

Date of Hearing: April 4, 2016

ASSEMBLY COMMITTEE ON TRANSPORTATION

Jim Frazier, Chair

AB 1858 (Santiago) – As Introduced February 10, 2016

SUBJECT: Automobile dismantling: task force

SUMMARY: Requires the Department of Motor Vehicles (DMV) to establish an Unlicensed Automobile Dismantling Task Force comprised of representatives of DMV, the State Board of Equalization (BOE), and the California Environmental Protection Agency (CalEPA).

Specifically, **this bill:**

- 1) Requires DMV to establish an Unlicensed Automobile Dismantling Task Force comprised of representatives of DMV, BOE, and CalEPA.
- 2) Directs the task force to investigate the occurrences of underground, unlicensed automobile dismantling in violation of existing law, including resulting tax evasion and environmental damage.
- 3) Requires the task force to report to the Legislature by March 1, 2018 on specified information, including:
 - a) The number of leads or complaints received by the task force;
 - b) The number of complaints investigated and complaints that resulted in a civil action or criminal prosecution;
 - c) Recommendations for modifying, eliminating, or continuing the task force's activities; and,
 - d) Recommendations for statutory or regulatory changes, or both, needed to better allow for enforcement against unlicensed automobile dismantlers.
- 4) Establishes a sunset date of January 1, 2019.

EXISTING LAW:

- 1) Defines an "automobile dismantler," as a person who dismantles three or more personal vehicles within any 12-month period, and prohibits any person from acting as an automobile dismantler without first having procured a license or temporary permit issued by DMV.
- 2) Requires an applicant for an auto dismantler's license to provide DMV with information as to his or her character, honesty, integrity, and reputation, as DMV may consider necessary.
- 3) Requires an applicant for a new license or the renewal of a license to submit all of the following information as part of the application, if the applicant is required by other provisions of law to have the following permits, numbers, or plans:
 - a) BOE resale permit number;

- b) Identification number issued by the CalEPA;
 - c) A statement indicating that the applicant has either filed an application for a stormwater permit or is not required to obtain a stormwater permit;
 - d) A statement indicating that the applicant has either filed a hazardous materials business plan or is not required to file that plan; and,
 - e) The tax identification number assigned by the Franchise Tax Board (FTB).
- 4) Requires the Department of the California Highway Patrol (CHP) to inspect vehicles previously declared a total loss during the dismantling process when such vehicles are later presented to DMV for registration after reconstruction.
- 5) Establishes a number of task forces for a variety of purposes.

FISCAL EFFECT: Unknown

COMMENTS: Existing law requires an automobile dismantler to meet certain standards when applying for a license from DMV, including compliance with a number of environmental and standard taxation requirements. An automobile dismantler must hold a valid license from DMV in order to legally conduct business. Dismantlers process end-of-life vehicles by properly removing, recycling, or disposing of unused gasoline, and other fluids and chemicals, and ensuring that remaining metal and parts that cannot be resold are properly recycled. The disposal and recycling methods are consistent with the requirements imposed by the environmental permits a dismantler must obtain prior to being licensed by DMV. Automobile dismantlers are also required to submit paperwork to DMV related to dismantled vehicles and, as with other businesses, pay taxes to the state. Other agencies regulating dismantlers include CHP, which, as part of CHP's statutory charge to prevent and deter economic automobile theft, is specifically required to inspect vehicles that have been written off as a total loss for insurance purposes and dismantled when those vehicles are later reconstructed and presented to DMV for registration as revived salvage vehicles.

According to the author, 30% of end-of-life vehicles in California, or 360,000 vehicles per year, are being acquired and processed by unlicensed and unregulated dismantlers, representing nearly 2 million tires and 2 million gallons of hazardous fluids annually. These transactions occur outside the existing legal and regulatory framework for automobile dismantlers, meaning unlicensed dismantlers are not necessarily complying with the environmental and tax requirements imposed on licensed dismantlers.

The author contends that the drop in the number of licensed dismantlers in California from 1,236 to 1,072 in the past 5 years is attributable to the lower costs and ease of transactions associated with operating as an unlicensed dismantler. For example, an unlicensed dismantler can offer vehicle components for sale online, without complying with the restrictions placed on licensed dismantlers operating out of a physical storefront. The author states that the consequences of the operation of unlicensed dismantlers includes "lack of compliance with DMV dealer and dismantler laws, illegal dumping and disposal of vehicles, improper hazardous waste handling, cash-only transactions and employee payments, non-payment of sales and income taxes, car thefts, violations of worker safety protections, lack of ADA compliance and violations of advertising laws." The State of California Auto Dismantlers Association (SCADA), the co-

sponsor of this bill, estimates the amount of sales tax that is uncollected by the state at \$100 million annually.

This bill would direct DMV to establish an Unlicensed Automobile Dismantling Task Force for the purposes of investigating the occurrences of underground, unlicensed automobile dismantling in violation of existing law, including resulting tax evasion and environmental damage. The author intends to make the issue of unlicensed dismantling a priority for DMV, BOE, and CalEPA in order to determine how extensive and harmful the practice truly is.

Previous legislation: AB 576 (V. Manuel Pérez), Chapter 614, Statutes of 2013, established a pilot program to create the “Revenue Recovery and Collaborative Enforcement Team” consisting of specified agencies to collaborate in combating criminal tax evasion associated with the underground economy. The Tax Recovery and Criminal Enforcement Task Force is required to submit a report to the Legislature by December 1, 2017, on the number of complaints received by the task force and cases investigated or prosecuted as a result of task force collaboration.

AB 805 (Fuentes), Chapter 475, Statutes of 2009, required DMV to investigate and verify all the information submitted on an application for an automobile dismantler’s original or renewal license.

REGISTERED SUPPORT / OPPOSITION:

Support

Honorable Jerome E. Horton, Member, Board of Equalization (Co-Sponsor)
State of California Auto Dismantler’s Association (Co-Sponsor)
Association of Deputy District Attorneys
Association of Los Angeles Deputy Sheriffs
Automotive Recyclers Association
California Association of Code Enforcement Officers
California Association of Environmental Health Administrators
California Auto Dismantlers Recyclers Alliance
California Coastkeeper Alliance
Coalition for Clean Air
LKQ Corporation
Los Angeles Police Protective League
Riverside Sheriffs Association

Opposition

None on file

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