

# SB 2685

Measure Title: RELATING TO MOTOR VEHICLE TIRES.

Report Title: Motor Vehicle Tire Surcharge; Replacement Tire

Description: Imposes a surcharge of \$1 per tire on any tire retailer or wholesaler who installs a replacement tire in the State after September 30, 2014. Repeals on 7/1/2019.

NEIL ABERCROMBIE  
GOVERNOR OF HAWAII



GARY GILL  
ACTING DIRECTOR OF HEALTH

STATE OF HAWAII  
DEPARTMENT OF HEALTH  
P.O. Box 3378  
HONOLULU, HAWAII 96801-3378

In reply, please refer to:  
File:

## SENATE COMMITTEE ON ENERGY AND ENVIRONMENT

### S.B. 2685, RELATING TO MOTOR VEHICLE TIRES

Testimony of Gary Gill  
Acting Director of Health

January 28, 2014  
2:45 p.m.

1 **Department's Position:** The department supports the intent of this measure to establish a source of  
2 funds to manage used tires and offers comments.

3 **Fiscal Implications:** Establishes a \$1 motor vehicle tire surcharge on all replacement tires installed  
4 after September 30, 2014 and ends on July 1, 2019. Collections are estimated at \$750,000 a year.  
5 Surcharge collection puts additional payment and reporting duties on tire retailers.

6 **Purpose and Justification:** Abandoned tire dumping is a recurring concern especially for those  
7 communities that are impacted by this issue. The department supports the intent of this measure, which  
8 will provide necessary funds to increase its monitoring and enforcement capability. A reserve exists in  
9 the special account of the environmental management special fund. Yet these funds may quickly be  
10 depleted if the department were to also help affected communities by covering disposal costs of  
11 abandoned tires. We understand that disposal costs range from as low as \$1.80 per passenger or light-  
12 truck tire, up to \$638 for the biggest off-road, oversize tire.

13 This measure will also enable the department to provide direct financial assistance to the  
14 counties to address tire dumping in their affected areas. To this end, we suggest an amendment to allow

*Promoting Lifelong Health & Wellness*

1 the department to distribute fees collected to the counties, similar to the glass advance disposal fee law  
2 (Chapter 342G, Part VII, HRS).

3 The fee alone will not prevent current improper tire disposal practices, but coupled with  
4 monitoring and enforcement from the department, it may help county governments and community  
5 groups willing to alleviate the situation.

6 Thank you for the opportunity to testify on this measure.

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HADA testimony  
Opposed to Senate Bill 2685

Relating to Motor Vehicle Tires  
--because significant scrap tire funds remain to address the issue--

Presented to the Senate Committee on Energy and the Environment  
at the committee hearing to be held  
2:45 p.m. Tuesday, January 28, 2014  
in Conference Room 225, Hawaii State Capitol

Respectfully submitted by the Members of the Hawaii Automobile Dealers Association  
Hawaii's franchised new car dealers

Chair Gabbard, Vice Chair Ruderman and members of the committee:

The members of the Hawaii Automobile Dealers Association participated in the task force created by the legislature to examine the issue of scrap tires.

We commend the members of the legislature, the State Department of Health and all the participants for facilitating a thorough review of the illegally-discarded scrap tires.

The State Department of Health prepared a comprehensive, thorough, clearly-presented report.

From the report, it was shown:

- The amount spent for the million tire cleanup from 1999-2005 was under \$3 per tire.
- Some \$685,700 remains in the fund as of September 30, 2013.
- Currently the Department has identified 4,142 scrap tires that still require clean up.
- This is a relatively small number of tires, compared to the previous million-tire problem. The accumulation rate over 7 years is 591 tires per year.
- The Department estimates that \$48,908 is required for clean up.
- That would be \$6,978 per year required-- if budgeted per year over the last 7 years.
- With the money remaining in the fund there is adequate funding for many years to come, even allowing for the Department allocating to the fund some of its overhead expenses.

