

Updated

January 30, 2015

Background

In February, 2010, Assembly Member John Perez (then Speaker of the Assembly) introduced legislation to increase the landfill diversion and recycling of post-consumer carpet generated in California. Legislators, legislative staff, entrepreneurs, non-government organizations, and the carpet industry worked together to develop legislation which was amended 6 times. The final legislation was signed into law by the Governor of California on September 30, 2010. The initial program went into effect July 1, 2011. Due to evolving market dynamics, CARE requested and was granted approval to modify the assessment fee and change the subsidy structure in early 2015.

Overview of AB2398

1Q. What is AB 2398?

1A. California AB 2398 is Carpet Stewardship legislation, signed by the governor of California, on September 30, 2010. The purpose of the legislation is to increase the diversion and recycling of carpet in the state of California.

2Q. What are the specific goals of the Carpet Stewardship program?

2A. The goals of the program are to increase:

1. *recyclability* of carpets (the ability of a carpet to be recycled),
2. *market growth* of secondary products made from post-consumer carpet,
3. *reuse* of post-consumer carpet,
4. *recycling* post-consumer carpet,
5. *diverting* post-consumer carpets from landfills,

Dealer and Retailer Information

3Q. The bill originally required a manufacturer of carpet to add a Carpet Stewardship Assessment of \$0.05 per square yard to the purchase price of all carpet sold and/or shipped to the state by that manufacturer. The assessment will be increased to \$0.10 per square yard – how will this be collected and disbursed?

3A. The \$0.10 per square yard will be collected as a non-taxed item on the invoice throughout the sales and distribution chain, including from the retailer/dealer to end user. If the manufacturer is a member of the CARE Stewardship plan, the manufacturer will remit the assessment to the outside Accounting firm for the Carpet Stewardship Organization. See 24Q-26Q for more information.

3AQ: When will the increase in the assessment go into effect?

3AA: The increased fee of \$0.10 per square yard will go into effect April 1, 2015.

4Q. Will the Carpet Stewardship Assessment of \$0.10 per square yard cover ALL of the costs to recycle carpet in the State of California?

4A. No, the Carpet Stewardship Assessment will NOT cover the costs of carpet recycling. The Carpet Stewardship Assessment is an incentive to be used by the members of the carpet recycling industry. The incentive may be used by the recyclers to invest in new, innovative technologies, new product development or market introductions that will further the achievement of the goals set out in AB 2398. Recyclers may also choose to use the incentives to defray costs, such as high transportation costs in outlying regions, costs for securing material, etc.

5Q. Who will pay for carpet recycling in California?

5A. As with any market based activity, the retailer/flooring contractor ultimately must pass on the costs to customers. The carpet stewardship program is designed to build off the existing carpet recycling infrastructure. Carpet recycling is a business that has been in California for more than ten years and has been managed in a market-based fashion.

6Q. What products are included in AB 2398?

- 6A. AB 2398 Includes All **Carpet** Sold or shipped to California
- _ Includes Broadloom and Carpet Tile
- _ Includes both natural and synthetic fibers
- _ Includes Commercial and Residential
- _ Does NOT Include: Rugs, Underlayment, Carpet Cushion
- _ Does NOT Include Synthetic Turf

7Q. How is 'carpet' defined in AB 2398?

7A. The Carpet Stewardship Assessment of \$0.10 per square yard will be placed on all carpet sold or shipped to the state of California. Please note that this includes both natural and synthetic fibers. AB 2398 defines carpet as:

- (1) "Carpet" means a manufactured article that is used in commercial or residential buildings affixed or placed on the floor or building walking surface as a decorative or functional building interior feature and that is primarily constructed of a top visible surface of synthetic face fibers or yarns or tufts attached to a backing system derived from synthetic or natural materials.
- (2) "Carpet" includes, but is not limited to, a commercial or a residential broadloom carpet or modular carpet tiles.
- (3) "Carpet" does not include a rug, pad, cushion, or underlayment used in conjunction with, or separately from, a carpet.

8Q. Please define what is meant by 'rug'.

8A. Rug means a loose laid (not installed or attached at wall base) soft floor covering manufactured from natural or synthetic fiber, including carpet cut into room or area dimensions that is not intended to cover the entire floor.

9Q. Is Synthetic Turf subject to the Carpet Stewardship Assessment?

