



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

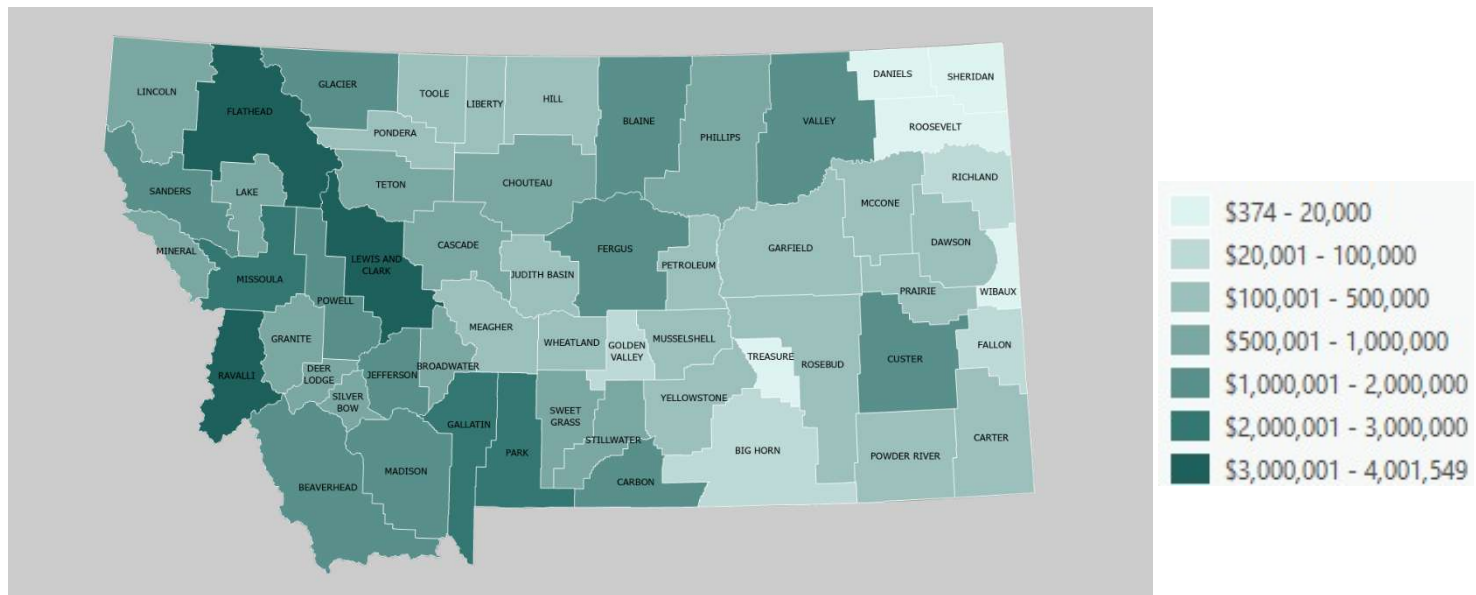
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Federal Payment in Lieu of Taxes (PILT) Program

