

# What are PILOTs?

The idea behind PILOTs is that property values, and therefore tax collections, will rise after the TIF plan improvements have been completed. TIF allows the increase in property taxes to be used to reimburse the developer for certified project costs.

The difference between the taxes on the property before and after it becomes part of a TIF plan is called the PILOT; PILOT stands for Payment-In-Lieu-Of-Tax.

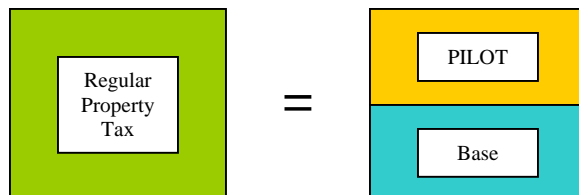


If there were existing tax on the property, the portion of property tax that existed before the TIF plan is called the “base”. Any tax amount larger than the base is then the PILOT.

Jackson and Platte County property owners receive one annual tax bill, which includes City and County, PILOT and base tax amounts.

Clay County property owners receive two bills; one for City tax, one for County tax. Both bills include PILOT and base amounts.

PILOT amounts are based on the actual assessed value of a property. The PILOT and any base tax add up to the same amount of tax that would have been charged if the property had not been in a TIF plan. The PILOT is NOT an additional “TIF tax”; it is a portion of the regular tax that can be redirected to the project.



# PILOTs Example:

## Before TIF:



Tract 1: Open Pasture, market value \$60,000

	<u>Residential</u>	<u>Commercial</u>
Value:	\$60,000	\$60,000
x Assessment Ratio:	<u>.19</u>	<u>.32</u>
Assessed Value:	\$11,400	\$19,200
x Tax Levy:	<u>0.0572</u>	<u>0.0572</u>
Tax:	<u>\$652.08</u>	<u>\$1,098.24</u>

## After TIF:



Tract 1: New development, market value \$700,000

	<u>Residential</u>	<u>Commercial</u>
Value:	\$700,000	\$700,000
x Assessment Ratio:	<u>.19</u>	<u>.32</u>
Assessed Value:	\$133,000	\$224,000
x Tax Levy:	<u>0.0572</u>	<u>0.0572</u>
Tax:	<u>\$7,607.60</u>	<u>\$12,812.80</u>

Market Value Increase:	\$ 640,000.00	\$ 640,000.00
Property Tax Increase:	\$ 6,955.52	\$ 11,714.56

Base tax:	\$ 652.08	\$1,098.24
PILOT*:	<u>\$ 6,955.52</u>	<u>\$ 11,714.56</u>
Total tax:	<u>\$ 7,607.60</u>	<u>\$ 12,812.80</u>

\*In this case, the PILOT dollars would be redirected to reimburse the developer for certified project costs, like building sewers, roads, and sidewalks for a new housing subdivision.

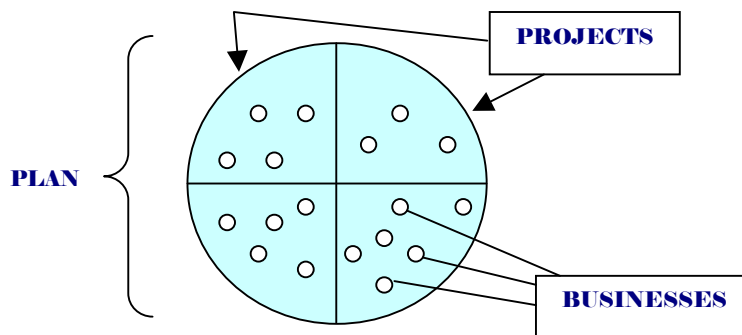
# What are EATs?

As we said before, the underlying principle of TIF is that tax collections will rise after TIF plan improvements are completed. Property taxes are not the only tax types to increase with new development. Economic Activity Taxes, or EATs, are the non-property-tax sources of revenue to the City, and these revenues also increase with new development. TIF allows half of the increase in tax collections to be used to reimburse the developer for the certified project costs.



Only new taxes are allowed to be reimbursed. To determine the amount of new tax, the City sets an EATs “base”. This base is the total taxes collected in the area in the year before the project was activated. 50% of any tax amount over that base, or “increment”, can be redirected.

A TIF plan can have many projects. Each project will have one base, and the taxes for all the businesses inside that project will be added together and counted against that base.



The City includes the following tax types in its definition of EATs:

- Corporate and Individual Earnings Taxes
  - also known as “profits” and “withholding”
- Sales Taxes, both on retail sales and on utilities
- Use Taxes
- Convention & Tourism Tax on Food/Beverage Sales
  - also known as “food/beverage” tax
- Utility Taxes
  - also known as “gross receipts taxes” or “franchise fees”



# EATs Example:

The following is a sample of an EATs calculation:

## PROJECT 1 OF TIF PLAN XYZ:

### Base Year Taxes:

<u>Profits</u>	<u>Earnings</u>	<u>Sales</u>	<u>Use</u>	<u>Utility</u>	<u>Food/Bev</u>	<u>Total</u>
\$200	\$2,000	\$15,000	\$1,000	\$800	\$1,000	\$20,000

### Current Year Taxes:

<u>Profits</u>	<u>Earnings</u>	<u>Sales</u>	<u>Use</u>	<u>Utility</u>	<u>Food/Bev</u>	<u>Total</u>
\$800	\$2,500	\$24,500	\$1,000	\$1,200	\$10,000	\$40,000

### Increment:

<u>Profits</u>	<u>Earnings</u>	<u>Sales</u>	<u>Use</u>	<u>Utility</u>	<u>Food/Bev</u>	<u>Total</u>
\$600	\$500	\$9,500	-\$0-	\$400	\$9,000	\$20,000

### TIF Reimbursement:

<u>Profits</u>	<u>Earnings</u>	<u>Sales</u>	<u>Use</u>	<u>Utility</u>	<u>Food/Bev</u>	<u>Total</u>
\$300	\$250	\$4,750	-\$0-	\$200	\$4,500	\$10,000

