Dear TIA Member:

On February 5th, TIA members from around the country gathered in Washington, D.C. to discuss transportation funding proposals with members of Congress and their staffs. The timing could not have been better with the president proposing his budget, highway funding scheduled to run out in a few months, and a new Congress.

Those who attended gathered as a group in the Caucus Room of the Cannon House office building where they were briefed for the day and updated on current status of the Highway Trust Fund by Government Affairs Manager Roy Littlefield IV. TIA Government Affairs Committee Chairman Dick Gust and TIA President Freda Pratt-Boyer welcomed members to Washington, thanking them for leading the charge and taking the initiative to come to Capitol Hill.

Former Congressman Al Wynn (D-MD) then spoke on the importance of members coming to Capitol Hill. The crowd was then briefed by two members of the National Republican Senatorial Committee on the goals of the party, the results of the most recent election, initiatives of the party, and looking forward to 2016. A member of the Small Business Legislative Council then gave an update on tax reform and tax extenders which led to an outburst of questions from the audience.

TIA Executive Vice President Roy Littlefield then reviewed the funding options for a long-term transportation bill and reviewed some of the proposals being aimed at the tire industry which includes: increasing the motor fuel tax by $.15-$2.00 per gallon, reinstating the Federal Excise Tax on passenger tires, increasing the Federal Excise Tax on truck tires by 10%, reinstating the Federal Excise Tax by $.05-.15 per pound on tread rubber used in the retread process, increasing the Federal Excise Tax on trucks and truck parts by 10%, and dozens of others.

Congressman John Delaney (D-MD) then took the floor and shared his proposal for funding transportation in a way that would not place harmful taxes on our industry. Democratic Whip Steny Hoyer then shared his thoughts with TIA members about the importance of funding a long-term bill and the need for the United States to improve its transportation system.

Others took part in one-on-one-round-robin educational and introductory sessions with key Hill staffers from the House Transportation & Infrastructure Committee and the House Ways & Means Committee in the Rayburn Gold Room. By the end of the day, TIA members collectively made contact with 22 Congressional offices, sharing our views, positions, and concerns.

The evening concluded with a reception in the Capitol Foyer of the Rayburn building, where TIA, in conjunction with other automotive-related groups hosted members from the 114th Congress and their staff.

On behalf of the Government Affairs Committee, I would like to personally thank all those who attended and encourage all members to remain informed with issues and proposals being aimed at the tire industry.

Sincerely,

Dick Gust
Government Affairs Committee Chairman
LEGISLATIVE UPDATE

Small Business Legislative Council (SBLC) Identifies Top Priorities for 2015

Washington, DC – The Small Business Legislative Council (SBLC) has announced that the Council’s top priorities for 2015 will be tax reform, health care, regulatory relief and infrastructure.

As determined by the SBLC’s Board of Directors, in 2015, the SBLC will continue its efforts to support meaningful tax reforms that provide simplification and certainty for small businesses while opposing tax reforms that place an unequal burden on small and closely held businesses.

The SBLC will also be focused on advancing legislation and regulations to improve the Affordable Care Act as well as promoting infrastructure investment to protect the American economy and ensure that all businesses have the tools and systems needed for success and growth. On the regulatory level, the SBLC will work to engage administrative agencies to address the high regulatory burdens which are stifling small business growth.

“Small business is a fundamental piece of a dynamic and growing economy” said SBLC Chair Roy Littlefield, Executive Vice President at Tire Industry Association. “It is therefore essential that Congress and the agencies keep small business in mind when passing laws and establishing regulations and recognize that small businesses cannot continue to absorb unlimited new burdens while still remaining successful.”

“We are excited for 2015,” said SBLC General Counsel, Paula Calimafde. “Because of the diverse membership of our member organizations, the SBLC has a unique insight into the interests and concerns of thousands of successful small businesses across the country. We look forward to continuing to work with Congress and the Administration to ensure that small business continues to be a vital and successful part of the American economy.”

The SBLC is an independent, permanent coalition of 66 diverse national trade and professional associations whose goal is to maximize the advocacy and presence of small business on Federal legislative and regulatory policy issues, and to disseminate information on the impact of public policy on small businesses.

Several States Increase Minimum Wage

As of Jan. 1, 2015, 21 states have new minimum wage requirements.

