



California New Car Dealers Association

June 22, 2010

The Honorable Joe Simitian
Chairman, Senate Environmental Quality Committee
State Capitol, Room 2080
Sacramento, California 95814

Re: AB 1981 (Hill), As Amended May 28, 2010 – Tire Fee Reform
Position: SUPPORT
Hearing: Senate Environmental Quality Committee, June 28, 2010

Dear Senator Simitian:

The California New Car Dealers Association (CNCDA) is a statewide trade association that represents the interests of over 1100 franchised new car and truck dealer members. CNCDA members are primarily engaged in the retail sale and lease of new and used motor vehicles, but also engage in automotive service, repair and part sales. We are writing to express our support for AB 1981, which would modify the collection of the California tire fee for tires mounted on new and used vehicles sold by new car dealers from a per tire to a per vehicle basis.

California created a waste tire program in 2000 that established a fund to deal with the state's 44 million used and waste tires generated per year. The fee currently is \$1.75 for each new tire sold at retail in the state—whether individually or as part of a vehicle purchase. According to data from the State Board of Equalization (BOE) which collects the fee from tire retailers, California's new car dealers sold 7,403,804 new tires in 2008 and collected \$12,823,819.68 in revenue for the waste tire fund from such tires. That year, new car dealers sold 1,447,460 new cars in California which translates into tire fees collected by new car dealers equal to approximately \$8.86 per new vehicle sold.

Collection of the existing tire fee has proved difficult for dealers who seek to automate their procedures, especially since *this is the only fee collected from a customer that is not charged on a per vehicle basis*. Since only new tires are subject to the fee, dealers must determine whether a new vehicle has a spare tire or dual rear tires and, on used vehicles, whether any new tires were installed on the vehicle prior to sale. Dealers have difficulty in keeping track of the number of new tires mounted on vehicles sold and charging customers accordingly, thereby subjecting dealers to liability and audit costs that could be avoided if the fees were charged by the vehicle rather than by the tire.

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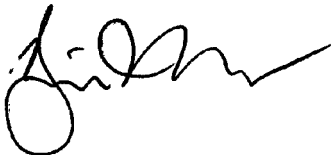
In lieu of the difficult to administer per tire fee, AB 1981 would restructure the per tire fee to instead impose a per vehicle fee on all new cars sold by new car dealers, but exempt used cars sold by new car dealers because of the administrative difficulties of accurately determining if any, or how many, new tires were placed on a used car. Individual new tires sold at retail to customers, whether sold by new car dealers, used car dealers or independent tire retailers such as Big O, Les Schwab, Sears or Costco, would continue to collect the \$1.75 fee on each new tire sold.

The restructured *vehicle* tire fee is intended to be **revenue neutral** and is set at \$10.50 per new vehicle sold by a new car dealer. *The bill does not change the structure of the waste tire program, nor does it affect the allocation of monies collected pursuant to the tire fee. Any administrative costs for changing this collection method for waste tire fees should be covered by the vehicle tire fee.* Recent amendments require BOE to study the fiscal impact of the vehicle tire fee and to recommend any adjustments to ensure no net fiscal effect. The \$1.75 per tire will continue to be split between the Department of Resources, Recycling and Recovery (CalRecycle) (where the functions of the former Integrated Waste Management Board are now housed and which administers the \$1 per tire allocated to the California Tire Recycling Management Fund) and the California Air Resources Board (CARB) (which administers the 75¢ per tire allocated to the Air Pollution Control Fund)).

CNCDA **supports** AB 1981 to create a parallel vehicle tire fee allowing dealers to charge a flat fee for the purchase of all new vehicles so dealers can avoid the difficulty of charging an individual tire fee for new tires sold with vehicles.

Based upon the foregoing, we respectfully urge your “AYE” vote on AB 1981. Should you or your staff have any questions or comments, please do not hesitate to give me a call.

Very truly yours,



Brian Maas
Director of Government Affairs

BWM:ef

cc: The Honorable Jerry Hill
Members of the Senate Environmental Quality Committee
Carroll Mortensen, Consultant, Senate Environmental Quality Committee
Lance Christensen, Senate Republican Caucus
Ralph Simoni, California Advocates, Inc.