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Payments in Lieu of Taxes (PILT) to Nevada Counties in 2021: Nye County

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Introduction

Implementing public policy often involves steps and procedures that can be challenging to digest for policy-makers themselves, researchers and laypeople alike. This fact sheet outlines the procedures for calculating the level of federal payment from the Payments in Lieu of Taxes (PILT) Program. Approximately 80% 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 stations, search and rescue operations, and road construction."[1]

For Nye County, 100% of PILT payments, prior to their adjustments, were derived from Section 6902 payments. For all counties in Nevada, Section 6902 payments comprise 99% or more of PILT monies.

Background

In 1976, Congress authorized federal land management agencies to share income with states and counties and provide the Payment in Lieu of Taxes (PILT) Program to help offset lost tax revenues (Public Law 94-565). Due to its distinction as the largest federal land management agency, the BLM was chosen by the Secretary of the 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 distributed money to the states: Section 6904, Section 6905 and Section 6902.

Section 6902 authorizes payment to local government entities for "entitlement land" using one of two alternative payment schemes. "entitlement lands" are lands within the county that are part of the National Forest System, National Park System or Bureau of Land Management, or are part of federal water resource development.

Section 6904 authorized payments for lands acquired after Dec. 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 1% 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 before the purchase. The Act stipulates those 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 that were levied by local governments and school districts in the year prior to the acquisition of these lands.

Section 6905 payments pertain to government-held interests in the Redwood National Park or Lake Tahoe Basin after the passage of (P.L. 96-586, 94 Stat. 3383) in 1980. These payments continue until they total 5% of the fair market value of the lands at the time of their acquisition and cannot exceed actual property taxes assessed and levied on the property during the fiscal year prior to federal government acquisition.

Calculating PILT Payments: Nye County

Fundamentally, PILT makes two comparisons. The first is a comparison of land-based payment calculations with a standard rate less revenue-sharing adjustments to a minimum floor rate, but without any adjustments. The second is a calculation based on population with a Congressionally approved payment rate table based on population brackets that currently caps at 50,000 people and has a floor of populations of 5,000 or less. The maximum of these two land-based alternatives are then compared to a population-based ceiling payment

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

calculation. The minimum of the population-based ceiling and the land-based maximum found in the first comparison are then found. This can be expressed as:

$$PILT = \min[\max(A, B), C]$$

Where for fiscal year 2021,

A=($2.87/acre*Entitlement Acres)-Adjustments ,B=$0.41/acre *Entitlement Acres,
C=Pop Rate*Population

Under such a framework, counties with a large quantity of public lands are likely to reach the population-based ceiling payment rather than receiving a payment based on the land-based calculation, which is also exacerbated if the county has a small population.

STEP A: Calculate county's eligible acreage.

Entitlement acreage for Section 6902 payments (defined in Section 6901 of the Act) can be calculated by adding up the total acreage of each entitlement lands category, which are lands administered by:

1. Army installations (ARMY)
2. Bureau of Land Management (BLM)
3. Dredge disposal areas for the U.S. Army Corps of Engineers (USACE)
4. Land located in the vicinity of Purgatory River Canyon and Pinon Canyon, Colorado, acquired after Dec. 31, 1981, to expand the Fort Carson military reservation (URC)
5. National Forest System (FS)
6. National Park System (NPS)
7. National Wildlife Reserve Areas withdrawn from the public domain; U.S. Fish & Wildlife Service (FW)
8. Water resources development projects land; Bureau of Reclamation (BOR)

Table 1. Nye County Entitlement Acreage by Land Type, source DOI 2021 PILT National Summary

Step A: Calculate county's eligible acres.

Table 1 shows the decomposition of the entitlement acreage by land type based on the 2021 PILT Annual Report Schedule 3.

Land Type	Acres
ARMY	0
BLM	6,469,673
BOR	0
FS	1,961,201
FW	9,461
NPS	106,971
URC	0
USACE	0
TOTAL ACRES	8,547,306

STEP B: Calculate ceiling payment based on population.