The states with changes include:
- Alaska $8.75 per hour
- Arizona $8.05 per hour
- Arkansas $7.50 per hour
- Colorado $8.23 per hour
- Connecticut $9.15 per hour
- Florida $8.05 per hour
- Hawaii $7.75 per hour
- Maryland $8.00 per hour
- Massachusetts $9.00 per hour
- Missouri $7.65 per hour
- Montana $8.05 per hour
- Nebraska $8.00 per hour
- New Jersey $8.38 per hour
- New York $8.75 per hour
- Ohio $8.10 per hour
- Oregon $9.25 per hour
- Rhode Island $9.00 per hour
- South Dakota $8.50 per hour
- Vermont $9.15 per hour
- Washington $9.47 per hour
- West Virginia $8.00 per hour

New OSHA Reporting Requirements in Effect

As of Jan. 1, 2015, there was a change to what covered employers are required to report to the Occupational Safety and Health Administration. Employers are now required to report all work-related fatalities within 8 hours and all inpatient hospitalizations, amputations, and losses of an eye within 24 hours of finding out about the incident.

On Dec. 11, OSHA held a conversation on Twitter to answer questions about the new reporting requirements going into effect at the beginning of the new year. Some of the most frequently asked questions are discussed in a blog by Dr. David Michaels, assistant secretary of labor for occupational safety and health.

Previously, employers were required to report all workplace fatalities and when three or more workers were hospitalized in the same incident. The updated reporting requirements have a life-saving purpose: they will enable employers and workers to prevent future injuries by identifying and eliminating the most serious workplace hazards.

Employers will have three options for reporting these severe incidents to OSHA. They can call their nearest area office during normal
New OSHA Reporting Requirements in Effect

continued from page 4

business hours, call the 24-hour OSHA hotline at 1-800-321-OSHA (6742), or they will be able to report online. (Please note, that the online reporting will not be available until mid January). For more information and resources, visit OSHA’s web page on the updated reporting requirements and watch OSHA’s new YouTube video, where Dr. David Michaels, assistant secretary of labor for occupational safety and health, explains the new reporting requirements.

As of January 1, 2015:

All employers* must report:
• All work-related fatalities within 8 hours

Within 24 hours, all work-related:
• Inpatient hospitalizations
• Amputations
• Losses of an eye

How to report incident:
• Call 1-800-321-OSHA (6742)
• Call your nearest OSHA area office during normal business hours
• www.osha.gov/html/RAmap.html

* Employers under Federal OSHA’s jurisdiction must begin reporting by January 1. Establishments in a state with a state run OSHA program (like MOSH) should contact their state plan for the implementation date.

2015 Energy Policy Priorities

Last month, TIA joined with the American Petroleum Institute and other organizations representing all facets of America’s energy and transportation sectors to present our vision for a true national energy policy.

The 114th Congress was sworn in last week with a clear pro-energy mandate. An election night poll found 90% of midterm voters agree that increased production of domestic oil and natural gas could lead to more U.S. jobs. And 86% recognize the connection between increased production and economic growth, which is their number one priority.

This year’s State of American Energy report emphasizes that the United States stands on the threshold of energy self-sufficiency at a level unthinkable just a few years ago. But achieving our full potential as an energy superpower requires getting energy policy right. Congress and the Obama administration should waste no time acting on the following job creating energy policies:

Keystone XL: We could have built the Keystone XL pipeline three times over during the six years the project has been under review. Five positive environmental assessments in six years have concluded the pipeline is safe for the environment, and the State Department says the pipeline will support 42,000 jobs putting $2 billion in workers’ pockets during the two-year construction phase.

Renewable Fuel Standard reform: RFS implementation went from bad to worse last year. The EPA has already publicly acknowledged that it will be at least six months late in issuing 2015 standards that were due in November, and the agency failed entirely to issue standards for 2014 – which were due in November 2013. The only real solution is for Congress to scrap the program and let consumers, not the federal government, choose the best fuel to put in their tanks. Failure to repeal could put millions of motorists at risk of higher fuel costs, damaged engines, and costly repairs.

Access: While oil and natural gas production is thriving on private and state lands, it’s slumping on federally controlled acreage and is off limits entirely in 87% of federal waters. New studies show opening the Atlantic, Pacific and eastern Gulf of Mexico to development could create nearly 840,000 new American jobs and grow our economy by up to $70.2 billion per year.

To start the year with legislation guaranteed to create jobs and grow the economy, the new Congress should move quickly to advance these commonsense energy policies.

Paid Sick Leave in 2015?

