



CITY OF BALTIMORE
MAYOR BRANDON M. SCOTT

TO	The Honorable President and Members of the Baltimore City Council
FROM	Robert Cennane, Deputy Finance Director
DATE	May 12 th , 2025
SUBJECT	25-0036 Property Taxes – Baltimore City Payment in Lieu of Taxes Task Force

The Honorable President and
Members of the City Council
City Hall, Room 400

Position: Support with Amendments

The Department of Finance is herein reporting on City Council Bill 25-0036 Property Taxes – Baltimore City Payment in Lieu of Taxes Task Force, for the purpose of establishing the Baltimore City Payment in Lieu of Taxes Task Force; providing for the membership, staffing, compensation, and procedures of the Task Force; establishing the duties of the Task Force; requiring a certain annual report; defining certain terms; and generally relating to the Baltimore City Payment in Lieu of Taxes Task Force (PILOT).

Background

Nonprofit institutions in Maryland are exempt from property taxes if their property is used exclusively for charitable or educational purposes. However, the City bears a significant cost in providing essential services that these institutions benefit from, including public safety, street maintenance, street lighting, public-right-of-way cleaning and landscaping, and snow removal, among others. To account for these costs the City has traditionally sought voluntary contributions from the largest nonprofit institutions to the City's General Fund. The City currently has a ten-year agreement with the 14 largest educational and medical institutions that generates \$6.0 million annually. The current agreement expires at the end of Fiscal 2026.

Baltimore City is disproportionately impacted by Maryland's property tax exemption for non-profits in comparison to other Maryland counties. 27% of the City's assessed real property is exempt from taxation, which includes properties used for government, education, charitable, and religious purposes. By comparison, the sum of all other Maryland county's tax-exempt property is only 9.6% of its total. One result of the high proportion of tax-exempt property in Baltimore is that it shifts the tax burden onto other non-exempt entities. Baltimore City property owners pay a real property tax rate of \$2.248 per \$100 of assessed value, by far the highest county rate in the state of Maryland.

If the current parties to the non-profit PILOT agreement were paying full taxes, those institutions would contribute over \$105 million to the General Fund annually. The table below summarizes the current non-profit contributions versus the amount that would be due if those institutions were fully taxable:

Non-Profit Contributions Revenue at Full Taxation vs. Current PILOT Agreement					
<u>Colleges and Universities</u>	# of Properties	Exempt Assessment	Revenue Full Taxation	Revenue Current PILOT	Difference
Johns Hopkins University	159	\$1,139,061,526	\$25,606,103	\$1,860,426	(23,745,677)
Loyola University Maryland	73	\$238,791,900	\$5,368,042	\$329,630	(5,038,412)
Maryland Institute College of Art	33	\$159,412,977	\$3,583,604	\$69,554	(3,514,050)
Notre Dame of Maryland University	4	\$73,842,400	\$1,659,977	\$44,272	(1,615,705)
Total Colleges and Universities	269	\$1,611,108,803	\$36,217,726	\$2,303,882	(33,913,844)
<u>Hospitals</u>					
Johns Hopkins Hospital (East Balt. & Bayview)	21	\$1,371,944,500	\$30,841,312	\$1,399,972	(29,441,340)
University of Maryland Medical Center	101	\$707,419,929	\$15,902,800	\$930,158	(14,972,642)
MedStar (Harbor-Union Memorial-Good Samaritan)	13	\$191,008,825	\$4,293,878	\$558,322	(3,735,556)
Sinai LifeBridge	5	\$164,948,860	\$3,708,050	\$316,116	(3,391,934)
Mercy Medical Center	17	\$435,136,704	\$9,781,873	\$226,208	(9,555,665)
St. Agnes Health Care	1	\$209,422,575	\$4,707,819	\$190,462	(4,517,357)
Bon Secours	6	\$4,271,100	\$96,014	\$74,880	(21,134)
Total Hospitals	164	\$3,084,152,493	\$69,331,748	\$3,696,118	(65,635,630)
Combined Contribution	433	\$4,695,261,296	\$105,549,474	\$6,000,000	(99,549,474)

Policy Considerations

Council Bill 25-0036 establishes a 17-person Non-Profit PILOT Task Force, with members serving a four-year term. The Task Force would be tasked with recommending a standard formula for calculating PILOT payments for each tax-exempt hospital and university, as well as educating the public about PILOT agreements and the impact that property taxes have on the City budget. The bill also requires the Department of Finance, with assistance from the Task Force, to submit an annual report to the Mayor and City Council that summarizes the annual PILOT payments made by each participating institution and the status of any other obligations of those institutions under the PILOT agreement.

Although we appreciate the intent of the proposed Task Force, especially around the public education components, some of the tasks outlined for the Task Force in CCB#25-0036 are duplicative of work already underway. For example, the bill tasks the Task Force with recommending the standard formula by which PILOT payments would be calculated. The Department of Finance, in preparation for negotiating a new PILOT agreement beginning in Fiscal 2027, has already begun exploring best practices on calculation methods in other cities including Boston, Providence, and New Haven. One common model, which is still utilized by the City of Boston, is to set a standard voluntary contribution amount based on the size of the entity's real property assessment plus an estimate of the government services consumed by the tax-exempt entity. Some cities have also developed methodologies for entities to deduct the value of community benefits or partnerships, which tends to drive higher compliance overall.

Fiscal Impact

The Department of Finance expects a negligible financial impact from Council Bill 25-0036. Task Force members would not be paid but could be reimbursed for small expenses. The required staff support for the Task Force could be handled by existing staff in the Department of Finance.

Conclusion

The Department of Finance supports the intent of City Council Bill 25-0036, which is to raise awareness about the City's PILOT agreement with its largest non-profit medical and educational institutions. We suggest amending the bill to eliminate the requirement that the Task Force recommend a formula for future agreements, which is duplicative of work already being performed.

For the reasons stated above, the Department of Finance supports City Council Bill 25-0036.

cc: Michael Mocksten
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