Taxes on TNCs to Support Public Transit

APTA Emerging Leaders Program Class of 2020 | Group 4

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1
TNC taxes: an overview

Taxing TNCs

Transportation Network Companies (TNCs) or Providers (TNPs) are ridehailing services that provide vehicles to customers by connecting them via an app

TNCs are often considered competition to public transit authorities, although some authorities collaborate with TNCs to provide more holistic service to customers

States and cities across the US tax TNC use for a variety of reasons, often to mitigate urban congestion and pollution and/or bolster public transit agency budgets to curb ridership losses

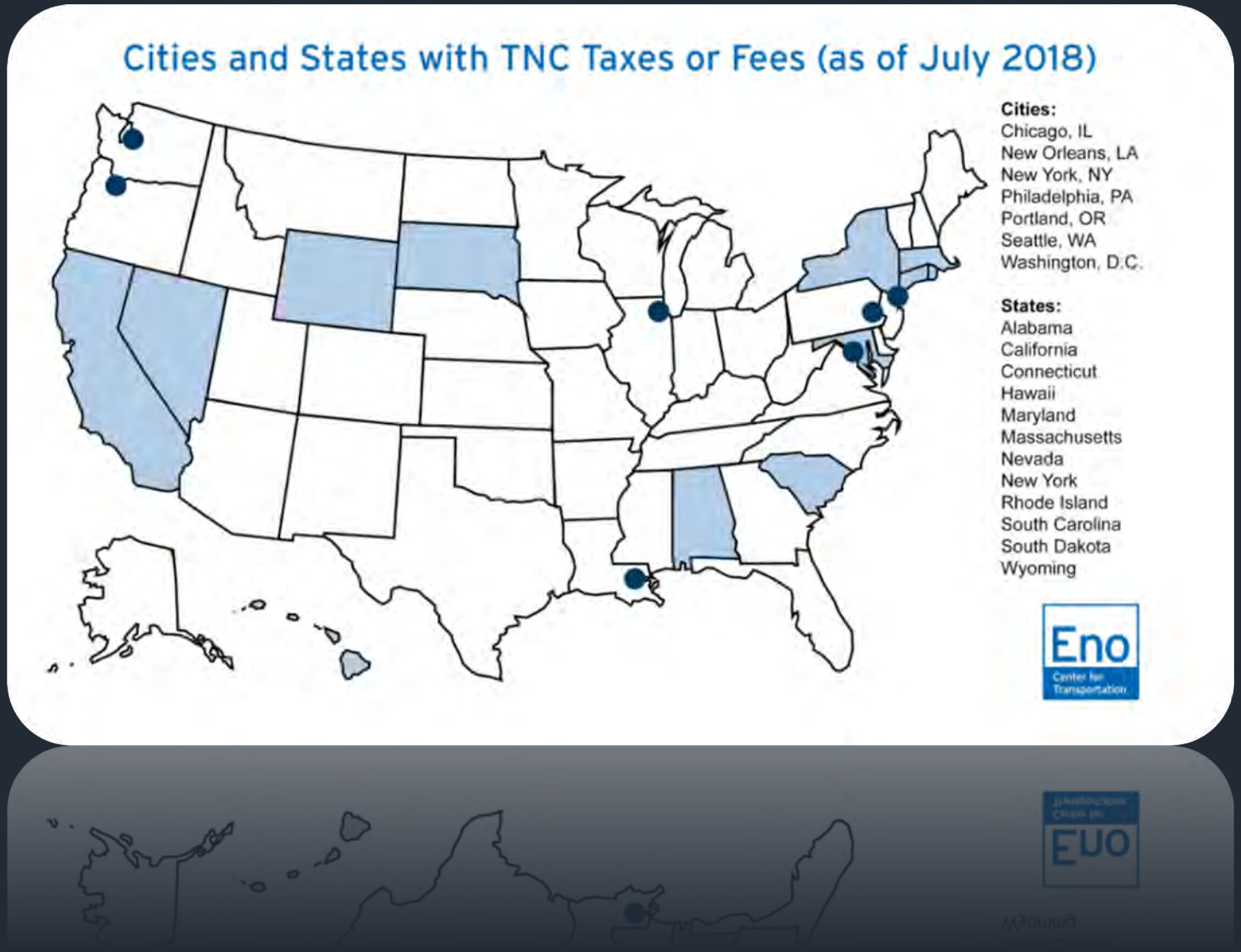
Today

As of 2018, a mix of seven cities and 12 states has some type of TNC tax

There are varying degrees of implementation across North America

For example, TNC taxes may come as a flat fee or percent of total fare. Funding recipients might include public transit agencies, state trusts, highway funds, or general funds