Legislation is set to be introduced on both the Federal and state levels to require employers to provide a set number of sick and safe days for their employees.

Although the exact language for this year’s bill has not been released at this time, TIA has opposed similar versions of this legislation in the past. TIA believes that one size does not fit all in workplace regulation and that Government should not manage the workforce of the private sector. Employers should be able to manage their workforces and create wage and benefit programs that balance economic stresses with employee needs, not government.

Affordable Care Act Outlook

TIA does not believe that there are enough votes to repeal “Obamacare,” but we do believe that it will be the focus of much of our upcoming legislative effort.

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Affordable Care Act Outlook

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We expect that there will be a number of important developments related to the Affordable Care Act (ACA or ObamaCare) in 2015. The following is an overview of what we see in this area in the coming year.

Actions for Repeal or Amendment:

With the Republicans assuming majority control in the Senate and retaining their majority in the House, we would not be surprised to see an ACA repeal vote coming out of either or both chambers (the House has already voted to repeal the ACA over 50 times). However, President Obama would surely veto such a bill and, at this time, there is clearly not enough support in the Senate to override a presidential veto.

Instead of outright repeal, we expect the legislative focus on ACA to be targeted towards specific reforms and amendments. We believe that targeted reforms are more likely to garner bi-partisan support, though it is yet unclear whether President Obama will be amenable to any amendments or whether any amendment efforts will invoke a guaranteed veto.

The most significant and likely amendment efforts that we expect to see are:

Amending the Definition of Full-Time Employees for the Purposes of the Employer Mandate: As currently drafted, the ACA defines a full-time employee as an employee who works 30 hours or more per week. In light of the traditional 40 hour full-time work week, concerns have been raised that this 30 hour definition will cause employers who are subject to the ACA to reduce employee’s hours below 30 hours in order to avoid providing them health coverage. We expect to see efforts to amend the ACA to define full-time employees as individuals who work 40 hours or more per week.

Eliminating the Medical Device Tax: The ACA imposes an excise tax on manufacturers and importers on the sale of certain types of medical devices. Concerns have been raised that this tax could impede innovation and hurt small business, specifically the small device manufacturers. We expect to see efforts to eliminate the medical device tax this year.

Eliminating Excise Tax on High Cost Health Plans (“Cadillac Tax”): The so called “Cadillac Tax” is scheduled to go into effect on January 1, 2018. The Cadillac Tax is a 40% tax on health insurance premiums that exceed certain thresholds (currently set at $10,200 for individuals, $27,500 for families). For fully insured plans, this tax will be paid by the insurer though most expect that the cost will be passed through to the consumers.

The stated purpose of this tax is to raise money for other parts of the ACA and to try to eliminate high cost plans and equalize health insurance coverage. Supposedly, great coverage leads to overuse of doctors and medical treatments (I personally don’t buy this but this is one of the rationales advanced for this tax.) However, we believe that the likelihood of this tax being eliminated is extremely low.

Net Investment Income Tax: One of the major revenue raisers included in the ACA was the net investment income tax which went into effect on January 1, 2013. The net investment income tax is an additional 3.8% tax on net investment income for individuals, estates and trusts whose income falls over certain thresholds ($200,000 for single and head of household, $250,000 for married filing jointly, $125,000 for married filing separately, and $12,150 for estates and trusts). There has been some push to repeal the net investment income tax and we expect these efforts to carry over to 2015. However, we believe that the likelihood of this tax being eliminated is extremely low.

We have been surprised at the veto threats already made by President Obama. His latest veto threat dealt with making the three charitable extender items permanent because of the lack of a pay-for. A few weeks before that he threatened to veto the deal worked out in the Senate which would have made most of the extender items effective for 2014 and 2015 and some permanent, because the bill did not make permanent two breaks for low-income families (even though neither had expired in 2014 or would in 2015). These threats make us think that the President is going to be very liberal with veto threats during the next two years.

TIRE REGISTRATION POSITION PAPER

At the December 2014 hearing, before the National Transportation Safety Board, the Rubber Manufacturers Association called for a return of mandatory tire registration – an antiquated system that was replaced by Congress in 1982 because it did not work.