9A. No. Synthetic Turf is not subject to the Carpet Stewardship Assessment. For purposes of AB 2398, synthetic turf is defined as "a primarily outdoor synthetic product manufactured to look like natural grass for use as a sport playing surface and alternative to lawns. Synthetic turf is not carpet.

10Q. What about indoor-outdoor carpet? Is indoor-outdoor carpet included in the Carpet Stewardship Assessment?

10A. Yes, indoor-outdoor carpet is subject to the Carpet Stewardship Assessment of \$0.10 per square yard. Indoor-outdoor carpet means a type of carpet, regardless of construction, made of synthetic materials that have been especially designed or treated to withstand moisture, extremes of temperature, ultra-violet rays, and other types of exposures. Indoor-outdoor carpet may be broadloom or carpet tiles that are applied in building interiors as well as exteriors. Indoor-outdoor carpet is defined as carpet for the purpose of this Article.

11Q. Are tradeshow carpets sold into California for tradeshows included in the California Carpet Stewardship Assessment?

11A. Yes, tradeshow carpet sold into California will be subject to the assessment, as it is installed for the duration of the show (or possibly several shows).

AB 2398 FAQs

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Updated 1/30/2015

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12Q. I know runners are not included, but what about installed runners? If it isn't a bound carpet or rug, but is a carpet installed in a hallway or on stairs is it still exempt?

12A. Please see the definition for carpets in the AB 2398. We are recommending that manufacturers determine if a product is included based on their interpretation of the law.

(1) "Carpet" means a manufactured article that is used in commercial or residential buildings affixed or placed on the floor or building walking surface as a decorative or functional building interior feature and that is primarily constructed of a top visible surface of synthetic face fibers or yarns or tufts attached to a backing system derived from synthetic or natural materials.

(2) "Carpet" includes, but is not limited to, a commercial or a residential broadloom carpet or modular carpet tiles.

(3) "Carpet" does not include a rug, pad, cushion, or underlayment used in conjunction with, or separately from, a carpet.

13Q. Our business uses broadloom carpet to manufacture and sell custom area rugs. Are we exempt for carpet we make into rugs? Where is the form and does it cover this situation?

13A. If you are purchasing carpet from a manufacturer that will be shipped into California, the manufacturer will assess you for AB 2398. If you then process the carpet into rugs, you would be exempt from the assessment and can

submit an exemption form to your manufacturer. You can download a copy of the Exemption form from the CARE web site.

14Q. To whom does the retailer remit the assessments?

14A. The carpet manufacturer will include the assessment when the manufacturer invoices the retailer. The retailer will remit the assessment to the manufacturer when the retailer is invoiced. The retailer will also be required to invoice the final customer, which will allow the retailer to recoup the assessment from the final customer.

15Q. How do I show the Carpet Stewardship Assessment on the customer invoice?

15A. The California Carpet Stewardship Assessment of \$0.10 per square yard shall appear as an after-tax line item on the customer invoice. In order to have consistent communications across the state, we are recommending that retailers use the term "**CA Crpt Stewardship Assessment**" as the language on the customer invoice. Here is an example of how the assessment should be included on the invoice. For more information on Customer Invoicing, please click on this link: <https://carpetrecovery.org/ab-2398-california-carpet-stewardship-information-for-retailers-and-dealers/>

16Q. Isn't this assessment just another tax or fees on customers?

16A. No, this is a carpet stewardship assessment. The assessment is NOT a tax, nor is it a fee. The assessment will be collected and managed as part of the manufacturers' responsibilities, and will be used to create incentives to meet the goals of AB 2398.

Please note that the assessment is not a tax, nor is it taxable. See AB 2398, Section 42972 (c) (3).

"(3) The assessment established pursuant to this subdivision and Section 42972.5 is exempt from the taxes imposed by Part 1 (commencing with Section 6001) of Division 2 of the Revenue and Taxation Code and shall meet both of the following requirements:

(A) The assessment shall be added by a manufacturer to the purchase price of all carpet sold or shipped to by manufacturers to a California retailer or wholesaler or otherwise sold for use in the state. The assessment shall be clearly visible on invoices or functionally equivalent billing documents as a separate line item and shall be accompanied by a brief description of the assessment or label approved by the department.

(B) Each retailer and wholesaler shall add the assessment to the purchase price of all carpet sold in the state. The assessment shall be clearly visible on invoices or functionally equivalent billing documents as a separate line item and shall be accompanied by a brief description of the assessment or a label approved by the department."