Getting TNC tax policy "right" can be a challenge



2 considerations during COVID-19

Considerations during COVID-19

Reduced ridership in 2020

- Uber's 2020 Q2 ridership was 35% less than 2019 Q2
- Lyft's 2020 Q2 ridership was 61% less than 2019 Q2

Uncertainty in future ridership projections

- Full reopening of states / vaccine arrival
- Permanent commuting changes (i.e., permanent teleworking)

Legislative hurdles

- Assembly Bill 5 in California


3
case studies
San Francisco | Portland |
Seattle | Chicago

Case study | **San Francisco**

Prop D: Traffic Congestion Mitigation Tax

A 3.25% tax on solo TNC rides (1.5% on shared rides or those taken with zero-emission vehicles). Tax fully passed onto the consumer. Original estimate of $32 million in yearly revenue, but heavily impacted by the COVID-19 pandemic and shelter-in-place health order since then.

The "Why"

- Congestion increasingly a problem in SF; TNC rides found to contribute significantly. Also, study identified a $22 billion transportation funding gap through 2045
- Tax introduced to help reduce congestion and encourage people to use other forms of transportation
- Revenue split 50/50 between Vision Zero safety projects and Muni operational improvements

Making it happen

- Sponsored by a SF Supervisor with backing by Mayor. Required authorization from the state (received in Aug 2018)
- First proposed as a gross receipts tax, then switched to excise tax. Uber/Lyft supported
- Dedicated tax, meaning two-thirds majority needed (passed in Nov 2019)

What's next

- Took effect on Jan 1, 2020. City originally slated to provide monthly revenue from TNCs on a quarterly basis
- SFCTA's portion to go toward funding Vision Zero safety improvements and projects
- SFMTA portion to go toward operational improvements; i.e., frequency, reliability, and maintaining/expanding fleet

Takeaways

Moderate additions to each ride (10-20¢ for shared and 40-60¢ for solo) may not be enough to discourage TNC use. However, tax is a good step in encouraging TNCs to pay into system, and raises much-needed revenue for transit.

Case study | **Chicago**

TNC tax

Most TNC fees range between 65¢ and $3. Riders pay higher fees for solo trips and trips starting/ending in transit-rich/walkable zones.

The "Why"

- Chicago's flat 72¢ TNC fee was among the first in the U.S.
- Goals of this fee restructuring were to help reduce the city's budget deficit, reduce congestion, and incentivize public transit options and shared trips

