

PILOT Presentation at TACIR Commission Meeting

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ATM—Who We Are

- Public Interest Advocacy Group in Chattanooga/Hamilton County.
- We focus on tax breaks.
- We focus on government transparency.

ATM Perspective on PILOTs

- Tax breaks are not inherently bad.
- Tax breaks must be reserved for projects with significant public benefit that pass the “**but for**” test.
- Companies must be held accountable for commitments they make to get the PILOT.
- Clawback language in PILOT agreements must protect the taxpaying public.
- Lack of policies and procedures provides fodder for taxpayers who wonder about corporate welfare and conflicts-of-interest.

Why This Issue of PILOTs Matters

- Tax Equity
- Social Justice

Local PILOTs—What is the magnitude?

- About \$20 million in uncollected city/county property tax revenue in TY 2017.
- About \$400 million in uncollected revenue over lifespan of current PILOTs. (Some last 30 years.)
- About 30 percent of parcels in Chattanooga have some form of tax exempt status (government, charitable, PILOT, TIF).

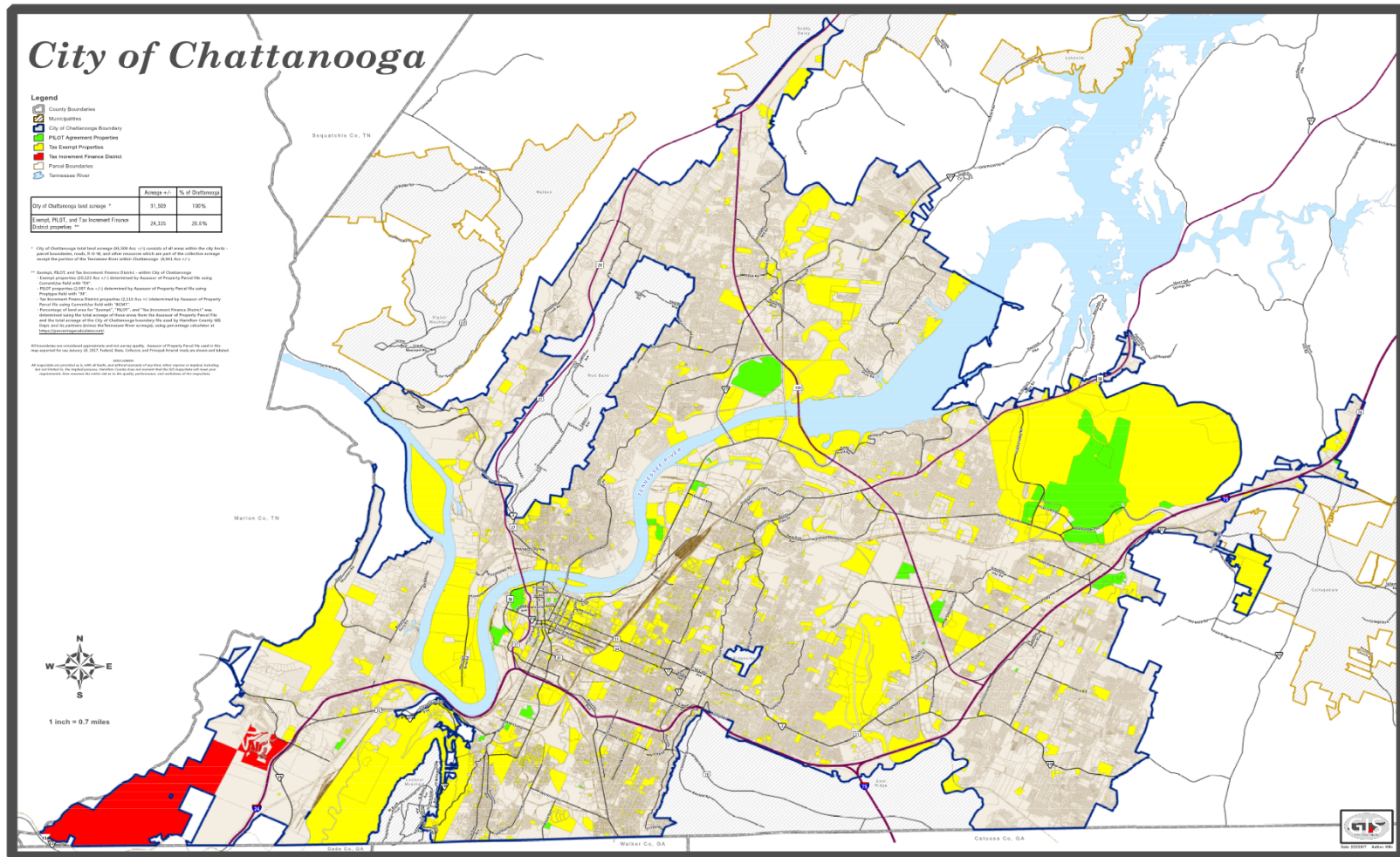
Why Do Local Officials Rarely Say No to PILOT Requests?

- Understandably, they want to be perceived as pro-business/ jobs.
- Inferiority complex?
- Only recently have they heard the “other side” of the story.
- They do not have policies to guide them.
- Site selection consultants are very good at the “dance.”
- The major players—attorneys and the Chamber—are attuned to business interests.
- Who is looking out for the public interest?

Local PILOTs—A Model Spreadsheet?

- Currently our local PILOTs are tracked by Hamilton County, the City of Chattanooga, and the State of Tennessee (SBOE).
- The tax abatement information does not match.
- The spreadsheet prepared by the Hamilton County Finance Department is the most complete and accurate.

ATM Map—Tax-Favored Properties



Common Ground for PILOT Reform

- Becoming more strategic about awarding and monitoring PILOTs resonates across the political spectrum.

“If an investment is sound, the market will make it. If it is not sound, why should taxpayers be asked to subsidize it.”

(David Cay Johnston, Pulitzer Prize Winning Reporter)

PILOTs—Ways the State Could Help

- Require local governments to adopt policies and procedures for vetting, monitoring and enforcing PILOTs.
- Legislate threshold criteria for granting a PILOT, ensuring significant public benefit and the “but for” test are met.
- Direct local governments to get an independent third-party opinion before granting a PILOT.
- Mandate that local education taxes be paid in full, state wide.
- Develop one model spreadsheet for city/county/state.
- Clarify that cities and counties may only abate their own taxes.