AB 2398 FAQs

Prepared by CARE

Updated 1/30/2015

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17Q. I am an installer. Do I collect this assessment when I install the carpet?

17A. The installer does not collect the assessment, unless the installer is also a dealer/retailer. The assessment will be collected by the retailer or dealer at the time of the purchase of the carpet by the customer.

18Q. I am a California retailer. If I sell carpet to a customer who is out of state of California, do I add the Carpet Stewardship Assessment to out of state sales?

18A. You do not add the Carpet Stewardship Assessment to sales outside of California. AB 2398 covers only carpet sold or shipped to the state of California. If you sell carpet to someone whose 'ship to' address is out of the state of California or out of the United States, for example, the sale shall not include the California Carpet Stewardship Assessment. There is an exemption form that you will need to complete and return to your carpet manufacturer to document that the sale is outside of the state of the California. For a copy of the exemption form, please click on this link: <https://carpetrecovery.org/ab-2398-california-carpet-stewardship-information-for-retailers-and-dealers/>

19Q. What kinds of records do I need to keep in order to be in compliance with AB 2398 and how long do I need to retain these records?

19A. Retailers must retain the following records for sales of carpet into California, for a rolling period of three fiscal years:

1. Manufacturer of the Carpet
2. Date(s) the Retailer Ordered or Purchased the carpet from the Manufacturer
3. Date(s) the Retailer Sold or Offered the carpet for promotional purposes
4. Retailer Invoice(s) or functionally equivalent billing documents showing California Carpet Stewardship Assessment
5. Certification Letter(s) from the department if provided by a manufacturer to demonstrate that carpet from the manufacturer is or was subject to a department-approved stewardship plan

20Q. Who will educate the customer about this program?

20A. The carpet manufacturers and CARE will continue to provide information to the dealers and retailers to help educate the customers about the Carpet Stewardship Assessment. In addition, customer information will be available on the websites of the carpet manufacturers and CARE. These educational materials will be available to the retailers from the CARE website: <https://carpetrecovery.org/ab-2398-california-carpet-stewardship-information-for-retailers-and-dealers/>

21Q. What happens if a business (i.e. manufacturer, distributor, wholesaler, dealer, retailer etc.) does not comply with AB 2398?

21A. A civil penalty up to the following amounts may be administratively imposed by the department (the California Department of Resources, Recycling and Recovery (CalRecycle)) on any person who is in violation of any provision of AB 2398:

- (1) One thousand dollars (\$1,000) per day.
 - (2) Ten thousand dollars (\$10,000) per day if the violation is intentional, knowing, or negligent.
- The department or the court will assess or review the amount of a civil penalty imposed.

22Q. How do wholesalers, retailers and other interested parties ensure that carpet manufacturers are in compliance with AB 2398?

22A. CalRecycle shall post a notice on its Internet Web Site listing manufacturers that are in compliance with AB 2398. The wholesaler and retailer that distributes or sells carpet shall monitor the Internet Web Site. You may view a list of the carpet manufacturers who have registered with the CARE Stewardship plan by clicking on this link: <http://calrecycle.ca.gov/Carpet/ManuBrands/default.htm>

23Q. What do I do if my carpet manufacturer is not listed on the CalRecycle Web Site?

23A. Please contact CalRecycle or CARE if you do not see your carpet manufacturer on the

AB 2398 FAQs

Prepared by CARE

Updated 1/30/2015

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CalRecycle web site, <http://calrecycle.ca.gov/Carpet/Default.htm>

24Q. How will the funding from the Stewardship Assessment be used?

24A. The funding from the Stewardship Assessment will be used to meet the goals of AB 2398, see Q2.

25Q. How much money will be generated from the Carpet Stewardship Assessment?

25A. Based on an estimate of approximately 100 Million square yards of carpet sold or shipped to California annually, it is expected that about \$10 Million will be collected from the Carpet Stewardship Assessment annually at the new \$0.10 per square yard assessment.

26aQ. How will the funding be distributed?

26aA. In order to have a viable, sustainable and cost-effective program that meets the goals of AB 2398, the Carpet Stewardship Organization (CARE) will be distributing the funds to the first level Processors. The first-line processor was selected to receive funds because the first-line processor interacts with both the collectors and the final manufacturers. To further stimulate the use of hard to recycle materials, manufacturers of secondary products (Tier 2) using non-nylon fibers will also receive funding.