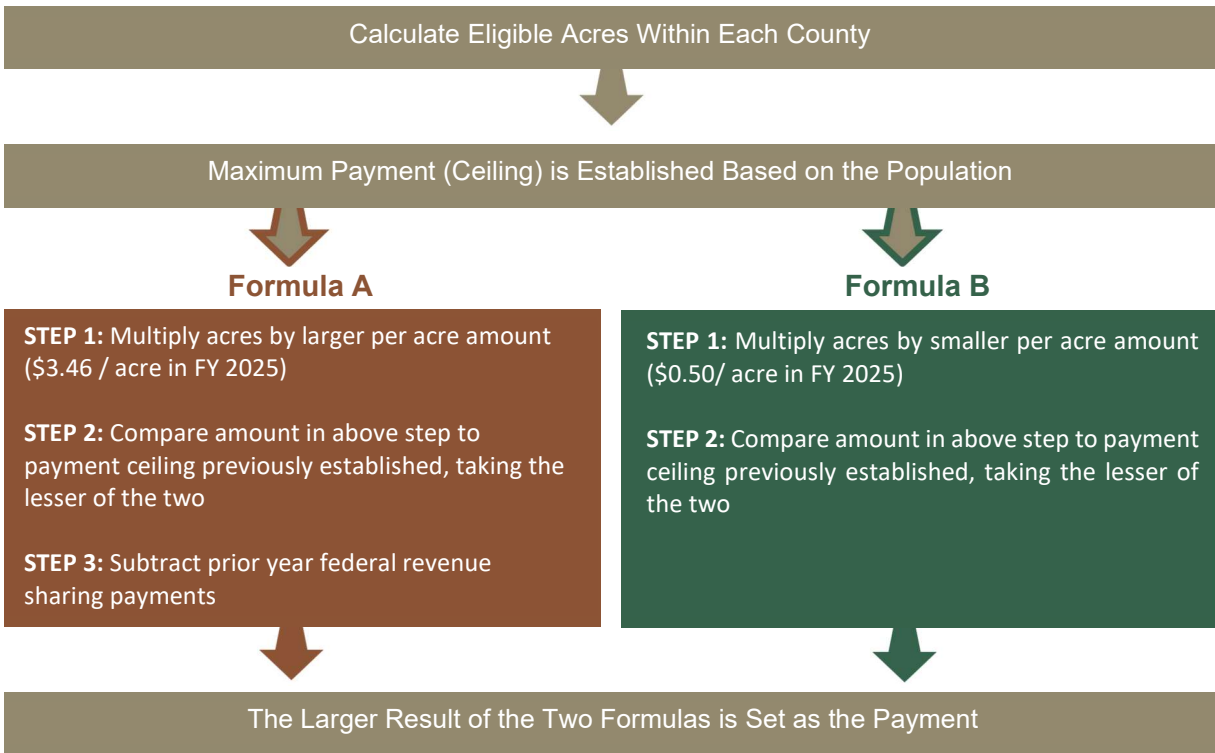
Established by the federal government in 1976, the federal payment in lieu of taxes (PILT) program provides compensation to state and local governments for tax-exempt federal land within their jurisdictions. Federal tax-exempt land refers to acres of federal land which are situated within the tax jurisdiction of a local government, commonly counties, on which they are not able to levy property taxes. Through a formula-based calculation, the federal government reimburses the local governments for this loss in revenue. Since some jurisdictions use PILT revenues in lieu of property taxes, changes in federal PILT payments to local governments can influence property tax levies.

Areas considered under this classification of federal land include National Park Service, Bureau of Land Management, Bureau of Reclamation, US Forest Service, and others. Within the State of Montana there are 27.5 million qualifying acres. Flathead County holds the largest share of eligible acres (2.4 million acres), followed by Beaverhead County (2.1 million acres) and Lincoln County (1.7 million acres). Within FY 2025, \$46.6 million in federal PILT payments was paid to Montana counties. Below is a map illustrating the distribution of these funds.



Although the amount of tax-exempt land within a local government plays a large role in the payment received, there are several other factors of note in this formulaic payment. The federal government utilizes two different formulas to calculate the federal PILT payment, with the larger of the two being paid to counties. The primary difference between the two formulas is the subtraction of federal revenue sharing payments made in the prior year. These payments come in a variety of forms, including federal mineral royalty and lease revenue¹, Taylor Grazing Act revenue, federal forest receipts², and Secure Rural Schools funding, to name a few.

¹ A brochure on federal mineral royalties has been produced by the Legislative Fiscal Division and can be found [here](#).
² The Legislative Fiscal Division has a brochure on federal forest receipts that can be found [here](#).



Hypothetical Example

- 500,000 acres of federal tax-exempt land
 - Population of 15,000
 - Payment Ceiling of \$2.1 million (based on 2025 calculation by US Department of Interior)
- Prior Year Payments include:
- \$18,000 in mineral royalties
 - \$2,000 in Taylor Grazing Act revenue
 - \$150,000 in federal forest receipts

