

# Tax Abatement

**Q: Our tax search indicates that our property is part of a tax abatement program. Is there anything special we need to do?**

A: Yes; take the following exception in the policy:

The insured land appears to be benefitted by a tax abatement; policy excepts the lien of any real property taxes which may attach by reason of restoration or reactivation of taxes, including but not limited to the retroactive imposition of real property taxes, resulting from a transfer or lease of the land to a person or entity not entitled to the abatement, or the use of the land for a purpose for which the abatement does not apply, or the failure of the owner of the land to comply with the terms and conditions of any agreement with the municipality regarding the abatement.

Tax abatement programs (sometimes referred to as "PILOT" or "Payment in Lieu of Taxes") are one method that municipalities use to encourage urban renewal and redevelopment. Developers and municipalities enter into an agreement regarding development and use of the land which provides for a tax abatement for a specific period. That agreement typically includes limitations on use, ownership, etc. which if violated permit the municipality to reinstate and sometimes retroactively impose taxes at the municipal rate.