OFFICE OF LEGISLATIVE RESEARCH
Objective Research for Connecticut's Legislature

ResearchReport

Formula for Tiered Payments in Lieu of Taxes Grants

By: Rute Pinho, Chief Legislative Analyst

June 17, 2026 | 2026-R-0095

Issue

How are payment in lieu of taxes (PILOT) grants calculated for municipalities and fire districts under the Tiered Pilot program? This report updates OLR Report 2015-R-0091.

Summary

PILOT grants are generally designed to reimburse municipalities (towns, cities, and boroughs) and fire districts for a portion of the foregone revenue from eligible tax-exempt properties, specifically (1) state-owned property, municipally owned airports, and tribal reservation land and (2) private, nonprofit college and hospital property. The grant calculation is based on four factors:

1. the property's assessed value, which is annually reported by the municipality to the Office of Policy and Management (OPM) and audited by OPM;
2. the statutory reimbursement rate for the particular property type (generally 45%, 77%, or 100%);
3. the municipality's or fire district's mill rate for the applicable fiscal year; and
4. the municipality's applicable proration rate, generally to 53%, 43%, or 33% of the amount calculated, under the law's three-tiered proration method.

PILOT Grant Calculation

Figure 1 below shows the four-factor formula used to calculate PILOT grant amounts. We briefly explain each of these factors below.

Figure 1: PILOT Grant Formula

Assessed value	x	Reimbursement rate	x	Mill rate	x	Proration Percentage	=	PILOT grant payment

- ***Assessed value***: The grant payment is tied to the PILOT-eligible property's assessed value. Annually by April 1, municipalities must report to OPM the assessed value of each PILOT-eligible property as of the prior October 1. OPM has until August 1 of the following year to audit these values and reevaluate a property if it believes the value the municipality submitted is inaccurate. Municipalities can request an administrative hearing with OPM to contest the reevaluations and, if they are aggrieved by the outcome, can appeal to Superior Court (CGS §§ 12-19b & 12-20b).

- ***Reimbursement rate***: PILOT reimbursement rates are statutorily set and based on the property's type (see Table 1 below).

- ***Mill rate***: The mill rate used to calculate the grant is the municipality's or fire district's mill rate that would have applied to the property if it had been subject to property tax for the respective grand list. So, for example, FY 27 PILOT claims are based on the 2024 grand list and FY 26 mill rates.

- ***Proration percentage***: Municipalities and fire districts generally receive 53%, 43%, or 33% of their PILOT grants, depending on their tier designation, as described below.

- ***PILOT grant payment***: The PILOT grant equals the product of this calculation. The actual payments are made by the state treasurer by September 30 of each year, 18 months after a municipality or fire district first requests the reimbursement (CGS § 12-18b(d)(4), as amended by PA 25-168, § 123; PA 25-174, § 189; and PA 26-68, § 488). (OPM must give Windham any PILOT grant due to a fire district wholly within its boundaries.)

PILOT Reimbursement Rates

Table 1 below shows the statutory PILOT reimbursement rates for the different types of PILOT-eligible property. The rates are generally 45% for state-owned property and municipally owned airports; 100% for correctional facilities or juvenile detention centers, tribal reservation land, and other specified properties; and 77% for college and hospital property.

Table 1: Statutory PILOT Reimbursement Rates

PILOT Program	Type of Property	Reimbursement Rate
State, Municipal, or Tribal Property	Correctional facility or juvenile detention center	100%
	John Dempsey Hospital permanent medical ward for inmates	100%
	Mashantucket Pequot reservation land (1) designated within the 1983 settlement boundary and (2) taken into trust by the federal government. (As of July 1, 2026, the 100% reimbursement rate applies to all Mashantucket Pequot reservation land taken into trust by the federal government)	100%
	Mohegan reservation land taken into trust by the federal government	100%
	State-owned real property in any municipality where more than 50% of the property is state-owned (Voluntown is the only municipality that qualifies)	100%
	Connecticut Port Authority-owned property and facilities	100%
	Connecticut Valley Hospital and Whiting Forensic Hospital	65%
	Municipally owned airports and any airport owned by the Connecticut Airport Authority, other than Bradley International Airport	45%
	All other state-owned real property	45%
College and Hospital Property	U.S. Department of Veterans Affairs Connecticut Healthcare Systems campus	100%
	Real property owned by private, nonprofit colleges	77%
	Real property owned by nonprofit general hospital facilities and freestanding chronic disease hospitals (including an urgent care facility that meets narrowly specified criteria)	77%

Source: CGS § 12-18b, as amended by PA 25-168, § 123; PA 25-174, § 189; and PA 26-68, § 488

Tiered-PILOT Proration

By law, if the amount appropriated for the PILOT grants each year is not enough to fully fund the grants according to the statutory reimbursement rates listed above, the grants must be prorated based on the municipality’s designation as a tier one, two, or three municipality. OPM determines each municipality’s tier designation based on (1) its per capita property wealth (its equalized net grant list (ENGL) per capita); (2) designation as an alliance district; and (3) percentage of state-owned property (CGS § 12-18b, as amended). For purposes of these tier designations, boroughs and fire districts receive the same ENGL per capita as the municipality in which they are located. Fire districts receive the same tier designation as the municipality in which they are located (CGS § 12-18b(d)(4), as amended by PA 25-174, § 189).

Table 2 below shows the statutory criteria and proration rate for each tier.

Table 2: Tiered PILOT Designations

Tiers	Percentage of PILOT Grant
Tier One: ENGL per capita of less than $100,000 (Also includes any municipality designated as an alliance district or in which more than 50% of the property is state-owned real property)	53%
Tier Two: ENGL per capita of at least $100,000 but no more than $200,000	43%
Tier Three: ENGL per capita exceeding $200,000	33%

By law, the prorated grant amounts must be proportionately increased or reduced if the annual appropriation for the grants is more or less than the amount needed to fully fund them at these percentages. However, by law, the total PILOT grants to each municipality and fire district cannot be less than what was received in FY 21 (CGS § 12-18b(d), as amended).

RP:ms