



Steven G. Kost
Executive Vice President

Representing:
Agricultural Equipment Dealers
Industrial Equipment Dealers
Outdoor Power Equipment Dealers
Rental Equipment Dealers

In:
Arizona □ California
Colorado □ Hawaii
Nevada □ Utah
Wyoming

April 24, 2008

Dear Far West Members,

Some weeks ago, I sent you a survey on the collection of “new tire” fees. “New Tire” fee means fees collected for all new tires sold “ON” new farm machinery and first time rental of new equipment. This was a direct result of recent action from the California Board of Equalization’s (BOE) auditing FWEDA members. The results of our survey showed that nearly 70% of responding members were not in compliance.

Since January 1, 2001, tires sold on new equipment, including to but not limited to farm tractors, harvesters, tillage tools, and riding lawn mowers, and first time rental of new equipment were to be collected from customers and reported to the BOE. The fees were \$1.00 per tire sold from 1-1-01 to 12-31-2004 and \$1.75 per tire sold since 1-1-05 less a management fee allowed to cover your cost for administering the program.

Once we determined the scope of the problem our legal counsel met with BOE staff on our behalf (anonymously). After these initial meetings went as far as they could, the FWEDA board concurred that I would have to meet with BOE staff for face-to-face discussions of our concerns. Again after two meetings to determine how we could minimize the financial burdens of our members, they presented us an outline of how they would work with us to get our membership into compliance. .

The proposal from BOE includes:

- 1) A form for you to complete a self-audit of tire sales from January 1, 2001 through March 2008.
- 2) BOE will reduce the total amount by 1.5 percent to account for the administrative fee you would have withheld had you been collecting the fee.
- 3) The waiver of all penalties
- 4) While BOE staff is not able to waive interest charges, they do encourage you to submit a letter requesting relief. I have attached a draft letter for your consideration and encourage you to submit something similar to it along with your completed spreadsheet.
- 5) The opportunity to request a payment plan. It is the responsibility of the dealer to contact BOE upon receipt of the billing to request a payment plan. Please note interest will continue to accrue for the length of time agreed to by the dealer and BOE and that a good faith initial installment will be required.

The way it will work is this: 1) you will do a self-audit and fill in the attached spreadsheet as well as the interest waiver request. **Send completed audit and interest waiver forms to the Far West office** where we will direct all audits to BOE on your behalf. BOE will register your company with the Environmental Fee Program and send you a statement for the amount owed less the 1.5% admin fee allowed to dealers plus interest. After receipt of this statement you may remit the amount owed in full or ask for a repayment plan. There will be no 10% penalty per our agreement and you should request a waiver of interest.

Moving forward, all dealers are required to collect this per tire fee and remit payment to BOE minus the administrative fee. The law requires the fee to be included on the invoice or contract as a separate line to put the customer on notice. Sales tax does not apply to the fee. We will continue to work with BOE to better define the list of equipment to be included in this fee and will provide you updates regarding our progress.

Please do not hesitate to contact me or Luella Warren if you have any questions, concerns or require additional information.

Sincerely,

A handwritten signature in blue ink that reads "Steven G. Kost". The signature is written in a cursive style with a large initial 'S'.

Steven Kost
Executive Vice President
Far West Equipment Dealers Association
707-678-8859