Bridging the Verification Gap on PA Prisoner Payments

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Brief Analysis

Amid mounting economic and security pressures in the West Bank, only a U.S.-led mechanism can credibly determine Palestinian compliance with the Taylor Force Act and help promote wider stability.

In July, the Palestinian Authority released a review with the consultant Alvarez & Marsal (A&M) aimed at demonstrating reform of its longstanding prisoner payment system and specifically affirming the switch to a needs-based welfare program. But Israel immediately rejected the report's findings, insisting that "pay for slay" remains official PA policy. The U.S. Department of State was equally dismissive of the report, which Washington had requested, **noting (https://www.timesofisrael.com/us-claims-pas-prisoner-payments-reform-a-con-dismissing-audit-that-suggests-otherwise/)** that the review "alone cannot serve as any proof" that the payments to Palestinian prisoners and their families have ended, and accusing the PA of trying to "mislead the international community."

As a practical matter, the success of Palestinian reforms will determine whether direct U.S. economic assistance to the PA can resume after it was halted in 2018 following congressional passage of the Taylor Force Act. More broadly, the dispute has become a deep source of mistrust between Israeli and Palestinian leaders at a moment when their security coordination remains a lonely pillar of cooperation in the West Bank. Amid competing claims, only a credible verification mechanism acceptable to both sides has the potential to resolve this problem.

Evolution of the Taylor Force Act

he current controversy can be traced to March 2016, when a West Point graduate named Taylor Force was killed by a Palestinian attacker while in Israel on a study-abroad trip. The ensuing bipartisan outrage arose from the perception that the killer was motivated by the prospect of generating PA financial support for his family. Thus, the law halted assistance to the PA "unless and until Palestinian officials cease certain payments deemed under U.S. law to be 'for acts of terrorism.'" Specifically, the PA would lose approximately $165 million in annual U.S. assistance until the State Department could certify that the governing body had taken verifiable steps to end terrorism-related payments, repeal the underlying laws, combat violence under its jurisdiction, and publicly condemn and investigate terrorist attacks. Notably, Israel enacted its own version of the Taylor Force Act in 2018, a measure that involved cutting comparable sums from Palestinian tax transfers.

For years, Palestinian officials defended the payments as a social obligation to families whose principal breadwinner had been imprisoned or killed, arguing that the government should honor the prisoner's sacrifices. U.S. and Israeli officials countered that the system incentivized terrorism by linking higher benefits to length of prison sentence and therefore severity of offense. To resume U.S. economic assistance, which undoubtedly helps reinforce West Bank stability, the Biden administration encouraged the PA to replace the prisoner payment system with a needs-based welfare program for families that would sever any connection between financial assistance and terrorism-related offenses.

Those efforts culminated in PA President Mahmoud Abbas's 2025 executive decree establishing a needs-based system. To implement the reforms, the PA tapped an entity known as the Palestinian National Economic Empowerment Institution. Under the revised framework, eligibility for financial assistance explicitly prohibits consideration of imprisonment, detention, political affiliation, or ideology.

In contending that politically difficult changes are taking hold, PA officials point to domestic protests over reduced prisoner benefits. They also note that Minister of Finance Omar Bitar was dismissed in late 2025 after he was accused of maintaining elements of the previous payment structure. Such steps apparently gave A&M sufficient assurance to make its case, but neither Washington nor Jerusalem has been similarly persuaded.

Disputing PA Claims on Payments

In response to Palestinian claims about domestic protests, Israeli officials contend that these protests have largely involved Hamas, Palestinian Islamic Jihad, and other non-Fatah constituencies. They argue further that discreet channels of financial support remain intact for the more politically elite prisoners linked to the dominant Fatah party. U.S. officials likewise note that the A&M review examined only the formal welfare program and did not investigate allegations that payments continue through unofficial salaries, pensions, cash transfers, or other indirect channels.

Drawing particular U.S. attention are approximately 3,400 Bank of Palestine accounts that allegedly still facilitate payments to prisoners and their families using the old system. Palestinian officials categorically deny these allegations and insist that the system is fundamentally changed.

U.S. skepticism extends beyond the Bank of Palestine accounts. In a report to Congress earlier this year, the State Department **cited (https://www.state.gov/releases/bureau-of-near-eastern-affairs/2026/04/report-to-congress-on-palestinian-payments-for-acts-of-terrorism-and-limitation-on-assistance-to-the-west-bank-and-gaza)** a January 28, 2026, publication by the Palestine Liberation Organization's Commission of Detainees and Ex-Detainees Affairs identifying fifty-two released prisoners who were instructed to update their banking information to continue receiving monthly salaries from the PA/PLO. U.S. officials cited the announcement as further evidence that the previous payment system was not fully dismantled.

