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Payments in Lieu of Taxes Explained: What Do They Mean for New York City?

August 20, 2025 – The New York City Independent Budget Office is publishing a report reviewing the City’s use of **PILOTs** (payment in lieu of taxes) agreements.

PILOTs are recurring payments from a property to the City or a public authority in place of traditional property taxes. Many different properties enter into PILOT agreements, from large scale development projects like Hudson Yards and the World Trade Center to smaller industrial and manufacturing sites across the five boroughs. IBO’s [report](#) profiles major public authorities that negotiate and manage these agreements and highlights the variation in benefits.

PILOT agreements are typically used to:

- Provide tax discounts as incentives for economic development
- Set special financing arrangements for certain projects
- Ensure that private uses of tax-exempt public land are treated similarly to taxable private property

When a PILOT payment is less than the property’s full tax liability, the difference (known as the PILOT benefit) represents forgone tax revenue for the City. While proponents view PILOT benefits as a way to attract new investment and jobs, critics see them as opaque tax breaks that reduce City revenue—a tradeoff IBO’s report does not assess for economic return but does quantify in forgone tax dollars, as calculated by the Mayor’s Office of Management and Budget (OMB).

In fiscal year 2024, commercial properties with PILOT agreements paid \$688 million to the City or their respective PILOT managers. Queens and Brooklyn have the most PILOT agreements, while Staten Island has the fewest. Properties in the Bronx paid about 15% of what they would owe under full property taxation, while in Manhattan, PILOTs covered approximately 63% of the full property tax liability. Despite this, Manhattan continues to receive the largest dollar benefit from PILOT agreements due to the size and value of those properties.

The level of transparency in each PILOT agreement varies. Local Law 73 requires OMB to submit quarterly reports to the City Council detailing who collects and spends PILOT





funds and, in many instances, how much each property owner benefits relative to their full property tax bill. IBO compiled a dataset of quarterly reports from fiscal years 2020 through 2024, available for download on the agency website. This [dataset](#) allows users to understand the breadth and scope of PILOTs by location, size, and authorizing public authority.