NTDRA’s proposed voluntary registration was introduced in the US Senate in 1981 by an impressive bipartisan group of Senators, (including Howell Heflin, D-AL; Barry Goldwater, R-AZ; Jesse Helms, R-NC; Robert Dole, R-KS; Harrison Schmidt, R-NM; Paula Hawkins, R-FL; Bob Kaster, R-WI; Gordon Humphrey, R-NH; James Exon, D-NE; and Wendell Ford, D-KY), endorsed by a long list of consumer and automotive aftermarket industry groups (including; AAA, American Farm Bureau Federation, American Retail Federation, Motorcycle Industry Council, National Council of Farmer Cooperatives, National Grange, National Rural Letter Carriers Association, Service Station Dealers of America, Society of Gasoline Marketers, and National Truck Stop Operators).

continued on page 7
In addition to the voluntary tire registration plan, the legislation also contained a provision allowing the Secretary of Transportation to require tire manufacturing companies to initiate a public notification program in the case of tire recalls.

During the House of Representatives hearing, Congressman Matthew Rinaldo (R-NJ) emphasized that the legislation “provides a safe and sound response to the problem of tire registration.”

“A partnership of government, business, and representatives of the motoring public – both urban and rural – have endorsed this legislation,” Congress Tim Werth (D-CO), Chairman of the Subcommittee, asserted in his opening statement.

Michael Finkelstein, Associate Administrator of the National Highway Traffic Safety Administration, testified in support of the bill.

A return to the mandatory registration subjects tire retailers to potential fines of $1,000 - $10,000 per tire for every tire not registered up to a maximum fine of $800,000 per location. Under a mandatory system, all expenses and liability for tire registration would be transferred to the tire retailer.

TIA is prepared to work with all facets of the tire industry to develop strategies to improve the current percentage of tires registered. We believe that the industry has the necessary tools – be it barcodes, QR codes, RFID technology, consumer education, retail information, articles, speeches, webinars, educational videos, and training – to address the issue.

Our first response should be to work as an industry to address the concern, not to seek more government oversight and crippling fines by reintroducing an antiquated mandatory system that did not work when Congress replaced it over 30 years ago.

PRESIDENT OBAMA REVEALS PROPOSED FEDERAL BUDGET FOR FY 2016 & INFRASTRUCTURE PLAN

On February 2, 2015, President Obama released his proposed federal budget for fiscal year 2016 (which will commence on October 1, 2015). Every year the President is obligated by statute to submit his budget proposal to Congress by the first Monday in February (though there are no penalties for missing this deadline). While Congress is under no formal obligation to consider the President’s budget, the President’s budget will inevitably have a significant impact on the upcoming budget and tax reform debates. This year, the impact of the President’s budget proposal may also carry into the debates leading up to the 2016 presidential elections.

President Obama’s 2016 budget spans 2,000 pages and calls for approximately $4 trillion in spending. Most of the key provisions in the proposal come as no surprise as the White House previewed the vast majority of them during or surrounding the State of the Union.

Some of the most significant new expenditures in the President’s budget include:

- Funding targeted at expanding the availability of early child care, including tripling the child care tax credit for certain families with children under 5, increasing funding for Head Start and funding expanded access to preschool for low and middle income families.
- Funding targeted at increasing the affordability of higher education, including providing free community college, expanding Pell Grants, managing student loan debt and modifying existing education related tax credits.
- Establishing a second earner tax credit for families in which both spouses work.
- Investing $478 billion in a six year surface transportation reauthorization proposal. This provision in particular would be funded by changing the manner in which companies are required to pay taxes on overseas earnings.
- Establishing or increasing funding for various international efforts including, the fight against ISIL, the response to Russian aggression, protecting the nation against foreign cyber threats.

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and combating the international spread of infectious diseases.

- Increased funding for research and development.

Additionally, what is sure to be of interest to small businesses, the President’s budget includes:

- Funding to encourage states to establish paid family leave programs (i.e. encouraging more states to enact laws like California, New Jersey and Rhode Island which require private employers to provide paid sick leave).

- Funding to “expand retirement savings options” which would include requiring that certain part time employees be offered the opportunity to participate in an employer sponsored retirement plan and providing funding to allow states to implement State-based automatic enrollment IRAs or 401(k)s for employees who are not offered plans by their employer. How much these proposals would cost small businesses if enacted would depend on the details which are not yet released. For instance, if small businesses are required to make 3% contributions (the so-called “top-heavy” contributions) to the part time employees who would become eligible under this proposal to participate in the plan, it will cost small businesses who sponsor retirement plans extra dollars. Similarly, many are opposed to the expansion of states into IRA plans and believe that all IRAs should be established in the private sector rather than through the government.

