

**NORTH CAROLINA GENERAL ASSEMBLY  
LEGISLATIVE FISCAL NOTE**

**BILL NUMBER:** Senate Bill 972 (First Edition)

**SHORT TITLE:** Scrap Tire Amendments

**SPONSOR(S):** Senator Odom

**FISCAL IMPACT**

Yes (X)      No ( )      No Estimate Available ( )

(\$million)  
FY 2001-02    FY 2002-03    FY 2003-04    FY 2004-05    FY 2005-06

**REVENUES**

Scrap Tire Disposal Tax	\$5.35	\$5.62	\$5.90	\$6.20
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**EXPENDITURES \***

Solid Waste Management

Trust Fund (SWMTF)	.27	.28	.30	.31
Scrap Tire Disposal Account	1.44	1.52	1.59	1.67
County Governments	3.64	3.82	4.01	4.22

\*Of the net tax proceeds, the SWMTF receives 5%, the Scrap Tire Disposal Account receives 27% and the counties receive 68%.

**POSITIONS:** See Expenditures under Assumptions and Methodology

**PRINCIPAL DEPARTMENT(S) &**

**PROGRAM(S) AFFECTED:** Department of Environment and Natural Resources, Department of Revenue, County Governments

**EFFECTIVE DATE:** Section 1 of this act is effective when it becomes law. Section 2 of this act is effective July 1, 2001.

**BILL SUMMARY:** The bill amends the scrap tire management laws of the state. Section 1 of this bill removes the June 30, 2002 expiration date for the sales tax imposed on new tires sold in North Carolina. Section 2 amends the Scrap Tire Disposal Account statute (G.S. 130 A-309.63) by adding a new purpose for which the funds credited to the Account may be used. The bill authorizes the Department of Environment and Natural Resources (DENR) to use up to three percent of the revenue in the Account or a total of \$55,000, whichever is less, to support a position to provide local governments with assistance in developing and implementing scrap tire management programs.

## **ASSUMPTIONS AND METHODOLOGY:**

### **Revenues:**

Until June 30, 2002, the scrap tire disposal tax is based on the bead diameter of the new tire sold or purchased. The tax is 2% of the sales price for a tire with a bead diameter of less than 20 inches and 1% for a tire with a bead diameter of at least 20 inches. Under current law, the tax reverts to 1% on all tires as of June 30, 2002. This bill removes the sunset on the current tax structure, thus keeping the 2% and 1% rates.

Since the 2% tax rate for smaller tires would have been reduced to 1% on June 30, 2002, passage of this bill will increase tax revenue beginning in FY 2002-03. In FY 1999-00, the 2% tax generated \$9.1 million or 87% of the \$10.5 million total revenue collected. After 8 months in FY 2000-01, tax collections are on pace to generate \$11.2 million. Since 1996, tax revenue has grown approximately 5% a year. The chart below uses a 5% growth rate for the next five years and divides the revenue between the 2% (87%) and 1% (13%) tax rates. The first column on the chart below shows the total amount of revenue generated.

The amount in the far right column of the chart below shows the additional revenue generated by removing the sunset (i.e., keeping the 2% tax instead of reducing it to 1%). In addition to providing the amount of revenue generated if the bill is approved, this column also shows the amount of revenue that would be lost if the bill does not pass.

	<u>Projected Revenue</u>	<u>Less Than 20 inches 2%</u>	<u>At Least 20 inches 1%</u>	<u>Less Than 20 inches 1%</u>
FY 00-01	\$11,159,824	\$9,709,047	\$1,450,777	
FY 01-02	\$11,717,815	\$10,194,499	\$1,523,316	
FY 02-03	\$12,303,706	\$10,704,224	\$1,599,482	\$5,352,112
FY 03-04	\$12,918,891	\$11,239,435	\$1,679,456	\$5,619,718
FY 04-05	\$13,564,836	\$11,801,407	\$1,763,429	\$5,900,704
FY 05-06	\$14,243,078	\$12,391,478	\$1,851,600	\$6,195,739

### **Expenditures:**

The allocation of the Scrap Tire Disposal Tax is set out in statute (GS 105-187.19). Before distributing any of the tax proceeds, the Department of Revenue is allowed to retain up to \$225,000 a year for the administrative expenses related to cost of collection of the taxes.

The net tax proceeds are then distributed on a quarterly basis by the Secretary of Revenue as follows:

1. Five percent to the Solid Waste Management Trust Fund, administered by the Department of Environment and Natural Resources (DENR), for waste management grants and technical assistance programs.
2. Twenty-seven percent to the Scrap Tire Disposal Account, administered by DENR, for grants to local governments to assist in disposing of scrap tires, for grants to

encourage the use of processed scrap tire materials and for the clean up of nuisance scrap tire collection sites.

3. The remaining 68 percent is distributed among the counties on a per capita basis to fund local tire disposal programs.

Since the 2% tax rate for smaller tires would have been reduced to 1% on June 30, 2002, passage of this bill will increase the revenue beginning in FY 2002-03. This increase in tax proceeds would be allocated and expended according to statute. The chart below shows how much each of the beneficiaries listed above would receive.

	<u>FY02-03</u>	<u>FY03-04</u>	<u>FY04-05</u>	<u>FY05-06</u>
Solid Waste Management Trust Fund	270,000	280,000	300,000	310,000
Scrap Tire Disposal Account	1,440,000	1,520,000	1,590,000	1,670,000
County Governments	3,640,000	3,820,000	4,010,000	4,220,000

Section 2 of the bill amends the Scrap Tire Disposal Account statute (G.S. 130A-309.63) by adding a new purpose for which the funds credited to the Account may be used. Currently, DENR is authorized to use revenue in the Account for the following three purposes:

1. Up to 50 percent of the revenue may be used to make grants to units of local governments to assist them in disposing of scrap tires,
2. Up to 40 percent of the revenue may be used to make grants to encourage the use of tire-derived fuel, crumb rubber, carbon black, or other components of tires for use in products such as fuel, tires, mats, auto parts, gaskets, flooring material, or other applications of processed tire materials, and
3. The remaining revenue may be used to cleanup scrap tire collection sites that the Department has determined are a nuisance.

The bill authorizes the DENR to use up to three percent of the revenue in the Account or a total of \$55,000, whichever is less, to support a position to provide local governments with assistance in developing and implementing scrap tire management programs. This amendment neither increases or decreases the amount of revenue in the Account, it simply adds a new purpose for which the funds may be expended.

**FISCAL RESEARCH DIVISION 733-4910**

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**DATE:** May 14, 2001



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