You asked about how to impose a variable (progressive) charge on Tires.

I believe, it can be done in different ways.

It can be collected at different fee level for the different tire classes. I.e. by size or type of rubber, etc. However, these types of fees are difficult and costly to administer and enforce.

The alternative is to impose a Point of Sale Tax (POST) based on the price of the tire. Tires can vary in price from $60 to $1000 per tire. Implicit in the price, is that the higher-level rubber compounds, more extravagant, and higher performance tires that are used by the more expensive and luxury vehicles will trend towards the higher price tag. Therefore the % of the price tax will be proportionate to the price of the tire. By extension, the higher performance tires are installed on higher priced vehicles that are purchased by higher income individuals.

In order to get the approximate amount of revenue that a $1 per tire fee would have generated ($3 million/year), the POST need to be somewhere between 0.75 to 0.77% of the price of the tire.

If the retailers who will collect and remit the tax are to be allowed a compensation of 4% to offset their costs, then the POST needs to be around 0.8%. That comes to about 80 cents on a $100 tire.

The program could be set and administered by the Department of Revenue (DOR) with initial startup costs that are not likely to exceed two million dollars, and continuing costs of no more than a quarter of a million per year. (would have to get more solid estimates from DOR)

Having all of that in mind, I would **recommend a POST of 1% on the sale of tires in Oregon.** That will generate about $4 million a year in gross revenue.

The sales outside Oregon will not be captured, because it will be difficult to enforce a POS tax for businesses outside the state. Tires don't require any special licensing to be used or installed, thus no mechanism of enforcement.

You also asked about collecting a tax for diesel fuel (red diesel) used by the construction industry.

Assuming it is possible to do we would expect $5.5 million for a 10 cents tax on each gallon. However, if it is doable, then it is likely to be an uneven, clunky, and cumbersome tax to collect.

The closest way (perhaps) to achieve that is to impose a tax on construction activities Diesel consumption, similar to the way we collect the CAT (Commercial Activity Tax). Doing it in that fashion would come close, but it will depart from the simplicity of the fuel tax and the collection process we find appealing in collecting simple pennies per gallon. More Discussions with the fuel tax group and DOR might be needed to determine feasibility.

Finally, if you are thinking of a tax credit,

I suggest that you design the credit in a way that will encourage the modernization of the fleet by older age on a faster pace. On the one hand, older trucks should no longer be allowed to register (some of that is already in HB 2007), on the other hand the sooner the truck is retired, the higher the tax credit (reward). The age of the vehicle can be used as a measure, and months to retirement can be used in order to encourage the retirement earlier in the year. An example would be a thirty-year-old vehicle that will not be registered any longer in 5 years. The tax credit will be $200 for each month of those five years for the total of $12,000. If the vehicle is retired at the 5 year mark the owner get the full credit. After that, the credit reduces for each month closer to the cutoff date. A similar design would have incorporated both carrots and sticks for modernization of the fleet. The program can be a joint administration and audit by DEQ and DOR.

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