The Budget would also close a number of “inefficient, unintended, and unfair tax loopholes in the individual tax code.” For example, it would end a loophole that lets some “high-paid professionals avoid Medicare and Social Security payroll taxes,” costing almost $10 billion a year by the end of the decade. It seems likely that this is some variation on Chairman Camp’s Sub-S proposal where 70% of the net income is automatically subject to payroll taxes.

In addition to the funds raised as a result of changes to the taxation of foreign corporate earnings (which, as noted above, the President would use to fund infrastructure investments), other key ways that the President would propose to pay for these new expenditures include:

- Eliminating the step-up in basis at death. With certain exceptions, this proposal would generally require that property given as a gift or transferred at an individual’s death would be subject to capital gains taxes on the appreciation that occurred during the original owner’s life. As we discussed at length in our last alert, this proposal could have a significant negative impact on small business owners, as well as many Americans who own appreciated assets. Some are now calling this proposal the new capital gains tax. As you may recall from an earlier update, the proposal calls for an exemption for “family owned and operated businesses” so that the tax on the capital gains would not be collected until the business was sold. For small businesses that are not family owned and operated, the proposal would allow the capital gains tax to be collected over 15 years. This will not provide much solace to a small business owner’s family subject to a potentially large new tax with only $100,000 of gain sheltered under this new proposal.

- Increasing the top capital gains rates to 28% for “high-income earners.”

- Imposing new fees on large financial firms.

Beyond the new expenditures and revenue raisers, the President’s budget would also scale back a number of the cuts imposed by the sequester and purport to reduce the deficit by $1.8 trillion (primarily through health savings, tax reform and immigration reform).

As a whole, the President and the White House have framed the 2016 budget proposal as focusing on “Middle Class Economics” and showing “what we can do if we invest in America’s future and commit to an economy that rewards hard work, generates rising incomes, and allows everyone to share in the prosperity of a growing America.” Key Administration officials, including various Secretaries, will be carrying this message to the Hill in the coming weeks.

Even before the text of the budget itself was released, the Republicans had already begun to respond to the President’s proposals. In a Meet the Press interview, Ways and Means Committee Chairman Paul Ryan (R-WI) stated that “[w]hat I think the president is trying to do here is to, again, exploit envy economics. This top-down redistribution doesn’t work.”

Chairman Ryan and his Republican colleagues on the Ways and Means Committee met at a three day retreat at the end of last week, with the goal of identifying and discussing the House Republican’s approach to tax reform. As a result of these meetings, Chairman Ryan and his Republican committee members have indicated that they will focus on pursuing comprehensive tax reform (as opposed to simply corporate or other piecemeal tax reform).

It is clear from Chairman Ryan’s comments on the President’s budget that the Republicans on the Ways and Means Committee are likely to

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have very different ideas for tax reform than those which were offered as part of the President’s budget. This comes as no surprise. The President’s budget appeals to a number of Democratic priorities, including expenditures for education and working families, while taking aim at provisions, such as the step up in basis and capital gains rates, that the White House has framed as increasing taxes on the very wealthy (though as we discussed in our prior alert these provisions could also negatively impact middle class tax payers).

While most of the President’s proposals do not have legs (particularly with the Republican controlled house and Senate), they are sure to be a source of debate in the coming weeks and months as both parties formalize and negotiate their visions for tax reform and spending.

Infrastructure Proposal

On February 1st, the Obama Administration released its proposed budget for FY16, along with budget updates for the “GROW AMERICA Act”, which is their transportation reauthorization proposal. Per the budget, the latest version of GROW AMERICA, which is expected to be released soon, envisions a six-year, $478 billion bill. Once again, the Administration proposes renaming the Highway Trust Fund and adding a Rail Account, which would create a new “Transportation Trust Fund”. The proposal would supplement existing highway user fees with a one-time increase in revenue derived from a mandatory repatriation of corporate profits held overseas, taxed at 14%. Once the six-year bill ends in FY21, the trust fund would once again become insolvent.

While everyone knows that the Administration plan has no support from the Republican Congress, there are an increasing number of observers in Washington who consider that surface transportation legislation and tax legislation are likely to relate to one another, perhaps one bill helping the other along and vice versa this year. Some form of repatriation may be helpful in getting a highway bill funded. While we welcome supplements that keep the Highway Trust Fund from collapsing, we remain convinced that a user-fee based approach is better public policy and is a much more solid fiscal approach to sustaining highway programs over the long term.