There are sliding scale-based payment ceilings starting at $77.36 for populations over 50,000 to $193.39 per capita for populations less than or equal to 5,000. If the standard calculation for all counties in the PILT Program calculation ($2.87/entitlement acre*# of entitlement acres) is greater than the ceiling, payment is then based on the ceiling. Below is a graph of the 2021 rate schedule for the ceiling payment calculation from Table 2 of the 2021 Annual PILT Report.

There is a steeper drop-off in dollars per person received using the ceiling calculation for counties with populations between 5,000 and 10,000.

Figure 1. 2021 Population Ceiling Payment Rate
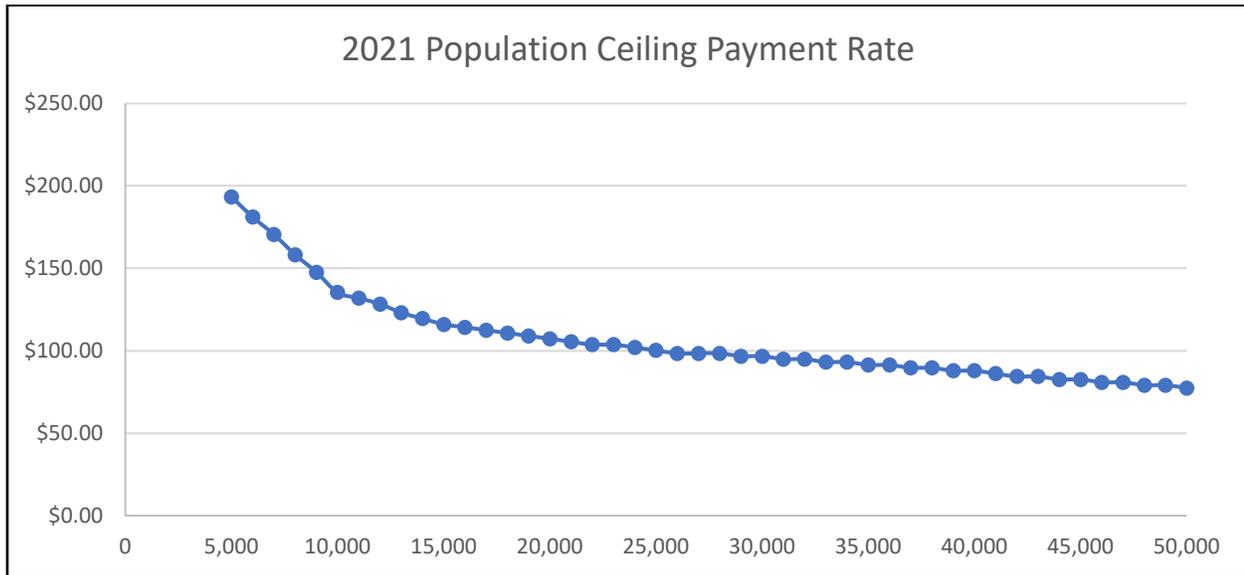
Using the latest population count as provided by the U.S. Census Bureau, population figures of 5,000 or more are rounded to the nearest thousand. The maximum population count for purposes of the Act is 50,000.

Table 2. Ceiling Calculation for Nye County, 2021

	Nye County
Population Estimate (2019)	46,523
Rounded Population Estimate 2019 if Over 5,000	47,000
Apply 50,000 Population Cap (if applicable)	47,000
Population Unit	47,000
Population Unit Rate	$80.89
Population Cap x Population Unit Rate	$3,801,830
Less Deduction for Prior Year Revenue-Share Payment	$788,054
Population Limit - Prior Year Revenue-Share Payment	$3,013,776

Step C: Choose the greater of Alternative A or Alternative B.

Alternative A: Pick the lesser of (1) eligible acres * @ $2.87/acre or (2) county's ceiling payment. From the lesser amount, subtract previous year's payment from all eligible lands.

Alternative A: $2.87/Entitlement acre within governmental unit boundaries, less other federal land payments already received in the prior fiscal year. If a states' laws require passing funds to financially and politically independent school districts apart from the governmental unit under examination, then only county-level prior-year payments made by other revenue-sharing programs are deducted in the Alternative A calculation.

