

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