

Statewide Transportation Needs Assessment Revenue Report Template

Please use the headers below for use when writing a narrative for the report:

Revenue Generator *Tire Tax / Oil Change Fee*

Application State or Regional

These new and innovative user fees may be implemented on a statewide or regional basis.

Introduction

Tire taxes and oil change fees are new potential sources of transportation funding that have never been implemented in California. Currently only fees for tire disposal are collected by the Board of Equalization and distributed to CalRecycle. These new user fees attempt to more closely align taxes collected with the use of the transportation system. In other words, the more one drives, the more often one must change tires and change engine oil. This new revenue source should primarily benefit highways and local roads, and could be used on any purpose (preservation, management, or expansion). However, dedicating these user fees to preservation may be the most direct use of these new funds.

Yield Potential

The yield potential of a tire tax and/or oil change fee is expected to be relatively low based on what is politically feasible to implement.

The tire fee is based on data received from the Board of Equalization. Assuming that the same parameters used to collect the disposal fee are used for assessing a fee to fund transportation projects, that revenues are shown below for the past 5 years.

Fee Per New Tire Sold

Year	Tires Sold	\$2	\$5	\$10
2007	31,700,349	\$63,400,698	\$158,501,745	\$317,003,490
2008	28,265,358	\$56,530,716	\$141,326,790	\$282,653,580
2009	25,628,614	\$51,257,228	\$128,143,070	\$256,286,140
2010	27,082,294	\$54,164,588	\$135,411,470	\$270,822,940
2011	27,667,638	\$55,335,276	\$138,338,190	\$276,676,380
Average		\$56,137,701	\$140,344,253	\$280,688,506

Source: BOE, California Tire Fee Return. Lynn Garcia, Business Taxes Specialist

Based only on State Highway Vehicle Miles Travelled (VMT), available at http://traffic-counts.dot.ca.gov/ , annual VMT is about 168 billion assuming oil is changed every 5,000 miles, below are some estimates on annual revenue	Oil Change Fee
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generation.Proposed Fee	
\$1 per oil change	\$33,600,000
\$3 per oil change	\$100,800,000
\$5 per oil change	\$168,000,000

Based on these numbers, the tire tax could generate over \$560 million over ten years with a \$2 fee and \$2.8 billion with a \$10 fee. The oil change fee could generate \$336 million over a 10 year period at \$1 fee level and \$1.68 billion at the \$10 fee level. These figures could be lower because they do not include travel on the local road system, which would increase the VMT and hence the number of tires and oil changed. However, interstate truck traffic may also choose to perform maintenance out of state, thereby avoiding these user fees. Further, some drivers may choose to change their own engine oil, and could thereby avoid paying the oil change fee.

The entire amount generated could be used for system preservation on the highway and local road systems.

Use/Restrictions

The revenue generated would ideally be used for highway and local road system preservation, since VMT is a good measure of wear and tear impacts to the road system.

Sustainability

These revenue sources are relatively stable, since tires and oil changes are a required part of good vehicle maintenance. New vehicles produced have longer intervals between oil changes, as do cars that use synthetic oil. Also, the fee amount would have to be strategically selected since a high fee may cause some drivers to change the engine oil themselves, thereby avoiding the fee.

Under a flat fee scenario, revenues would not be indexed to inflation and could decrease as due to technological advances cause oil to be changed less often or as oil free electric cars become more popular. However, these changes are relatively minor, and would continue to warrant consideration as a viable new revenue stream for transportation purposes.

Administration of the new tax could be folded in with various environmental taxes already collected on tires and engine oil. In both cases, there are recycling fees, to which these additional user fees could be added. The cost of collection and administration would therefore be relatively minor.

Pros/Cons

Pros: direct nexus between user fee and system preservation need; easy to collect and projected revenue amount is known.

Cons: not indexed to inflation; declining VMT; may impact users that do not operate vehicle on highway system, may be politically difficult to pass.

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Implementation

1. Effort to implement is moderate since implementation requires legislation.
2. Period to implement is moderate term due to legislation required.
3. Costs & effort of implementation is relatively minor, as programs for collection are already in place.
4. The state must approve a statewide law mandating the collection of these user fees, or allow regions to be able to vote to implement these taxes.

Conclusion/Recommendation

Tire tax and oil change fees show a good nexus to roadway use and therefore may be widely accepted. However, in the current political environment, it may be difficult to pass necessary legislation to implement the fee. Collection of these fees would not be difficult, since mechanisms are already in place to collect environmental disposal fees on these items. Revenue generation potential is moderate, and could be used to better preserve the highway and local road systems.

Reference Materials

1. Identify the organizations that have supported and/or opposed the proposal already.
2. Include links to the documentation for reference.

Tire Fee

http://www.boe.ca.gov/sptaxprog/ca_tire_fee.htm

<http://www.boe.ca.gov/pdf/pub91.pdf>

http://www.boe.ca.gov/sptaxprog/tax_rates_stfd.htm#2

Fee Per New Tire Sold

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10 Year fee calculations

10 \$561,377,012 \$1,403,442,530 \$2,806,885,060

Proposed Fee	Oil Change Fee
\$1 per oil change	\$33,600,000
\$3 per oil change	\$100,800,000
\$5 per oil change	\$168,000,000

10 Year Fee Calculations

10	\$1	\$336,000,000
	\$3	\$1,008,000,000
	\$5	\$1,680,000,000