26bQ. What will the first-line processor do to meet the goals of AB 2398?

26bA. The first-level processor is the organization that either shreds or shears the carpet, harvesting the fiber and other valuable components, and selling that material to the next stage in the process. The incentive may be used by the recyclers to invest in new, innovative technologies, new product development or market introductions that will further the achievement of the goals set out in AB 2398. Recyclers may also choose to use the incentives to defray costs, such as high transportation costs in outlying regions, costs for securing material, etc. The first-level processor may negotiate with the haulers and collectors, and with the final manufacturers to stimulate the marketplace and achieve *continuous meaningful improvement* in the rates of recycling and diversion and other specified goals in order to be in compliance. The structure of incentive payments can be adjusted over time to better encourage specific activities that are needed to achieve the program goals.

Other Important Information for the Retailer and Dealer

27Q. How many jobs will be added because of this legislation?

27A. We cannot predict how many jobs will be added, however, we expect growth in carpet recycling as a result of the legislation. And, as part of the program, CARE will be providing an Annual Report to the state that will include the number of jobs in California involved in carpet recycling.

28Q. When did the Carpet Stewardship Assessment begin?

28A. The Carpet Stewardship Assessment began on July 1, 2011. The increased Carpet Stewardship Assessment will take effect on April 1, 2015.

29Q. Where can I get a copy of AB 2398?

29A. Click on the following link for a copy of AB 2398: <http://calrecycle.ca.gov/Carpet/Law.htm>

30Q. Who will oversee and enforce this program for the State of California?

30A. The California Department of Resources, Recycling and Recovery (CalRecycle) will oversee and enforce the program. The carpet industry will submit a stewardship plan to CalRecycle either individually, or through the Carpet America Recovery Effort (CARE). A current version of the approved plan can be found at: <http://calrecycle.ca.gov/Carpet/Plans/>

31Q. Where can I get more information or answers to other questions I may have?

31A. Please contact your carpet manufacturer or distributor, or you may find additional information on www.carpetrecovery.org, or go to www.calrecycle.ca.gov/Carpet/

AB 2398 FAQs

Prepared by CARE

Updated 1/30/2015

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32Q. How does a retailer find a carpet recycler in California?

32A. Please go to www.carpetrecovery.org and click on the US map on the homepage. From there, you can go to the map of California and find detailed information on carpet recyclers for the state. CalRecycle also posts a list of carpet recyclers at: <http://www.calrecycle.ca.gov/ConDemo/Carpet/Facilities.htm>

33Q. How does a consumer or commercial end user recycle carpet in California?

33A. For more than ten years, carpet recyclers have been at work in California, diverting millions of pounds of discarded carpet from landfills and recycling it into useful new products. For more information on how to recycle your carpet, please go to www.carpetrecovery.org

34Q. I am a retailer/dealer. What about carpet purchased before April 1st but is invoiced after April 1st? I will have contracts before April 1st – what should I do? I have a binding contract; will I need to tell purchaser that there is an additional assessment?

34A. When you sell that carpet to the customer/end user after April 1, 2015, you will need to include the new assessment as an after-tax line item on the customer invoice. You will then remit that assessment to CARE. You may download the form to be used to remit this assessment to CARE by going to the CARE web site, www.carpetrecovery.org

35Q. How do retailers specify the assessment on the invoice if there are less than 30 characters available? – Is the department letting CARE approve abbreviated assessment lines on invoice?

35A. CARE will provide guidance to retailers who are unable to have 30 characters available on the invoice. To contact CARE, please go to www.carpetrecovery.org and go to the 'Contact Us' page.

36Q. If a retailer has carpet in stock before April 1 on which he/she has not paid an assessment does the retailer still need to add the assessment to the invoice for that carpet if it's sold after April 1?

36A. If a retailer has carpet in stock purchased before April 1 and sold or shipped to California after April 1, the retailer will need to add the new assessment to the customer invoice. The retailer will then remit that assessment to CARE. The retailer may download the form to be used to remit this assessment to CARE by going to the CARE web site, www.carpetrecovery.org

37Q. I am a Specialty contractor. I do not work directly for an end user. I have a fixed price contract – owners will refuse to pay. What enforcement agency will be there to force them to pay?

