



**STATE BOARD OF EQUALIZATION
STAFF LEGISLATIVE ENROLLED BILL ANALYSIS**

Date:	Enrolled	Bill No:	<u>Assembly Bill 8</u>
Tax Program:	California Tire Fee	Author:	Perea & Skinner
Sponsor:	See Comment 1	Code Sections:	PRC 42885 & 42889
Related Bills:		Effective Date:	Upon Enactment

This analysis will only address those provisions that impact the State Board of Equalization (BOE).

BILL SUMMARY

Among other provisions, this bill maintains the California tire fee at \$1.75 per tire until January 1, 2024. Without a change, the rate is scheduled to be reduced from \$1.75 to \$0.75 per tire beginning January 1, 2015.

ANALYSIS

CURRENT LAW

Public Resources Code (PRC) Section 42885 imposes a California tire fee of one dollar and seventy-five cents (\$1.75) per tire on every person who purchases a new tire. Beginning January 1, 2015, the tire fee is reduced to seventy-five cents (\$0.75) per tire.

Retailers are required to collect the tire fee from the purchaser at the time of sale. A retailer may deduct 1.5% of the total tire fees collected as reimbursement for costs of fee collection and remit the remaining fees to the BOE for deposit in the California Tire Recycling Management Fund. The percentage of reimbursement for retailers' costs of fee collection will be raised to 3% beginning January 1, 2015.

PRC Section 42889 requires the BOE to transfer seventy-five cents (\$0.75) of the fee per tire to the Air Pollution Control Fund, administered by the State Air Resources Board (ARB). The annual Budget Act appropriates the remainder in the California Tire Recycling Management Fund to the Department of Resources Recycling and Recovery (CalRecycle). The funding for the waste tire program will only be appropriated to CalRecycle on and after January 1, 2015.

The BOE administers and collects the California tire fee on behalf of CalRecycle and ARB in accordance with the Fee Collection Procedures Law.¹

PROPOSED LAW

This bill amends PRC Section 42885 to set the California tire fee at \$1.75 per tire until January 1, 2024. The bill also amends PRC 42889, to continue transfers of \$0.75 per tire to the Air Pollution Control Fund until January 1, 2024.

BOE functions are not affected by other provisions in the bill. Unrelated provisions include air quality improvement projects, clean transportation technologies and alternative fuel programs.

This bill is effective immediately; if enacted, the tire fee rate would not change.

¹ Part 30 (commencing with Section 55001) of Division 2 of the Revenue and Taxation Code.

BACKGROUND

In 2006 the Legislature passed AB 1803 (Ch. 77, Stats. 2006), a budget trailer bill that implemented the Resources and Environmental Protection Budget. The bill maintained the tire fee at \$1.75 per tire until January 1, 2015, and provided a substantial and long-term funding source to the ARB for air pollution reduction programs and projects. At that time, PRC Section 42885 imposed a tire fee of \$1.75 per tire, as of January 1, 2005, on every person who purchased a new tire. The rate was scheduled to be reduced to \$1.50 per tire as of January 1, 2007, and to remain at that rate until January 1, 2015.

COMMENTS

- 1. Sponsor and Purpose.** This bill is co-sponsored by CALSTART, California Air Pollution Control Officers Association, and the American Lung Association to extend the funding sources for air quality improvement projects.
- 2. Amendments.** The **September 6, 2013 amendments** were unrelated to the BOE. The **September 3, 2013 amendments** added a co-author and changed provisions unrelated to the BOE. The **August 12, 2013 amendments** reflected current statutory language regarding authorized payments for FY 2001-02 to 2006-07. The **May 13, 2013 amendments** extended the current \$1.75 per tire rate, and the current transfer of \$0.75 per tire to the Air Pollution Control Fund, until January 1, 2024. The bill also made a technical correction in the references to CalRecycle.
- 3. This bill maintains the current tire fee rate of \$1.75 to January 1, 2024.** As explained, without further legislation, the rate is schedule to be reduced from \$1.75 to \$0.75 per tire beginning January 1, 2015. BOE staff does not foresee administrative difficulty with continuing the current fee rate.

COST ESTIMATE

Costs are absorbable. The BOE would notify affected industry and fee payers, and respond to inquiries regarding the continuation of the rate.

The BOE expects to continue to receive reimbursement for its current expenses according to contracts with CalRecycle and ARB. However, the BOE would prefer a direct appropriation to administer this program. Contracts are entered into with CalRecycle and ARB every fiscal year (FY).

REVENUE ESTIMATE

BACKGROUND, METHODOLOGY, AND ASSUMPTIONS

BOE statistics indicate tire fee revenue to be \$49 million in FY 2011-12. We took FY 2011-12 as our basis and used national growth rate forecasts of light vehicle sales from *Global Insight*, a national economic forecasting firm, to estimate revenues. Using this approach, we estimate FY 2015-16 tire fee revenues under existing law to be \$25 million (this is at the \$0.75 rate that takes effect January 1, 2015). Under this bill, we estimate revenues to be \$59 million (at the \$1.75 rate).

REVENUE SUMMARY

The following table starts with the first full year affected (FY 2015-16) and depicts the revenue impact:

	Revenue Impact	
	<i>(In Millions)</i>	
	Existing Law \$0.75 per tire	Proposed Law \$1.75 per tire
FY 2015-16	\$25	\$59
FY 2016-17	\$26	\$60

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This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the BOE's formal position