While the Administration proposes increasing funding for FHWA programs by an average of 29%, the increase for the core MAP-21 programs is only 7%. This includes the formula programs strongly supported by the Highway Users, such as the National Highway System program and the Highway Safety Improvement Program. Research programs do better with a 28% increase, including a 56% jump for the subcomponent of research focused on Intelligent Transportation Systems. Big money items are for new programs proposed by the Administration including a multi-modal discretionary freight program ($18 billion over six years) and a Critical Immediate Safety Investments program ($29.4 billion over six years), which appears to be designed to fund safety projects on local, rural, non-State owned roads, where 40% of the fatalities occur. The huge increase in funding for rural road safety is a surprise and we will monitor whether the idea has support within Congress.

As always, members should feel free to contact us with any questions and comments about the FY16 budget and GROW AMERICA proposals.

Tax Proposals That Could Affect You

As you have seen, President Obama released his FY2016 budget, and, as expected, it contained a number of proposed changes to the estate tax, the capital gains tax, and stepped-up basis. We are still in the process of evaluating the proposals, but we wanted to give a brief overview.

Regarding the estate tax, the budget proposes make a number of changes that the Administration has proposed in the past including, reinstating the estate tax at the 2009 level, i.e. a $3.5 million
Tax Proposals That Could Affect You

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exemption, and a 45% rate. Notably, the exemption would not be indexed to inflation. This proposal was in last year’s budget as well, although it was proposed to go into effect in 2018. Unlike last year’s budget, the FY16 budget proposes to have the lower exemption and higher rates go into effect in 2016. There are also proposals regarding valuation rules, Grantor Retained Annuity Trusts (GRATs), and other items that were in previous budgets.

Cumulatively, the proposed changes to the estate, gift, and generation-skipping taxes (GST) would raise an additional $214 Billion over the next 10 years.

As we noted previously, however, the budget contained significant, new, changes to stepped-up basis. This is under the title “Reform the Taxation of Capital Income” and appears on page 156.

The proposal would increase the capital gains tax to 24.2% (which, when combined with the 3.8% net investment income tax, would total 28%).

Additionally, the proposal would treat any gift or bequest of appreciated property as a taxable event for the purposes of calculating a capital gains tax, which, when combined with the estate tax, would create a second tax at death.

There are some new exemptions and carve-outs in the proposal. For example, it calls for:

- A $100,000 per-person capital gains exclusion;
- A $250,000 capital gains exclusion on residences (note: this actually sounds more important than it is—there is already a $250,000 capital gains exclusion for principal residences in current law);
- A complete exemption of “tangible personal property such as household furnishings and personal effects (excluding collectibles)” on gifted and bequeathed property;
- A special category for “certain small family-owned and family operated businesses” where any appreciated capital gains would be due over 15 years (or until the business is sold or ceases to be family-owned and operated). Note: veterans of the estate tax will note that this sounds similar to QFOB, a proposal enacted in 1997 to protect qualified family-owned businesses from the estate tax that was so unpopular that it was repealed 2 years later.

While the new proposal would allow the new capital gains tax assessed at death to be deductible against the estate tax, by our (very rough) calculation this would push the combined tax rate at death to approximately 60%—a rate significantly higher than was in place prior to 2001 (when it was 55%). According to Treasury, the new capital gains tax proposals would raise $207 Billion over the next 10 years.

These proposals are not expected to gain any significant traction in Congress any time soon. Earlier today, Secretary of the Treasury Jack Lew testified at the Committee on Ways & Means about Treasury’s proposals, and received significant pushback on the estate tax proposal from Committee Republicans. We will continue to monitor and will update you about any developments.

THE HISTORY OF TIRE TAXES

The Federal Excise Tax on tires was first levied in 1918 mainly because of revenue needs brought about by World War I. The Revenue Act of 1918 imposed a tax on both tires and tubes at the rate of 5% of the retail price.

The tax was reduced after the war, and then later repealed in 1926. The levy was reintroduced during the Great Depression, and was increased in 1941 to help finance World War II.

In 1956, the rate of the tax was raised in response to legislation enacted to build the interstate highway system and to create the Highway Trust Fund.

The Federal-Aid Highway Act of 1956 provided for a significant expansion of the federal-aid highway program and authorized federal funding over a longer period of time so as to permit long-range planning. It was considered necessary to authorize the entire Interstate Highway program to assure orderly planning and completion of this network of highways throughout the United States as efficiently and as economically as possible. In the case of tire taxes, the act raised certain rates and expanded the rate structure by

continued on page 11
prescribing different rates for different tire types. Tires for highway vehicles were taxed at 8 cents per pound. Later, of course, that was raised to 5 cents per pound.

