



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

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|                |                     |                 |                                  |
|----------------|---------------------|-----------------|----------------------------------|
| Date:          | 08/24/12            | Bill No:        | <a href="#">Senate Bill 1455</a> |
| Tax Program:   | California Tire Fee | Author:         | Kehoe                            |
| Sponsor:       | CALSTART            | Code Sections:  | PRC 42885 & 42889                |
| Related Bills: |                     | Effective Date: | 01/01/13                         |

***This analysis will only address the bill's provisions which impact the State Board of Equalization (BOE)***

**BILL SUMMARY**

Among its provisions, this bill extends the current California tire fee rate of \$1.75 per tire, which is currently statutorily scheduled to be reduced as of January 1, 2015, to December 31, 2023.

**ANALYSIS**

**CURRENT LAW**

Under existing 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, as defined. Beginning January 1, 2015, the tire fee is reduced to seventy-five cents (\$0.75) per tire.

The retailer seller is required to collect the tire fee from the retail purchaser at the time of sale. After deducting 1.5% of the total fees as reimbursement for costs associated with the collection of the fee, a retail seller must remit the fees to the BOE for deposit in the California Tire Recycling Management Fund. Beginning January 1, 2015, the percentage of reimbursement for retail seller's costs associated with the collection of the fee will be raised to 3%.

Under existing law, PRC Section 42889 requires the BOE to transfer an amount equal to seventy-five cents (\$0.75) per tire on which the fee is imposed to the Air Pollution Control Fund, administered by the State Air Resources Board (ARB). The moneys remaining in the California Tire Recycling Management Fund are appropriated to the Department of Resources Recycling and Recovery (CalRecycle) in the annual Budget Act. As of January 1, 2015, the funding for the waste tire program will only be appropriated to CalRecycle.

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

**PROPOSED LAW**

This bill amends PRC Sections 42885 and 42889 to maintain the California tire fee at one dollar and seventy-five cents (\$1.75) per tire until December 31, 2023 and amends PRC 42885 to maintain the distribution of seventy-five cents (\$0.75) of the tire fee to the Air Pollution Control Fund until December 31, 2023. The fee is scheduled to be reduced to \$0.75 per tire on and after January 1, 2015, with the transfers to the Air Pollution Control Fund eliminated. With the passage of this bill the rate remains at

*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*

\$1.75 per tire, and the BOE will continue to transfer an amount equal to \$0.75 per tire on which the fee is imposed to the Air Pollution Control Fund until December 31, 2023.

This bill is effective January 1, 2013.

### BACKGROUND

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

### COMMENTS

- 1. Sponsor and Purpose.** This bill is sponsored by CALSTART and is intended to extend a major clean transportation and air quality investment program that is set to expire in the very near term. The extension applies to funding sources but does not make policy changes.
- 2. This bill maintains the fee at the current rate.** Enactment of this measure does not materially affect the BOE's administration of the California Tire Fee Law.

### COST ESTIMATE

As previously stated, this amendment maintains the existing fee rate level for an already existing program. There will be operating costs related to processing and reconciliation and verification of returns, issuing billings, and collection of the fees.

The BOE would expect to continue to receive reimbursement for its expenses according to contracts with CalRecycle and ARB. The current contracts are effective until the end of the 2012-13 fiscal year.

### REVENUE ESTIMATE

As stated previously, beginning January 1, 2015, existing law reduces the current tire fee rate of \$1.75 per tire to \$0.75. Under this bill the current tire fee rate would continue at \$1.75 per tire through December 31, 2023.

To understand the revenue impact of this measure, we looked at fiscal year (FY) 2015-16 as the first full year of impact. Preliminary BOE statistics indicate tire fee revenue to be \$49 million in FY 2011-12, an increase of about 2% from the previous FY. Taking FY 2011-12 as our basis and using vehicle sales forecast from *Global Insight*, a national economic forecasting firm, 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).

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