Whether the disputed bank accounts are ultimately shown to be official PA mechanisms, third-party conduits operating with tacit approval, or something else entirely, the controversy itself has become a central policy obstacle. Israeli officials argue that only intelligence agencies—not traditional financial auditors—possess the tools necessary to detect concealed financial transfers and indirect compensation. Palestinian officials counter that they cannot rebut allegations based on intelligence they are not permitted to examine. The result is a verification gap that neither public reviews nor political declarations have been able to bridge. Absent State Department certification to Congress that "pay for slay" has ended, the Taylor Force Act will remain in effect, with growing consequences for the West Bank and mistrust between the parties.

What's at Stake

The lost State Department revenues hardly constitute the only financial challenge faced by the PA. Since the Hamas-led attack on October 7, 2023, Israeli Finance Minister Bezalel Smotrich has withheld all tax revenues collected on the PA's behalf, which beforehand amounted to roughly $300 million per month, or nearly 70 percent of PA revenues, according to Palestinian officials. The governing body is thus facing its gravest fiscal crisis in decades.

The crisis has been compounded by Israel's decision to bar approximately 140,000 West Bank Palestinians from working in Israel, depriving the territorial economy of an estimated $5 billion per year. (This excludes the 70,000-or-so Palestinian workers who still illegally enter Israel every day but do not contribute to PA revenues.) The resulting fiscal strain has forced the PA to pay only partial salaries across its civil service. Senior Palestinian officials say the reductions have affected the entire bureaucracy. At a time when effective Palestinian leadership is urgently needed in both the West Bank and Gaza, restoring confidence in—and financial support for—the PA has become increasingly important.

This financial deterioration carries security implications. Israeli security officials have long viewed a functioning PA with which it can engage in security coordination as serving Israel's own interests despite profound political disagreements. Yet the PA's worsening fiscal crisis risks undermining this enterprise. Restoring U.S. support for the Authority will remain difficult as long as the prisoner payment controversy remains unresolved.

The Case for a U.S.-Led Mechanism

As the situation stands, competing public statements have increased acrimony between the two sides, and conventional audits have proven insufficient to determine Palestinian compliance. The United States should therefore rebuild confidence by establishing a joint verification mechanism that brings together American intelligence, diplomatic, financial, and law enforcement experts with Israeli and Palestinian security and financial officials. Unlike a traditional audit, this mechanism would examine allegations that payments continue through concealed or indirect channels inaccessible to outside accounting firms.

Through this process, Israeli authorities should confidentially provide the evidentiary basis for their allegations, including intelligence concerning the approximately 3,400 disputed Bank of Palestine accounts and other suspected payment mechanisms. In turn, the PA should grant investigators comprehensive access to relevant banking, payroll, pension, and welfare records. Progress should be measured against transparent benchmarks rather than competing political narratives. The PA would likely welcome greater U.S. involvement as a sign that Washington seeks an objective determination, and Israel should welcome a mechanism that rigorously tests its intelligence claims while reinforcing the need to eliminate any remaining payment channels.

The findings of the verification mechanism should be briefed to the U.S. Congress, the UN Security Council, and American partners in the region. (Israeli officials will invariably be asked by U.S. representatives if they have dissenting views.) The United States should likewise publicize any Palestinian failure to implement requirements arising from the verification effort.

Domestic pressures ahead of Israel's election in October will undoubtedly delay launching such a mechanism, but quiet preparation should begin now. Without Israeli intelligence sharing and meaningful Palestinian financial transparency, Washington will remain unable to determine whether the PA has met the statutory requirements of the Taylor Force Act.

Conclusion

Ultimately, the debate over prisoner payments is no longer about legislative reform but about implementation. The PA has enacted changes that on paper substantially alter the previous system, but questions remain over whether they have been fully implemented or else circumvented through alternative mechanisms.

Resolving this fundamental question is essential not only for restoring U.S. economic assistance to the PA and ending Taylor Force restrictions, but also for rebuilding confidence between Israeli and Palestinian security institutions at a time of mounting economic and security pressures in the West Bank. Without sustained U.S. leadership, both sides are likely to remain locked into their competing narratives. A rigorous, intelligence-informed verification mechanism offers the best opportunity to test PA claims of genuine reform and determine whether broader U.S. assistance to the PA can once again become possible.

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