In an effort to stimulate job creation, the Congress passed the Surface Transportation Assistance Act of 1982. The tire tax was actually hammered out late on a Friday night during a conference committee session. In the previous Congress I had worked closely with Senator Long and Senator Dole to enact legislation to allow for a refund of the FET paid on tread rubber that was lost in the retread process. All of the industry lobbyists had gone home for the weekend. Senator Bob Dole, who was chairing the meeting, called for a brief recess. I can remember him coming into the hallway and when he saw me said, “Don’t the retreaders have an opinion on what the tire tax should be?”

We went into a private room and called ARA Executive Director Ed Wagner, and that is how it happened. For the next 20 years, ARA, NTDRA, TRMG and RMA lobbied the position. NTDRA and RMA tried to eliminate the FET on tires by adopting a weight-distance tax. ARA/ITRA and TRMG fought to preserve the tax advantage for retreaders. How will the new tire manufacturers, who have made great investments in retreading, come down on this issue this year?

One of its goals (besides increased revenues for construction and maintenance of the Nation’s highways) was a redistribution of highway costs between car and truck users. Accordingly, the act changed several of the excise taxes that fund the Highway Trust Fund. For example, the excise taxes on tread rubber and inner tubes were repealed as were the taxes on non-highway and laminated tires. A new tax structure for heavy tires with graduated excise tax rates dependent on tire weight was established. Tires which weigh less than 40 pounds were exempted from the excise tax so that tires for most passenger cars were no longer taxable. The excise tax rates on heavy tires ranged from 15 to 90 cents a pound according to the weight of the tire. Those rates are shown in the following table.

<table>
<thead>
<tr>
<th>Weight of Tire</th>
<th>Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-40 lbs.</td>
<td>No tax</td>
</tr>
<tr>
<td>40-70 lbs.</td>
<td>15 cents per lb. over 40 lbs</td>
</tr>
<tr>
<td>70-90 lbs.</td>
<td>$4.50 plus 30 cents per lb. over 70 lbs.</td>
</tr>
<tr>
<td>90 lbs. – up</td>
<td>$10.50 plus 50 cents per lb. over 90 lbs.</td>
</tr>
</tbody>
</table>

Following the merger, we quickly met with RMA and worked out language to end the dispute.

The American Jobs Creation Act of 2004 changed the method of taxing tires from the graduated weight structure of prior law to a tax based on the load capacity of the tire. The tax is set at the rate of 9.45 cents for each 10 pounds of tire load capacity in excess of 3,500 pounds. In the case of super single or bias ply tires the tax rate is set at 4.725 cents for each 10 pounds tire load capacity in excess of 3,500 pounds.

A provision included in the Energy Tax Incentives Act of 2005 clarifies the definition of super single tires. Super single tires are those with a width greater than 13 inches. They are “designed to replace two tires in a dual fitment” and are subject to a lower tax rate of 4.725 cents for each 10 pounds load capacity exceeding 3,500 pounds. Under the clarification, a super single tire does not include tires designed to serve as steering tires since steering axles are not equipped with a dual fitment.
TIA would like to recognize and thank all individuals who contributed to the 2014 TirePAC fundraising campaign.

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Dan Childers
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Joseph P. Danules
Dick Dempster
Lee Demis
John Derringer
Kevin Dice
Jim Donohue
Paul Dvorak
Tom Formanek
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BUY A SQUARE ON THE TIREPAC BOARD
Your support helps protect the future of the tire industry!

Contact information

Name ______________________________________________________________________________________________________
Home Street Address __________________________________________________________________________________________
City______________________________________________________________ State______________ Zip __________________
Country (other than US) ______________________________________________ Postal Code ______________________________
Company Name ______________________________________________________________________________________________
Occupation __________________________________________________________________________________________________

For just $25 per square, you could win:
First place - $500 cash
Second place - $250 cash
Third place - $100 cash

I would like to purchase:
❑ 1 square - $25
❑ 2 squares - $50
❑ 3 squares - $75
❑ 4 squares - $100
Desired numbers (1-100):____________________

Method of payment:
❑ Personal Check (payable to TirePAC)        ❑ Cash

Please return this form and payment to:
TIA TirePAC
Attn: Roy Littlefield
1532 Pointer Ridge Place, Suite G
Bowie, MD 20716-1883

Only personal checks or cash are accepted. Corporate donations are prohibited by federal law. Contributions to TirePAC are for political purposes. All contributions to TirePAC are voluntary. Contributions to TirePAC are not deductible for federal income tax purposes.

