



Limited Review of Department of Assessment Collection of Payments in Lieu of Taxes (PILOT) Revenue

What is this Report About?

This report was initiated to review the Payments in Lieu of Taxes (PILOT) revenue collection process in the Nassau County Department of Assessment. This includes determining if all PILOT payments were being collected, and if proper controls are in place to restore parcels to the tax rolls when PILOT agreements expire. Additionally, a review of the Nassau County Industrial Development Agency’s administration of PILOT agreements was conducted, including the monitoring and tracking of job creation.

What do IDA’s Do?

Industrial Development Agencies (IDAs) provide incentives to spur economic development and growth in specific localities through the operation of businesses, commercial real estate development and multi family housing, including senior and low-income projects. IDAs are public benefit corporations and are generally exempt from sales taxes. Benefits granted by an IDA may include property tax incentives and sales tax abatements. There are three IDAs in Nassau County: The Nassau County IDA, the Glen Cove IDA & the Town of Hempstead IDA.

What are PILOTs?

Payment in Lieu of Taxes (PILOTs) are a mechanism for collecting revenue to support municipal services, and payment is equal to the amount, or a portion of the taxes, which would have been levied by or on behalf of an affected tax jurisdictions if the project was not tax exempt by the agency’s involvement. PILOT agreements can provide for payments over a number of years.

What is the Process to Receive IDA Benefits?

- Application is made to the IDA in compliance with state and IDA-specific requirements.
- To be granted a tax exemption, title to ownership of or an interest in the piece of property or equipment is transferred to the IDA through a deed, lease, bill of sale or other conveyance document to bring the property under the IDA’s jurisdiction or control.
- Property is removed from the tax rolls, and the entities remit contractually determined PILOT payments equal to the amount of, or a portion of the real property taxes, which would have been levied if the parcels were not tax exempt.

What about Jobs?

Tax exemptions are granted to properties by the IDAs in exchange for benefits to the County such as the retention or creation of jobs. PILOT agreements specify the annual number of jobs which the project is expected to create and maintain. PILOT agreements also promote general economic development.

What Did We Find?

- Poor fiscal controls and lack of oversight and communication resulted in the loss of millions of taxpayer dollars. The Office of Assessment did not record nor receive Nassau County’s portion of PILOT revenue from the Town of Hempstead totaling \$7.6 million: \$5.2 million in 2017 and \$2.4 million for the first half of 2018. After this audit brought light to this issue, the County received a check for \$7.6 million from the Town of Hempstead.
- Over \$6 million in total potential PILOT revenues were lost because: the Department of Assessment failed to ensure that the Town of Hempstead billed expired PILOTs at the full assessed value until the parcels were returned to the tax roll; and because the Town of Hempstead did not notify the Department of Assessment of early termination of PILOT agreements.
- The County is owed over \$500,000 from the Nassau County IDA (NCIDA) for contractual staff work performed for the NCIDA, because the Department of Assessment never billed the NCIDA. These are greatly needed County General Fund revenues.
- The Nassau County IDA did not provide evidence regarding the monitoring and compliance of PILOT agreement employment benefits until *after* field work was complete, and in nearly half the sampled PILOT project agreements, employment goals were not met.

What Should be Done?

- This office has initiated a separate audit of the Nassau County IDA earlier this year, which is currently underway.
- IDAs must be held accountable for the administration of benefits by both government officials and taxpayers. It is therefore important that IDAs operate transparently.
- The Department of Assessment should investigate state legislation or PILOT contract wording that would require PILOT recipients to record their deeds within 30 days of expiration of the PILOT or incur a penalty.
- The Department of Assessment is in need of additional resources, procedures and strong internal controls. The current administration is working to increase the staffing in the Department, which is a positive start, however, significant operational issues must be addressed.