-Does CalRecycle enforcement include payment?

37A. The assessment is applied at the time of invoicing for a purchase. If you are invoicing your customer/end user for the purchase of a carpet, the assessment must be added as an after-tax line item. If your customer refuses to pay, they are not in compliance with AB 2398. Those persons who are not in compliance may be subject to civil penalties imposed by CalRecycle. The civil penalties may be up to \$1,000/day or up to \$10,000/day if the violation is intentional, knowing or negligent.

38Q. I am a Contract dealer. I order a roll of carpet from a manufacturer – will this include the \$0.10/square yard assessment?

38A. Yes, the manufacturer will include the assessment on the invoice of all sales of carpet into California after April 1. The assessment will be calculated on the number of yards in the roll. You will remit the assessment back to the manufacturer.

39Q. Can I just cover the assessment myself or do I need to include this on the invoice to my customer? What is the necessity in taking \$0.10/square yard from end user if contractor willing to pay on their own?

39A. The law requires that each retailer and wholesaler shall add the assessment to the purchase price of all carpet sold or shipped into the state. The assessment shall be clearly visible on

AB 2398 FAQs

Prepared by CARE

Updated 1/30/2015

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invoices or functionally equivalent billing documents as a separate line item.

40Q. How does AB 2398 effect carpet being installed in new homes? How should the assessment be shown to the homebuyer in their real estate transaction?

40A. The assessment must be included as an after-tax line item on the customer invoice or equivalent real estate transaction at closing.

41Q. For retailers in a rural area, are we expected to collect the carpet?

41A. No. The law does not require that you collect the carpet anywhere in the state of California. However, carpet recyclers have been active in the state for many years, working on market-based solutions to recycle carpet from California landfills. For example, carpet recyclers drop trailers in several locations around the state. We recommend that you speak to the California carpet recyclers directly to inquire how to partner with them to recycle carpet. To find the contact information for carpet recyclers in California, please go to www.carpetrecovery.org

42Q. April 1st date: if we were to write an order or sale in late March we can't assess to the customer but will be charged by manufacturer – do I need to collect assessment from customer before April 1st?

42A. If you purchase carpet from the manufacturer starting April 1, the manufacturer will add the revised assessment of \$0.10/square yard to your invoice. You will need to add the assessment to the invoice for all carpet shipped to the customer starting April 1.

43Q. We sell by square foot – what do I do to convert?

43A. Please go to the CARE website. From there you can go to the AB 2398 page and download the invoice instructions. The instructions include how to invoice, when you customer purchases carpet in square feet. To convert from square feet to square yards, you will need to divide the square feet by nine (9).

44Q. Is there talk of padding and rugs being included in the future?

44A. No, AB 2398 does not include padding or rugs, and we are not aware of any efforts to change that in the future.

45Q. We are heavily involved with contract work. Will there be a phase in of the implementation for our type of business; I believe that an exemption should be put in to place for contracts that were executed prior to the April 1st date where the project was bid without the assessment of 0.10 / square yard?

45A. If the carpet is purchased by a customer/end user after April 1, the law requires that the \$0.10 per square yard assessment must be added to the invoice.

46Q. What about the bids submitted prior to the April 1st date but not yet accepted; these bids, if accepted would fall in to the same category as contracts entered in to prior to the April 1st date; i.e., they would not have included the assessment but when the carpets for the job are ordered, the assessment will be included; again, putting an unfair burden on the dealer.

46A. If the purchase of the carpet occurs after April 1, the law requires that the \$0.10/square yard assessment must be added to the invoice.

47Q. I have a concern with the way we need to put the separate line item on our invoices to our customers. Property management flooring is extremely competitive and the Flooring contractors like us have never put the yardages on the invoices since we lump sum bill everything. If we create a separate line for the CARE charge then we would essentially be exposing our yardages from our measures on the actual invoices.

47A. If you are selling carpet to the end user, you are required by law to add the assessment as a separate line item, to the customer invoice. The amount of the assessment shall be calculated based on the square yards of carpet sold.

AB 2398 FAQs

Prepared by CARE

Updated 1/30/2015

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48Q. Import / Export of carpets through California: Recognizing that the Los Angeles port is a key distribution point for the import and export of carpets, a question was raised how AB 2398 applies to import / export activities. Specifically, when would the \$0.10/square yard be applied and who would have the specific responsibility / ownership for collecting and remitting the \$0.10/square yard?