Making it happen

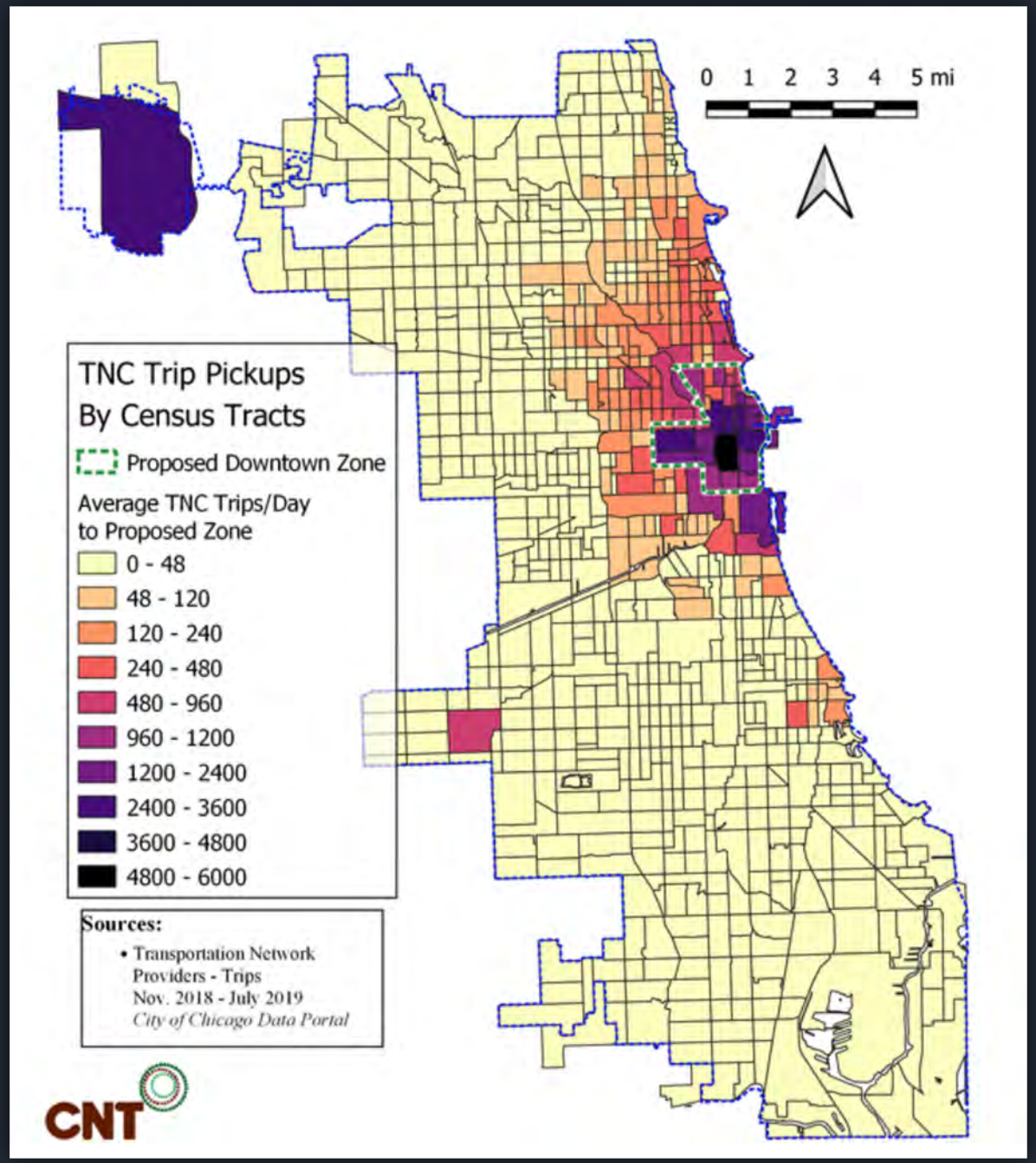
- Restructuring this fee was a top priority in Mayor Lightfoot's run for office. The city relied heavily on data to make its case
- Chicago tried to make the new fee structure equitable given the city's sharp economic divisions (fees highest for solo trips starting and ending in transit-rich areas, and lowest for shared trips in low-income areas)
- Took effect Jan 2020

