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Payment in Lieu of Taxes (PILT) to Nevada Counties in 1999: Eureka County

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Approximately eighty-three percent of Nevada's total land acreage is federally administered and local governments can't legally tax these lands. Former Bureau of Land Management Director, Jim Baca, stated "while federal lands provide important local recreational and economic opportunities, their tax exempt status can have fiscal impacts on the governmental units that surround them. These payments are beneficial to local governments, especially for sparsely populated counties that contain large acreage of tax exempt federal lands. These payments help provide vital services such as fire and police station, search and rescue operations and road construction." [1] In 1976, Congress authorized federal land management agencies to share income with state and counties and provide payment in lieu of taxes (PILT) program to help offset lost tax revenues.

In 1976, Congress authorized federal land management agencies to share income with state and counties and provide the PILT program to help offset lost tax revenues. Due to its distinction as the largest federal land management agency, the BLM was chosen by the Secretary of Interior to administer the PILT program.

The 1976 Act has undergone several changes since initial passage. In 1994, there were three sections in the Act that distributes money to the states: Section 6904, Section 6905 and Section 6902. Section 6904 authorized payments for lands acquired after December 31, 1970 that were additions to the National Park System or National Forest Wilderness Areas. These lands must have been subject to local real property taxes within the five year period preceding the acquisition by the Federal government. Payments are made annually for five years following the acquisition and are one percent of fair market value for these lands at the time of acquisition. The annual payments may not exceed the amount of taxes levied on the property during the year previous to the purchase. The Act stipulates that Section 6904 payments must be distributed to local governments and school districts that have incurred losses of real property taxes prior to the acquisition of these lands. Payments are distributed proportional to tax revenues which were levied by local governments and school districts in the year prior to the acquisition of these lands.

Section 6905 specifically applies to land within the Redwood National Park or the Lake Tahoe Basin. Payments are figured the same as Section 6904, but continue until the total amount equals 5 percent of the fair market value of the lands at the time of acquisition. These payments may be used for any governmental purpose.

Section 6902 payments are calculated using one of two procedures based on “entitlement lands” within the respective county. Entitlement lands refer to lands owned by the United States government and include lands in the National Park System, the National Forest System, lands administered by the Bureau of Land Management, or lands involved in Government water resource development projects. The two procedures employed for Section 6902 payments are either the Standard Method or Minimum Method of calculation. For a more detailed explanation, see University Center Technical Report UCED 2000/01-06. [2] A simplified procedure is presented in Table 1.

Table 1. Simplified Procedures to Calculate PILT Payments

I. Standard Method Calculation
   A. Eligible entitlement acres multiplied by the standard rate minus prior year revenue sharing payments equals estimated PILT payment.
   B. Estimated PILT payment is compared to the county population ceiling amount.
   C. Using the Standard Method, the estimated payment is the lesser of the two amounts.

II. Minimum Method Calculation
   A. Eligible federal entitlement acres multiplied by the minimum rate equals estimated PILT payment.
   B. Estimated PILT payment is compared to the county population ceiling amount.
   C. Using the Minimum Method, the estimated payment is the smaller of the two amounts.

III. The estimated payments for the Standard and Minimum Methods are compared and the larger of the two amounts is the PILT payment.

IV. Congress must authorize funding for PILT. In recent years, funding has not been at the 100 percent level. In 1999, Congress authorized a pro-rated share (41.025 percent) of PILT payments be paid to counties.

PILT payments are based on three factors:

- Eligible federal acres in the county
- Federal revenue-sharing payments going to the county in the prior year
- County population up to the pre-determined ceiling.

These factors are used in a process of two calculations, a standard and a minimum calculation. The different calculations are compared to each other in an approach similar to that of federal income taxes. Instructions direct the use of the smaller or larger of the two numbers. The Minimum Method Calculation is used when significant revenue sharing in the previous year would mean no PILT in the current year for the county. The main difference between the Standard and Minimum Method Calculations is that the Minimum Method uses a different per acre rate and does not take into account the prior year's revenue sharing payments.

Table 2 shows the calculation of PILT payments to Eureka County. Using the Standard Method, prior year's revenue sharing is only recognized as federal payments being allocated to the county general fund. Also notice that the Eureka population figure used for the calculations is 1,858, which is from the U.S. Bureau of Commerce. The Nevada State Demographer estimates Eureka County's 1999 population to be 1,930, which is not used for PILT calculations. *

Table 2. Calculation of 1999 PILT Payments to Eureka County, Nevada.

Standard Method Calculations		**Minimum Metho d Calculations**	
Acres of entitlement land	2,160,169	Acres of entitlement land	2,160,169
Multiplied by dollars per acre (standard)	$1.82	Multiplied by dollars per acre (standard)	$0.24
Subtotal	$3,931,508	Subtotal	$518,441
Subtract prior year's payments	$6,748		
<u>Estimated payment based on acreage</u>	$3,924,760	<u>Estimated payment based on acreage</u>	$518,441
Compared to:		Compared to:	
Population unit	1,858	Population unit	1,858
Multiplied by unit per capita rate	$121.15	Multiplied by unit per capita rate	$121.15
Subtotal	$225,097	Subtotal	$225,097
Subtract prior year's payments	$6,748		
Add Section 6904/5 payments	$0	Add Section 6904/5 payments	$0
<u>Est. payment population limited</u>	$218,349	<u>Est. payment population limited</u>	$225,097
Does the population ceiling apply?	yes	Does the population ceiling apply?	no
Smaller of Standard Method Calculations	$218,349	Smaller of Mininum Method Calculations	$225,097

Larger of Standard of Minimum calculations	$225,097
Congressionally mandated pro-rated share	0.41025
<u>Net payment to county</u>	$92,346

Table 2 shows that Eureka County should have received a PILT payment of $225,097 or $0.10 per entitlement acre. However after pro-rating this amount by 41.025 percent as mandated by Congress, Eureka County received only $92,346 in PILT payments or $0.04 per entitlement acre in 1999.

FOOTNOTE

* If the State of Nevada Demographer's population value of 1,930 persons in 1999 was used instead of the U.S. Bureau of Census figure of 1,858, Eureka County would have received an extra $3,578 in PILT payments in 1999.

REFERENCES

[1] News Release, Bureau of Land Management, July 27, 1993.

[2] Zimmerman, John and Thomas R. Harris. "An Update of Federal Land-Based Payments in Nevada." University Center for Economic Development, Technical Report UCED 2000/01-06, September 2000.