Table 3. Alternative A: Standard Method Calculation for Nye County, 2021

	Nye County
Acres of Entitlement Land	8,547,306
Multiplied by Dollars Per Acre (standard rate)	$2.87
ALT A GROSS	$24,530,768
Deduction for Prior Year Revenue-Share Payment	$788,054
ALT A: Net Amount Before Population Limitation	$23,742,714
Applying Lower of: Alt A Net Amount vs. Population Limit - Prior Year Revenue-Share Payment	$3,013,776

Nye County's Alternative A calculation is greater than the ceiling payment, thus the ceiling figure is chosen for Alternative A.

Alternative B: Pick the lesser of (1) eligible acres * $0.41/acre or (2) county's ceiling payment.

Alternative B: $0.41/Entitlement acre within the governmental unit with no deductions made.

Table 4. Alternative B: Minimum Method Calculation for Nye County, 2021

	Nye County
Acres of Entitlement Land	8,547,306
Multiplied by Dollars Per Acre (minimum rate)	$0.41
MIN RATE GROSS	$3,504,395
Lesser of: Population Limit and Minimum Rate Amount	$3,504,395

Nye County's Alternative B minimum payment is less than the ceiling calculation, so the minimum rate calculation figure is chosen in Alternative B. It should be noted that in the 2021 Annual Report "Alt B" calculation, revenue-share payments are not included as a deduction to get the population ceiling figure for "Alt B," as was done in "Alt A".

Choose the greater of these two amounts. This is the Section 6902 payment amount.

The $3,013,776 in Alternative A is greater than $3,504,395 in Alternative B. Section 6904 and Section 6905 payments are then added to obtain the total gross payment. If the total gross payment is over $100, it is prorated, and the adjustment for the prior year is made. The $100 gross payment threshold is set by Department of the Interior.

STEP D: Appropriate funds. Does funding cover authorization?

Table 5. Prorated and Adjusted Total PILT Paid, 2021

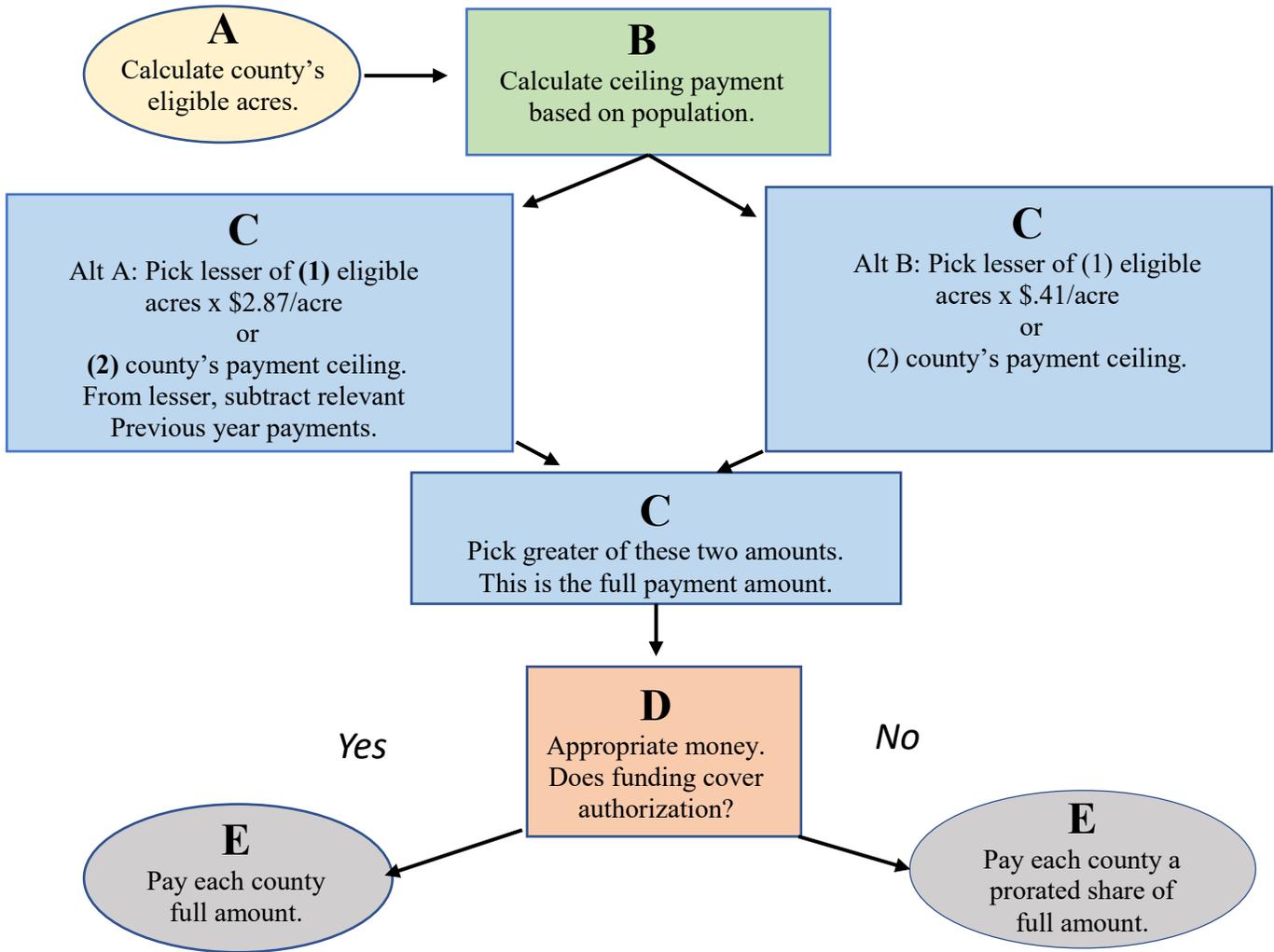|	Nye County
6902 Payment	$3,504,395
06904/05 Payments	$0
Total Payments	$3,504,395
Prorated 99.92573459%	$3,501,792.91
Prior Year Adjustments	$4
Total PILT This FY	$3,501,796

