

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: HB1664**

**Bill Subtitle: TO AMEND THE FEES FOR WASTE TIRES; TO REQUIRE PAYMENT OF WASTE TIRE FEES FOR NEW CAR TIRES; AND TO REQUIRE PAYMENT OF WASTE TIRE FEES BY DEALERS MOUNTING TIRES SOLD AT OTHER LOCATIONS AND FLEET OWNERS.**

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### Basic Change :

**Sponsor: Representative Payton**

HB1664 would amend Arkansas code provisions regarding waste tire fees. The bill would add a new definition for "new tire" and would require the payment of the waste tire fee on each "new tire". "New tire" is defined as a tire that contains at least seventy-five percent (75%) mold spews, which are the small pins of rubber on new tires resulting from the manufacturing process. The fees would continue to apply to sales of new tires by tire dealers but also apply to each "new tire" sold on each new automobile, motorcycle, and trailer.

When sold on a new automobile, motorcycle and trailer, the fees would be paid at the time of vehicle registration with DFA's Office of Motor Vehicle. The fees would also apply when a "new tire" is mounted by a person who did not sell the new tire and to new tire purchases by fleet owners. Fleet owners would include state agency purchasers, cities, and private entities that mount new tires on their own fleet vehicles.

This bill also changes the waste tire fee from two dollars (\$2.00) per automobile tire or truck tire to three dollars (\$3.00) for each "new tire" and an additional fee of two dollars (\$2.00) per truck tire resulting in an increase of one dollar (\$1.00) per tire for automobile tires. Waste tire fees for truck tires would remain the same at five dollars (\$5.00) per tire.

### Revenue Impact :

**FY2018** - \$3.6 Million in Additional Waste Tire Fees  
(Estimated 10 months of tax collections in FY2018)

**FY2019** - \$4.4 Million in Additional Waste Tire Fees

[ In FY2016, new automobile tires sold by tire dealers totaled 2,387,562. Increasing the waste tire fee from two dollars (\$2.00) to three dollars (\$3.00) will result in \$2.4 million in additional annual waste tire fee collections based on the FY2016 number of new tires sold. New passenger cars, motorcycles and trailers registered with DFA in FY2016 totaled 167,236. Levying the waste tire fees on the tires on these new vehicles will result in \$2.0 million in additional annual waste tire fee collections. ]

### Taxpayer Impact :

Purchasers of new automobiles, motorcycles and trailers will remit waste tire fees at the time of vehicle registration with DFA. Sales of new tires by tire retailers will have increased fees per tire.

### Resources Required :

None.

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### Time Required :

Adequate time is allowed for implementation.

### Procedural Changes :

DFA's motor vehicle registration system will be updated to include collection of the waste tires fees at the time of registration of new automobiles, motor cycles, and trailers.

### Other Comments :

None.

### Legal Analysis :

This bill contains no definition of "automobile" when levying the waste tire fee on the sale of new vehicles. The bill is unclear whether purchasers of new light trucks and other new passenger vehicles of various types would be subject to the waste tire fee at time of vehicle registration. The bill may benefit from an amendment to clarify which types of new motor vehicles are subject to the fee and which types are not. This bill provides a definition of a "new tire" being a tire that contains at least 75% mold spews. However, "mold spew" is not defined nor is a method provided to determine how to measure mold spew on a tire.

The bill would be effective 90 days after final adjournment of the 91<sup>st</sup> General Assembly. Waste tire fees are reported by tire dealers on a calendar month basis. In all likelihood the effective date of the legislation would be in mid-month resulting in tire dealers and DFA having to change fee collection and fee reporting computer systems, tax forms and electronic tax filing systems also in midmonth. The bill may benefit from an amendment to be effective on the first day of a calendar month to allow taxpayers to prepare for the tax rate change and for DFA to require taxpayers to file only one tax return for the month of rate change.