48A. When a carpet is sold or shipped into California, the \$0.10/square yard must appear on the invoice throughout the sales and distribution chain. See 3Q and 18Q. For example, a retailer must add the \$0.10/square yard on the final invoice to the customer, for all sales shipped into California. The retailer would then remit the assessment to the manufacturer. If the carpet is sold or shipped to a customer outside of California, the assessment does not apply.

49Q. Imported carpets destined for sale in California. Does the \$0.10/square yard assessment apply to these carpets?

49A. Yes. All carpets imported and sold/shipped to customers in California are subject to the assessment. AB 2398 recognizes the importer of carpet into California as a manufacturer for purposes of compliance to AB 2398. Therefore, the importer would need to either register and submit a stewardship plan to CalRecycle or become a part of the CARE stewardship plan.

50Q. What about imported carpets destined for sale outside the state of California?

50A. If the carpet is sold/shipped to a customer outside of the state of California, it is NOT subject to the assessment See 18Q on the FAQ for more information.

51Q. Does the \$0.10/square yard assessment apply to carpets that will be exported out of the state? If so, who is responsible for invoicing, collecting and remitting any assessments?

51A. See 18Q. If the carpet is exported out of the state of California, and/or out of the country, it is not subject to the assessment.

52Q. Customer pick up (will call): In the case of a California dealer / retailer who purchases carpet from a manufacturer and requests to arrange for their own shipment or pick up the carpet outside of California. The invoice would be billed to the customer in California. Does the \$0.10/square yard assessment apply to the transaction?

52A. If a California ship-to-location is given to the manufacturer, the manufacturer will charge the assessment. If a ship-to-location is not given, the assessment will not be charged. In that case, the dealer/retailer is defined as the manufacturer under AB 2398 and therefore must comply with the requirements of a manufacturer, meaning that the dealer/retailer must register and submit a stewardship plan to CalRecycle or join the CARE stewardship plan. The dealer/retailer will be responsible for collecting and remitting the assessment.

53Q. A Nevada dealer / retailer (assume California neighboring state dealer / retailer) purchases the carpet from a manufacturer and requests to ship the carpet to their operation in Nevada. Does the application of the \$0.10/square yard assessment apply in this case?

53A. The assessment applies to any carpet which is sold or shipped to California. If the Nevada dealer/retailer ships or sells any of the carpet to California, the assessment applies.

54Q. A Nevada dealer / retailer (assume California neighboring state dealer / retailer) purchases the carpet from a manufacturer and requests to ship the carpet to their operation in California. The invoice in this case goes to their home office in Nevada. Does the application of the \$0.10/square yard assessment apply in this case?

54A. If the carpet is sold or shipped to customers in California, the assessment applies.

55Q. A Nevada dealer / retailer (assume California neighboring state dealer / retailer) purchases the carpet from a manufacturer and requests to ship the carpet to their operation in Nevada and holds it in inventory, but later ships the carpet to a customer in the state of California. Does the application of the \$0.10/square yard assessment apply in this case?

AB 2398 FAQs

Prepared by CARE

Updated 1/30/2015

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55A. Yes, all carpet that is shipped to or sold or shipped to California is subject to the assessment. The dealer/retailer would need to include the assessment on the customer's invoice. At this point, the dealer/retailer becomes an importer/manufacture for purposes of AB 2398. The dealer/retailer would then need to either register and submit a stewardship plan to CalRecycle or become a part of the CARE Stewardship plan. See 52A.

56Q. Warehousing and distribution points in California: A carpet manufacturer owns and maintains a distribution center (warehouse) in the state of California. Some of the inventory will be consumed in the state of California, some will be shipped to other Western states. Does the \$0.10/square yard assessment apply to all carpets that pass through the distribution center or only those carpet shipments sold or shipped to the state of California?

56A. The assessment applies to only to the carpet shipped or sold to customers in California.

National Accounts: Many national accounts maintain and operate facilities across several states, but have centralized functions for sourcing and procurement. Questions were raised in how national accounts conduct business.

57Q. A Nevada based national account (example of a company HQ outside California) purchases carpet and warehouses the carpet at their centralized distribution facility in Nevada, but later ships the carpet to their operation in the state of California. In this case, the invoice was billed to their Nevada home office. Does the application of the \$0.10/square yard assessment apply in this case?

