

**Bill Summary**  
1<sup>st</sup> Session of the 57<sup>th</sup> Legislature

<b>Bill No.:</b>	<b>SB 878</b>
<b>Version:</b>	<b>CS</b>
<b>Request No.:</b>	<b>1871</b>
<b>Author:</b>	<b>Sen. Leewright</b>
<b>Date:</b>	<b>02/28/2019</b>

**Committee Substitute (CS)**

SB 878 increases various fees imposed on tire purchases, to be used for the Used Tire Recycling Act. The CS defines various tire-derived products achieved through tire processing and replaces “crumb rubber” with “tire-derived product.” The CS lowers the percentage of revenue placed in the Used Tire Recycling Indemnity Fund allocated to the Department of Environmental Quality (DEQ) from 28% of the \$2.50 fee on tire facilities to 24.1% of the new \$2.90 fee. The CS also prohibits the act of storing or transporting recycled tires outside of the rules promulgated by the DEQ.

Prepared by: Kalen Taylor

## OKLAHOMA TAX COMMISSION

### REVENUE IMPACT STATEMENT AND/OR ADMINISTRATIVE IMPACT STATEMENT FIRST REGULAR SESSION, FIFTY-SEVENTH OKLAHOMA LEGISLATURE

DATE OF IMPACT STATEMENT: March 13, 2019

BILL NUMBER: SB 878 STATUS AND DATE OF BILL: Engrossed 03/07/2019

AUTHORS: House Hilbert Senate Leewright

TAX TYPE (S): Used Tire Recycling Fee SUBJECT: Fee Increase, Apportionment, & Other

PROPOSAL: Amendatory

Section one proposes amendment to Section 2-11-401.1 of Title 27A by providing and amending definitions for the Oklahoma Used Tire Recycling Act.

Section two proposes amendment to Section 2-11-401.2 of Title 27A to increase certain used tire recycling fees. [See attached for detailed analysis].

Section three proposes amendment to Section 2-11-401.4 of Title 27A by modifying the allocation of certain used tire recycling fee revenues.

Section four proposes amendment to Section 2-11-401.7 of Title 27A by providing that the prohibition against any person owning or operating a site used for the storage, collection or disposal of more than 50 used tires except at a site or facility permitted or approved by the Department of Environmental Quality ("DEQ") to accept used tires does not apply to tire manufacturers, retailers, wholesalers and retreaders who store a total of no more than 2,500 used tires at their place of business or an ancillary off-premises storage site approved by DEQ and who are currently in compliance with applicable Oklahoma Tax Commission requirements.

EFFECTIVE DATE: August 30, 2019

#### REVENUE IMPACT:

Insert dollar amount (plus or minus) of the expected change in state revenues due to this proposed legislation.

FY 20: Sections 1, 3 & 4 – None

Section 2 – \$2,861,000 estimated increase in used tire recycling fee revenues

FY 21: Sections 1, 3 & 4 – None

Section 2 – \$3,815,000 estimated increase in used tire recycling fee revenues

Mar. 15, 2019  
DATE

Pick Miller  
DIVISION DIRECTOR

msm

3-18-2019  
DATE

Huan Gong  
HUAN GONG, ECONOMIST

3-18-19  
DATE

Jimmy M. E.  
FOR THE COMMISSION

*The estimated revenue impact provided herein is an estimate of the potential impact on the collection or apportionment of tax revenues affected by the proposed legislation. It is not intended to be an estimate of the overall fiscal impact on the state budget if the proposed legislation is enacted.*

**ATTACHMENT TO REVENUE IMPACT – SB 878 – [Engrossed] – Prepared March 13, 2019**

Section one of the measure proposes amendment to Section 2-11-401.1 of Title 27A by providing and amending definitions for the Oklahoma Used Tire Recycling Act.

Section two of the measure proposes amendment to Section 2-11-401.2 of Title 27A to increase the used tire fee on the following tires:

1. A tire with a rim diameter of less than or equal to nineteen and one-half (19 ½) inches that currently has a fee of Two Dollar and fifty cents (\$2.50), shall be increased to Two Dollars and ninety cents (\$2.90) per tire.
2. A tire with a rim diameter greater than 19½ inches and a tread width of twelve (12) inches or less that currently has a fee of Three Dollars and fifty cents (\$3.50), shall be increased to Six Dollars (\$6.00) per tire.
3. A tire with a rim diameter greater than 19½ inches and a tread width of greater than 12 inches that currently has a fee of Seven Dollars (\$7.00), shall be increased to Ten Dollars (\$10.00) per tire.
4. A tire with a rim diameter of less than or equal to 19½ that is a result of a first registration that currently has a fee of \$2.50, shall be increased to \$2.90 per tire.
5. A tire with a rim diameter of greater than 19½ inches and a tread width of 12 inches that is a result of a first registration that currently has a fee of \$3.00, shall be increased to \$6.00 per tire.
6. A tire from a first titled trailer or semitrailer that has a tire rim diameter of less than or equal to 19½ inches that currently has a fee of \$2.50, shall be increase to \$2.90 per tire.
7. Tires that are used on implements of husbandry and agricultural equipment with a rim diameter of less than or equal to 19½ inches and that are less than thirty (30) inches in total diameter that currently have a fee of \$2.50, shall be increased to \$2.90 per tire.
8. A tire used on implements of husbandry and agricultural equipment with a rim diameter of greater than 19½ inches and are less than 30 inches in total diameter that currently have a fee of \$3.50, shall be increased to \$6.00 per tire.

Based on reported transactions for the subject tires<sup>1</sup> in FY 18 and assuming similar transactions occur in FY 20, application of the proposed fee increases will result in additional used tire fee revenues in the estimated amount of \$3,814,755. Calculated with an effective date of August 30, 2019<sup>2</sup> results in an estimated increase of \$2,861,066 ( $\$3,814,755 / 12 \times 9 \text{ months} = 2,861,066$ ) in used tire recycling fee revenues for FY 20 and an estimated increase of \$3,814,755 in used tire recycling fee revenues for FY 21.

Section three proposes amendment to Section of 2-11-401.4 of Title 27A by modifying the allocation of used tire recycling fees to the DEQ. Currently, DEQ receives 28% of the \$2.50 tire fees imposed pursuant to Sections 2-11-401.2(A)(1)(a)(1) and 2-11-401.2(A)(1)(b) of Title 27A. Under the measure DEQ would receive 24.1% of the \$2.90 tire fees increased in Section 2 of the measure. Under the current and proposed used tire recycling fee allocation, DEQ receives approximately \$0.70 per tire fee imposed in accordance with the statutory provisions referenced above. Therefore, there is no impact to used tire recycling fee revenues deposited to DEQ associated with this Section.

Section four proposes amendment to Section 2-11-401.7 of Title 27A by providing that the prohibition against any person owning/ operating a site used for the storage, collection or disposal of more than 50 used tires except at a site or facility permitted or approved by DEQ to accept used tires does not apply to tire manufacturers, retailers, wholesalers and retreaders who store a total of no more than 2,500 used tires at their place of business or an ancillary off-premises storage site approved by DEQ and who are currently in compliance with applicable Oklahoma Tax Commission requirements.

<sup>1</sup> Includes use tire fees assessed at the time of vehicle titling and registration.

<sup>2</sup> No effective date is specified in this measure. The August 30, 2019 effective date assumes the Legislature adjourns sine die as presently scheduled on May 31, 2019.