

EFFECT ON WASTE DISPOSAL COSTS AND TAXES

Q: How much money would PAYT save us?

A: Considering only the savings on incineration expenses (and ignoring any savings in collection costs), the PAYTAC calculated that PAYT can save about \$300,000 in FY2004.

Q: Will PAYT result in a reduction in the amount I pay in property taxes?

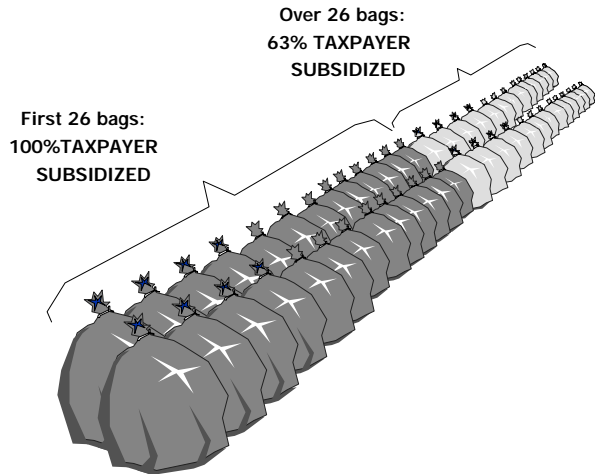
A: Yes. PAYT reduces taxes in two ways: By lowering waste management expenses (because there is less trash) and by allowing PAYT revenues to be used to provide tax relief. As proposed in the FY2002 budget, PAYT will result in the Town of Lexington cutting property taxes below the Proposition 2 1/2 levy limit. So far as we can determine, this is the first time since the passage of Prop 2 1/2 that the Town has made a commitment to taxing below the levy limit. The reduction in the tax rate is entirely due to PAYT.

Q: I'm don't understand why the PAYT tax reduction is bigger than the "savings" mentioned in the PAYTAC report. Could you explain?

A: PAYT reduces Town waste management expenses by reducing the tonnage we send to the incinerator. This is clearly a savings to taxpayers since it represents money that doesn't have to be raised in taxes. Revenues still have to be raised to cover the remaining waste management expenses. These revenues will come from a combination of PAYT tag/label/permit sales and taxes. The further reduction in property taxes achieved by applying PAYT revenues to tax relief is different from the savings in expenses. It is more properly viewed as a reduction in taxpayer subsidy for households that generate larger amounts of trash.

Q: So PAYT gives me a tax cut and an additional expense at the same time, and my trash generation determines whether I come out ahead?

A: That's right. One way of describing it is this: PAYT will give you a property tax reduction. How much of that deduction you get to keep depends on how many trash tags or labels you buy during the year. If you are careful about recycling and how you use your tags, you will keep most of the tax cut. If you generate a large amount of waste, you will be giving the tax cut back in the form of tag/label purchases.



Under PAYT only the first 26 bags of trash receive full taxpayer subsidy.

Q: And if we did not do PAYT what would the result be?

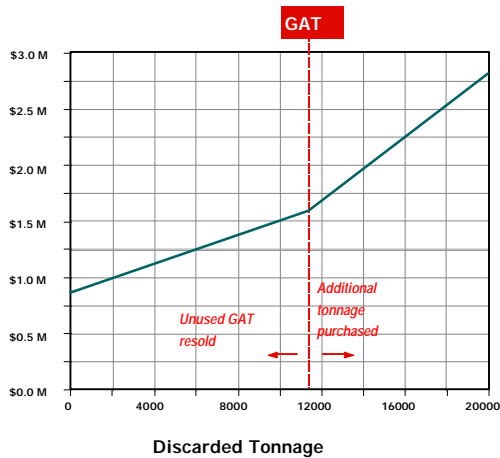
A: Without PAYT, the town pays the additional incineration expenses caused by increased waste tonnage and simply increases taxes to cover 100% of the resulting cost. The cost allocated to each household is then determined entirely by the Town budget process and not by any individual decisions about trash generation.

Q: What if we did not do PAYT, but instead emphasized recycling education and went to weekly recycling pick-up?

A: Such a program would be worthwhile, but data from other communities provides evidence that it would not provide the savings achievable through PAYT. It could not be expected to reduce the volume of non-recyclables. And it would impose additional collection expenses. The result would be some improvement in recycling rate, very little waste reduction, and an increased tax burden.

Q: Can we save money by recycling despite the Guaranteed Annual Tonnage (GAT) requirement under the NESWC contract?

A: Yes. If we send less than the GAT limit to the incinerator, we can sell the unused tonnage and save money (see figure).



(SMAT C.17)

Figure 4 Net tipping fees are the costs of tonnage purchased less revenues from unused GAT that is resold.

Q: Why isn't it to my advantage to insist upon getting as many free services from the Town as possible?

A: The Town cannot really offer "free" services. In reality, the Town decides what services will be provided, the Town budget is set to reflect the cost, and the taxpayers get the resulting bill. The idea that trash disposal is "free" is an illusion that results from the disposal costs being hidden in a combined tax assessment. One of the reasons PAYT works is that it makes it clear to people that additional trash generation costs money. Some people do not want to receive this reminder, but most residents appreciate the fact that PAYT costs them less than "free" disposal service paid for by the tax levy.

Q: After deducting the cost of the tags from my tax savings, will I pay more or less for trash disposal under PAYT?

A: The majority of households will pay less for waste management services. But it depends on how much waste you generate. A detailed study of household benefits is available from the PAYTAC. Senior citizens in particular will benefit because they tend to put out less trash than the average household. Generally, only households that continue to put out two or three times the average level of trash would experience a net increase in waste disposal expenses. In considering these results, it is important to remember that the benefits of PAYT extend far beyond the Town budget to include savings in health costs, environmental costs, jobs created in the recycling industry, etc.. These benefits are enjoyed by everyone and they appear to exceed the savings derived through the Town budget.

Q: Have we considered the loss of Federal income tax deductibility that occurs when we pay lower local taxes for waste management?

A: Yes, this question was examined by the PAYTAC and is reflected in their benefits assessment. The basic answer is that taxpayers don't come out ahead by increasing local waste management expenses in order to get Federal tax deductions. Under PAYT about 37% of the town waste management expenses might be removed from the tax levy and this will result in a reduced Federal tax deduction for those residents that itemize deductions. This reduces but does not eliminate PAYT savings. Note that the answer to this question is different for the "trash fee" concept since that approach does not produce the PAYT cost savings that in most cases compensate for the loss of Federal deductions.