

2. Tangible Net Worth Requirements for RCRA Subtitle C Financial Assurance

Owners and operators of treatment, storage, and disposal facilities subject to Subtitle C regulation are required to demonstrate liability coverage for bodily injury and/or property damage to third parties resulting from accidental occurrences arising from facility operations (53 FR 33938; September 1, 1988). This requirement can be demonstrated using one or a combination of financial mechanisms, including a financial test. The financial test for liability coverage requires the owner or operator to possess net working capital and tangible net worth each at least six times the amount of liability coverage to be demonstrated by this test, and a minimum tangible net worth of \$10 million (264.147(f)(1)(i)(A) and (B)). How does an owner or operator calculate the required amount of tangible net worth when using the financial test?

The owner or operator using the financial test must possess a minimum tangible net worth of at least \$10 million. Even if six times the amount of liability coverage to be demonstrated by this test is less than \$10 million, the owner or operator must still have at least \$10 million in tangible net worth (see Example 1). If, on the other hand, six times the amount of liability coverage to be demonstrated by the financial test is more than \$10 million, then that six times multiple is the minimum tangible net worth necessary to qualify to use the financial test (see Example 2).

Example 1: Amount demonstrated by the financial test:	\$500,000
Six times the amount demonstrated:	\$3 million
Minimum tangible net worth:	\$10 million

Example 2: Amount demonstrated by the financial test:	\$2 million
Six times the amount demonstrated:	\$12 million
Minimum tangible net worth:	\$12 million