57A. Yes, the assessment applies to all carpets that are shipped to or sold into the state of California. The national account will need to remit the assessment of all carpet shipped to or sold into California. In that case, the national account becomes an importer. The national account must either register and submit a stewardship plan to CalRecycle or become a part of the CARE stewardship plan.

58Q. A Nevada based national account (example of a company HQ outside California) purchases carpet and warehouses the carpet at their centralized distribution facility in Nevada, but later ships the carpet to their operation in the state of California. In this case, the invoice was billed to their California operation. Does the application of the \$0.10/square yard assessment apply in this case?

58A. Yes, the assessment applies to all carpets that are shipped to or sold into the state of California.

59Q. I have a current contract with a federal agency that was agreed to prior to April 1, 2015. This contract does not include the revised Carpet Stewardship Assessment. How do I address this when I government purchases carpet after April 1?

59A.. It is our understanding that the U.S. Government will be subject to the AB 2398 Carpet Stewardship Assessment on all projects involving "carpet" and "carpet tile" in the state of California. However, current contracts with the U.S. Government do not include the revised AB 2398 Carpet Stewardship Assessment and, as such, attempts to bill the revised assessment would cause a purchase order discrepancy resulting in non-payment of the invoice. This would pose a hardship for manufacturers. As a result, manufacturers must begin charging the AB 2398 Carpet Stewardship Assessment at such time as their contracts can be amended to include the assessment.

60Q. On the example form provided, the fee is on a separate line item after the subtotal and taxes. On the system that we have, we need to list the line item above the subtotal and taxes. Is this o.k., if they note that it is a non-tax line item?

60A. Yes, this is ok. The law requires that the assessment not be taxed and that it appears as a separate line item.

61Q. I process post-consumer wool carpet. It is used in sheet form in agricultural fields. Would this qualify for the incentive funding?

61A. Yes, this application would qualify for incentive funding.

AB 2398 FAQs

Prepared by CARE

Updated 1/30/2015

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62Q. If I refurbish used carpet and resell it, would the sale of the refurbished carpet be subject to the assessment?

62A. Yes, the assessment would need to be applied to the invoice at the time of sale.

63Q. Are internet sales of carpet sold to California subject to the Assessment?

63A. Yes, if carpet is purchased via the Internet and shipped or sold into California, it is subject to the Carpet Stewardship Assessment.

64Q. We are the manufacturer. We sell carpet to a dealer in California, and we add the \$0.10 assessment to the invoice. For whatever reason (cancellation, claim, etc.), the carpet is returned to the mill, the invoice credited in full (including the \$0.10) and then replaced with another order, which we again charge the \$0.10 assessment. Are we entitled to a refund of the first assessment? If so, what is the procedure? If not, why not?

64A. Yes, if you have already submitted the first assessment to the Accounting firm, you are entitled to receiving a refund/credit for the first assessment. You can apply for the credit through including the requested exemption on your quarterly report and submitting it to the Accounting firm.

65Q. Will cement kilns be eligible to receive incentive funding from AB 2398?

65A. The processor who prepares post consumer carpet that is burned as CAAF could qualify for incentive funding. CAAF is defined as "fuel that has been produced from source-separated, and sorted post-consumer carpet and processed, including (1) extraction of components for recycling if at all possible; and (2) size reduction, shredding, and/or blending with coal fines, etc". The cement kiln would not qualify unless it was the processor. Please note that CAAF is a lower priority on the funding hierarchy and is capped at no more than 15% of the funds available.

66Q. Under the right circumstances processing carpet for cement kilns count; how about lime kilns? The carpet residue would perform the same function in lime kilns as in cement kilns.

66A. If the processed carpet meets the definition for CAAF, the carpet processor could qualify for incentive funding if burned in a cement kiln or a lime kiln.

67Q. Do I pass this assessment onto to sales of carpet into Native American reservations?

67A. Sales into Native American reservations are not included in the assessment.

68Q. I am a retailer in California. I have a contract with a customer. I have invoiced the customer for a job, and I have ordered carpet from a manufacturer. The customer has paid the invoice. The carpet is on back order and will not be shipped until after April 1. Here are my questions:

1. Am I required to pay the manufacturer for the assessment on the carpet that will be sent to me after April 1?

2. Since the customer already paid me for the carpet prior to April 1, am I required to pass along the assessment to the customer?