Additional considerations:

1. **County Beautification Fees, which are \$7 per vehicle registration** annually on Oahu, are, in part applicable to scrap tire clean-up. The City and County of Honolulu fund is filled with \$5 million annually. Programs exist for scrap tire pickup.
2. **Retailers of used tires do not charge disposal fees at the point of sale, putting retailers of new tires at a price disadvantage.** A few tire retailers commented at task force meetings that they are at a competitive disadvantage compared to resellers of used tires who do not charge disposal fees. While the price disparity is noted, the larger issue is whether used tire resellers are properly managing old tires by sending them to facilities permitted by the department. One could interpret the signage posting requirement in Sec. 342I-22(a) that it only applies to retailers of new tires, not used tires. A clarification to Hawaii statute is necessary before the department conducts further compliance assistance.  
(Comments published in an early DRAFT report of the task force)

In conclusion, HADA applauds the excellent work of the Department of Health and the task force. We add:

- The scrap problem is manageable within the current funding available.
- Adequate funding exists in the fund for many years to come.

For these reasons HADA opposes the problematic creation of a \$1 fee on replacement tires and encourages the Department of Health to apply funds from the sizeable balance in the fund to clean-up projects as needed. We respectfully request that SB 2685 be held.

Respectfully submitted,

David H. Rolf

Representing of the members for the Hawaii Automobile Dealers Association  
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# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

**SUBJECT:** MISCELLANEOUS, Motor vehicle tire surcharge

**BILL NUMBER:** SB 2685; HB 2406 (Identical)

**INTRODUCED BY:** SB by Shimabukuro, Ruderman and 2 Democrats; HB by Rhoads

**BRIEF SUMMARY:** Amends HRS section 342I to reestablish a \$1 motor vehicle tire surcharge on every replacement tire installed on a motor vehicle after September 30, 2014. The surcharge shall be paid by the tire retailer or tire wholesaler who installs the replacement tire.

This act shall be repealed on July 1, 2019.

**EFFECTIVE DATE:** Upon approval

**STAFF COMMENTS:** The proposed measure would reenact the \$1 fee imposed on tires between 2000 and 2006 by Act 173, SLH 2000. While the purpose clause of this measure states “that discarded motor vehicle tires continue to blight Hawaii’s neighborhoods,” it is questionable whether the reenactment of the fee on tires will deter this practice as the fee is not imposed on consumers who are discarding those tires, but the tire retailers and tire wholesalers. It should also be noted that the money collected will not be used as an incentive to get consumers to recycle or return their used tires.

This measure should be recognized for what it is, the expansion of government funded by “user fees.” The fee proposed in this measure is, basically, a new tax. These funds will merely pay for more personnel in the department of health to regulate and monitor the tire situation. Just because this is a fee, lawmakers and administrators think they can get away with it because it is not a “tax.” Because the fee will be imbedded in the cost of the tire, government won’t be blamed for the higher cost. It will be the businesses selling tires.

Lawmakers need to take heed of the impact that yet more government imposed costs will have on the economic well-being of the state. With one of the highest per capita tax burdens in the country, plus a well-deserved reputation for a poor business climate, what Hawaii’s people do not need at this time is more government costs both in the form of taxes and fees as well as in the cost of additional regulation.

While the fee proposed by this measure is set at \$1 per tire, once this fee is established, the legislature in subsequent years could increase the amount of the fee in the event there is insufficient revenue to fund the proposed purposes. In addition, the uses of the environmental management special fund could also be expanded in the future and may also necessitate another fee increase.

This proposal represents not only a lack of creativity to deal with the used tire problem, but also a devious means by which to fund additional personnel and new programs at a time when the public is tired of an ever expanding government and growing government regulations. Adoption of this measure sends a message that lawmakers are not sincere about controlling the size of government.

Digested 1/27/14

**SB2685**

Submitted on: 1/25/2014

Testimony for ENE on Jan 28, 2014 14:45PM in Conference Room 225

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Leimomi Khan	Individual	Oppose	No

Comments: It appears the basis of this bill is, "The legislature further finds that discarded motor vehicle tires continue to blight Hawaii's neighborhoods, particularly in rural and isolated areas." Accordingly, I do not believe that those of us who are responsible citizens should be burdened by a fee to cover the negligence of those who are not responsible. Better to leave to county councils to deal with this issue and penalize those in neighborhoods who fail to properly discard motor vehicle tires.