

Pittsburgh Area Nonprofits Reportedly Reach PILOT Deal

03.21.17 | Linda J. Rosenthal, JD



In recent years, state and local governments have faced steep shortfalls in revenue to fund their necessary services. “Officials,” we explained in “Local Governments Eager to Snag Revenue from Nonprofits,” around the nation have been in an apparent race to devise ever more creative ways to squeeze nickels and dimes from their communities’ charitable institutions.

One of the devices gaining favor is a PILOT; that is, a payment in lieu of taxes, imposed on and requested from nonprofits. This controversial effort has been gaining significant popularity. The idea first took hold in cash-strapped cities in the Northeast United States, and spread from there.

In a recent development, the Pittsburgh area, the “birthplace” of the PILOT idea, is reportedly “close to an agreement” with its biggest nonprofit institutions, “that will result in large annual payments over the next decade.”

Officials from Pittsburgh and Allegheny County have told local news organizations that a “still-confidential agreement” will be finalized after several years of talks between Pittsburgh Mayor Bill Peduto, Allegheny County Executive Rich Fitzgerald, and region’s four “flagship” institution: the University of Pittsburgh Medical Center, Highmark Blue Cross-Blue Shield, Carnegie Mellon University and the University of Pittsburgh.

Described – still – as a “confidential agreement,” it is “being hailed as a comprehensive investment proposal.” “Those are the four agencies that are driving our local economy right now. They are at the heart of the resurgence in this city,” an aide to Pittsburgh’s mayor told the Pittsburgh Tribune-Review. “What we’d like to do is to make sure that the cost of running a city is borne by those who are leading its economy.”

These four prestigious institutions “generate ‘billions’ of dollars in revenue.” They also are huge employers, with some 120,000 workers.

According to the agreement, this will be a plan not just to pay money over to government coffers but, instead, will be a “payment formula that moves funds from the four health and education institutions into public works projects, such as improving parks and roads, as well as into government-driven special programs, but not necessarily ongoing public services.”

This is similar in concept to agreements reached in other Eastern locales including Boston and New Haven. It is also somewhat similar to a settlement reached in a [landmark lawsuit](#) by residents of Princeton, New Jersey against that town’s famous university to make up for revenues lost due to tax-exempt status.

Conclusion

This may not be the end of this issue even for these Pittsburgh-area institutions. A spokesperson for the mayor of Pittsburgh told the *Tribune-Review* that, “despite the long-term nature of the deal,” officials would “like to see state legislators enact [broader reforms to tax laws](#) to account for areas such as Pittsburgh that have shifted toward nonprofit-driven economies.”