68A. If the manufacturer invoices you after April 1, the manufacturer will include the revised assessment on the invoice to you. You are required to pay the manufacturer for the assessment.

You are also required to invoice the assessment to the customer because the carpet will be shipped to the customer after April 1.

69Q. I have ordered carpet from a manufacturer. I have paid the manufacturer for the carpet, which was shipped to me prior to April 1. The customer has paid the invoice. I have been unable to deliver the carpet because my customer is in the mountains and we will not be able to reach his building until after April 1. Do I need to charge the revised assessment when the installer delivers the carpet to the customer?

69A. No, you do not need to charge the assessment. In this case, the sale was completed prior to April 1. The assessment is calculated based on when the sale or shipment into California occurs, not when the carpet is installed.

AB 2398 FAQs

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70Q. Is the ‘end use’ application a criteria for the assessment? We have a customer in CA who is planning on purchasing” indoor/outdoor” carpeting, in bulk, but for use as a component in the manufacture for applications other than buildings.

70A. All carpet sold for residential and commercial applications into the state of California is subject to the assessment.

71Q. Are runners (installed and not) included in the definition of carpet and thus must have the assessment as well?

71A. Carpet used for hallways and stairs would be included in the assessment - provided it was sold unbound. Since most runners (installed or not) are sold bound, they are classified as a type of rug and therefore excluded from the assessment.

72Q. What do we do about carpet that we have on hand in our stores now, stock goods, rolls, remnants that we acquired prior to April 1 2015 and will be sold off after the AB2398 increased assessment implementation. Do we collect the \$0.10/square yard on all those sales to customers?

Even though we have not been assessed by the mills since they were goods purchased prior to AB2398 implementation?

72A. If a retailer/dealer has inventory in stock prior to April 1, and the carpet is then sold by the retailer after April 1, the revised assessment must appear on the customer invoice. The retailer/dealer must remit the assessment to HA&W, the CARE third party accounting firm. The remittance can be submitted by completing the Inventory Sales remittance statement and following the directions on where to submit the remittance. Please click on this link for a copy of the remittance.

<https://carpetrecovery.org/ab-2398-california-carpet-stewardship-information-for-retailers-and-dealers/>

73Q. If the manufacturer ships carpet as a replacement for freight damage or claim, does the manufacturer charge the assessment?

73A. The assessment will only be charged once. A new invoice will be issued for the replacement carpet, and a credit will be issued for the original order.

74Q. We have a 20 character limit on our invoices/receipts. May we use CA CRPT STEWARDSHIP to indicate the assessment on our invoices?

74A. Yes, this is an acceptable terminology to describe the assessment when there are only 20 characters available on the invoice.

75Q. Are Wool carpets included in AB 2398?

75A. Yes. Based on discussion with CalRecycle, wool carpet is included.

77Q. I lease carpet to customers in California. Am I required to add the assessment to leased carpet?

77A. Yes. According to AB 2398 Chapter 20, Section 42971 “Sell” or “sales” means a transfer of title of a carpet for consideration, including a remote sale conducted through a sales outlet, catalog, Internet Web site or similar electronic means. For purposes of this chapter, “sell” or “sales” includes a lease through which a carpet is provided to a consumer by a manufacturer, wholesaler, or retailer.

78Q. I am marketing recovered filler as landfill cover. Will this use qualify for incentive funding under the CARE stewardship plan?

78A. No. The filler applications that will qualify for incentive funding include carpet filler or nonfunctional filler in applications such as plastic lumber, etc.

79Q. I am a landlord. When a tenant damages the carpet and the carpet needs to be replaced when the tenant moves out, I charge the tenant from the security deposit. Do I add the assessment to this charge?

79A. The law requires that the assessment be added to the invoice of the final customer. In this case, the landlord is the final customer. The tenant does not own the carpet and therefore, the

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tenant is not charged the assessment.

80Q. I purchase carpet from vendors who have used the carpet in tradeshow. I then resell the carpet to customers in California. Do I charge the assessment on the resell of the carpet?

80A. Yes, the assessment would need to be applied to the invoice at the time of sale. See 62Q.

81Q. Is Cove Base subject to the Carpet Stewardship Assessment?

81A. No. Material that is sold Cove Base is not subject to the Carpet Stewardship Assessment.