For the 2021 fiscal year, a 99.92573459 % prorate was applied, with the prior year adjustment yielding $3,501,796. The amount of proration is determined by Congressional budget appropriation and approval, as well as administration costs that are typically about $400,000. If funding limitations prevent full funding, the differential shortfall is not carried forward to future years. For example, if total PILT calculations for all counties total $500 billion, but Congress only approves $450 billion or 90% prorated, notwithstanding the administration costs, then the total expected payment from the program calculation will be similarly adjusted downward. Prior year adjustments may stem from either revenue-sharing program adjustments or corrective rounding adjustments.

STEP E: Pay each county a prorated share of full amount.

Nye County would expect to receive a final PILT payment of $3,501,796.

How Are PILT Payments Calculated?

The diagram below is adapted from the Congressional Research Service's (CRS) PILT (Payments in Lieu of Taxes): Somewhat Simplified Report (Figure 1), but has been modified for 2021 payout figures.

A — Calculate county's eligible acres.

B — Calculate ceiling payment based on population.

C — Alt A: Pick lesser of **(1)** eligible acres x $2.87/acre or **(2)** county's payment ceiling. From lesser, subtract relevant Previous year payments.

C — Alt B: Pick lesser of (1) eligible acres x $.41/acre or (2) county's payment ceiling.

C — Pick greater of these two amounts. This is the full payment amount.

D — Appropriate money. Does funding cover authorization?

Yes

E — Pay each county full amount.

No

E — Pay each county a prorated share of full amount.

[2, 3]

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[2] Relevant prior year payments become relevant and arise under two circumstances: 1) truncation or rounding of the proration factor, and 2) revised acreage.

Department of the Interior has some latitude in discretion of correction authority to defer minor administrative adjustments to the proration rate.

[3] After the signing by the President of the Consolidated Appropriations Act in 2021, $400,000 is allocated toward administering the program. Remaining authorized funds are allocated to cover payments to counties that are authorized under the calculation.

REFERENCES

1) Fiscal Year 2021 Payments in Lieu of Taxes National Summary, U.S. Department of the Interior
2) PILT (Payments in Lieu of Taxes): Somewhat Simplified, authored by Katie Hoover, Specialist in Natural Resources Policy at the Congressional Research Service, 2017
3) Nye County Fiscal Year 2021 PILT Information Sheet, U.S. Department of the Interior