

Department of Finance and Administration

Legislative Impact Statement

Bill: SB508

Amendment Number: H2

Bill Subtitle: TO AMEND THE USED TIRE RECYCLING AND ACCOUNTABILITY ACT; TO REPEAL RIM REMOVAL FEES AND IMPOSE A TIRE RECYCLING FEE; TO ESTABLISH TIRE ACCOUNTABILITY ZONES; TO TRANSFER REIMBURSEMENT AUTHORITY; AND TO DECLARE AN EMERGENCY.

Basic Change :

Sponsors: Sens. Payton and Irvin; Rep. Gonzales

House Amendment No. 2 --- SB508-H2 (engrossed H4/6/23) removes all language following the enacting clause in the bill. Under SB508-H2 as engrossed:

- The existing tire districts are repealed and four used tire programs are created;
- The existing rim removal, importer, and commercial generator fees are made subject to the business closure provisions of the Arkansas Tax Procedure Act, § 26-18-1001; and
- A business plan from a used tire program that increases a rate must be reviewed by the Arkansas Legislative Council.

SB508-H2 contains an emergency clause for the creation of the used tire programs, the requirement that business plans be approved, and the disbursement of funds. The remaining sections have an effective date of October 1, 2023.

House Amendment No. 1 --- SB508-H1 (engrossed H4/5/2023) makes the following changes to the bill:

- The fee a tire retailer may retain to cover their administrative costs is reduced from 10% to 5%;
- The Department of Finance and Administration will be required to approve the business plans submitted by Tire Accountability Districts, rather than the Department of Environmental Quality; and
- The effective date of the Act, with the exception of the creation of the Tire Accountability Districts, is specified as October 1, 2023 to allow for adequate time for implementation.

Senate Amendment No. 1 --- SB508-S1 (engrossed S3/29/23) amends the Used Tire Recycling and Accountability Act to replace the current rim removal fee with a new “tire recycling fee”. SB508-S1 also establishes tire accountability zones and transfers duties to the Department of Finance and Administration.

Specifically, SB508:

- Transfers the administration of the Used Tire Recycling Program from the Division of Environmental Quality of the Department of Energy and Environment to the Department of Finance and Administration (DFA), including:
 - Reimbursement of waste tire programs;
 - Receipt of reports of all sales of small tires;
 - Review and authorization of any annual change to the large and extra large recycling fees based on business plans submitted to DFA;
 - Audit of tire retailers; and
 - Administration of the waste tire fees under the Arkansas Tax Procedure Act including the business closure procedures.

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- Repeals the rim removal fee, all references to tire importers, and the commercial generator and tire transporter fees;
 - Levies tire recycling fees as follows:
 - \$3.00 tire recycling fee on small tires sold in the state, defined as tires used for low profile vehicles, pick-up trucks, light duty trucks, lawn mowers, and golf carts;
 - \$3.00 tire recycling fee on tires equipped on a new motor vehicle or trailer to be collected at the time of registration of the new motor vehicle or trailer by DFA; and
 - If approved by the Tire Accountability District, a tire recycling fee of up to \$7.50 for large and \$30.00 for extra-large tires to be collected by the tire retailers.
- Creates four tire accountability districts in the state to be governed by a board consisting of:
 - The county judges of the two most populous counties in each district;
 - Five other county judges selected with the assistance of the County Judge Association; and
 - Four mayors of cities within the district selected with the assistance of the Municipal League.
- Authorizes funds collected from the recycling fees to be used for:
 - Remedial assistance for abandoned waste tire sites; and
 - Funding for equipment to increase a tire accountability district's waste tire processing capacity.

SB508 contains an emergency clause and will be effective on the date of its approval by the Governor; the expiration of the period of time during which the Governor may veto the bill; or the date the last house overrides the veto.

Revenue Impact :

Undetermined increase in the collection of delinquent fees. The 1,350 active waste tire accounts having delinquent rim removal fees totaling \$2.3 million would be subject to business closure under § 26-18-1001.

[Collections of rim removal fees for FY2022 totaled \$8,422,760.00.]

Taxpayer Impact :

DFA would be authorized to utilize business closure procedures under § 26-18-1001 for collection of rim removal fees, import fees, and commercial generator fees.

Resources Required :

The Arkansas Integrated Revenue System (AIRS) will require programming for at an estimated cost of \$28,000.

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Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Department of Finance and Administration employees will need to be educated as well as tire retailers and the waste tire community.

Other Comments :

None.

Legal Analysis :

None.