Federal law requires TIA to use its best efforts to collect and report to the Federal Election Commission the name, mailing address, occupation and the employer’s name of those whose contributions exceed $200 total in a calendar year. A copy of our report is filed with and available from the Federal Election Commission, 999 E. Street, NW, Washington, DC 20463, or at www.fec.gov.

TIA complies with all federal election laws and regulations concerning the solicitation and acceptance of PAC contributions, and all other aspects of PAC operations.
TirePAC Prior Approval Form

Federal law requires that the Tire Industry Association (TIA) receive your company's permission before we solicit your officers and employees for contributions to TIA's TirePAC, our federal political action committee. This Prior Approval Form is not a solicitation and does not obligate you (or other officers or employees of your company) to contribute to TirePAC, and does not in any way limit contributions you may make to political candidates or parties. However, your company may not provide authorization (to solicit your officers and employees for federal PAC contributions) to more than one trade association in the same calendar year. As indicated below, solicitation authorization may be given to TIA for more than one year in advance. Please complete the form, signing for each year you are providing authorization, and promptly mail or fax it to the address or number shown below.

For federal campaign contributions only, I understand that my company’s approval is necessary before TIA may solicit contributions from my company’s officers and employees to TirePAC, and understand that my company may not authorize federal PAC solicitations by more than one trade association in the same calendar year. By my signature below, I hereby provide authorization to TIA to solicit my company’s officers and employees for voluntary contributions to TirePAC during the calendar years so indicated:

Contact Information (Please PRINT clearly)

Name ________________________________________________________________________________________
Title ________________________________________________________________________________________
Company Name ________________________________________________________________________________
Company Address ______________________________________________________________________________
City ______________________________________ State ______________ Zip+4 ______________________
Country (other than U.S.) ________________________________________ Postal Code ______________________
Phone ______________________________________ Fax __________________________________________
E-mail ____________________________________ Website __________________________________________

Please sign below to authorize for one year, or up to five years:

Authorizing Signature Required for 2015 ______________________________________________________________
Authorizing Signature Required for 2016 ______________________________________________________________
Authorizing Signature Required for 2017 ______________________________________________________________
Authorizing Signature Required for 2018 ______________________________________________________________
Authorizing Signature Required for 2019 ______________________________________________________________

By Mail:
TIA TirePAC
Attention: Roy Littlefield
1532 Pointer Ridge Place, Suite G
Bowie, Maryland 20716-1883

By Fax:
301-430-7283
TIREPAC
ENROLLMENT FORM

Yes, I want to join TirePAC to help protect the future of my business and the tire industry!

CONTACT INFORMATION (please print)

Name __________________________________________________________________________________________

Home Street Address ______________________________________________________________________________

City ______________________________________ State ______________ Zip+4 ________________________

Country (other than U.S.) ______________________________________ Postal Code ________________________

Company Name __________________________________________________________________________________

Occupation ______________________________________________________________________________________

SUGGESTED CONTRIBUTION LEVELS FOR 2015

❑ $25  ❑ $50  ❑ $100  ❑ $250  ❑ $500  ❑ Other __________

METHOD OF PAYMENT

❑ Check (make payable to TirePAC)  ❑ VISA  ❑ MasterCard  ❑ AMEX

Credit Card Number ______________________________________________________________ Expiration Date ______________

Card Holder Name (please print) ________________________________________________________________________________

Card Holder Signature ____________________________________________________________ Date ______________________

Please mail this form to:  TIA TirePAC or fax to:  301-430-7283

Attn: Roy Littlefield
1532 Pointer Ridge Place, Suite G
Bowie, MD 20716-1883

Only personal checks and personal credit cards are accepted. Corporate donations are prohibited by federal law.

Payment guidelines are merely suggestions, and you may contribute more or less than the guidelines suggest. TIA will not favor or disadvantage anyone by reason of the amount contributed or a decision not to contribute.

Contributions to TirePAC are for political purposes. All contributions to TirePAC are voluntary, and pledges can be revoked at any time prior to the time at which contributions are made. Contributions to TirePAC are not deductible for federal income tax purposes.

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