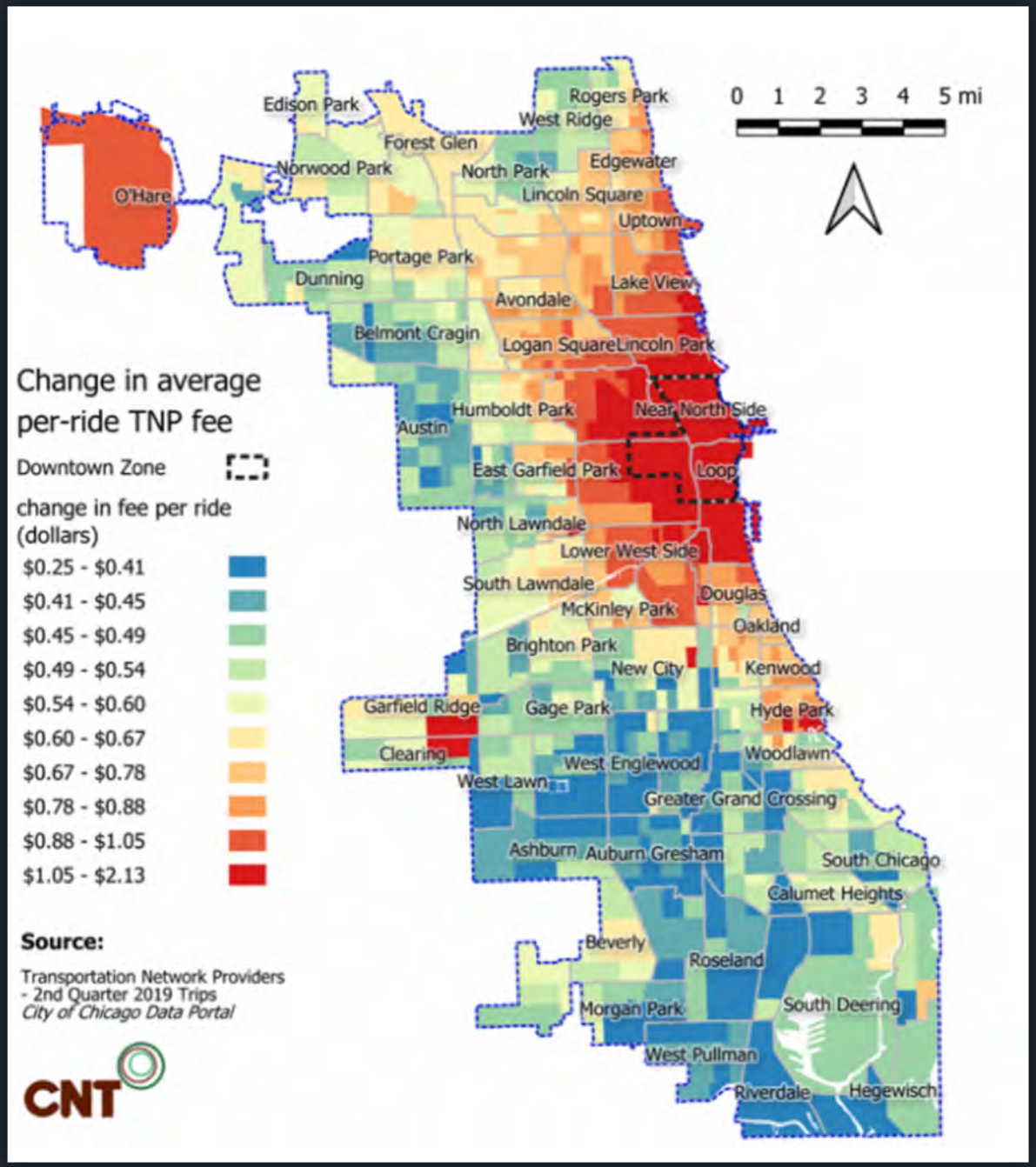
What's next

- City originally hoped to generate $40 million per year in additional revenue
- CTA to get additional $2 million to help improve bus service with bus-only lanes
- Money to be allocated to city's budget deficit, funding a comprehensive congestion study, and providing some financial help to cab drivers by lowering the license renewal fee

Takeaways

With good data, it is possible to implement a program that both generates much-needed revenue and promotes behaviors that help reduce congestion.


0 1 2 3 4 5 mi
TNC Trip Pickups
By Census Tracts
Proposed Downtown Zone
Average TNC Trips/Day
to Proposed Zone
0 - 48
48 - 120
120 - 240
240 - 480
480 - 960
960 - 1200
1200 - 2400
2400 - 3600
3600 - 4800
4800 - 6000
Sources:
• Transportation Network Providers - Trips Nov. 2018 - July 2019
City of Chicago Data Portal
CNT


0 1 2 3 4 5 mi
Edison Park
Rogers Park
West Ridge
Forest Glen
Norwood Park
North Park
Edgewater
O'Hare
Lincoln Square
Uptown
Portage Park
Dunning
Lake View
Avondale
Belmont Cragin
Logan Square
Lincoln Park
Humboldt Park
Near North Side
Austin
East Garfield Park
Loop
North Lawndale
Lower West Side
South Lawndale
McKinley Park
Douglas
Oakland
Brighton Park
New City
Kenwood
Garfield Ridge
Gage Park
Hyde Park
Clearing
West Englewood
Woodlawn
West Lawn
Greater Grand Crossing
Ashburn
Auburn Gresham
South Chicago
Calumet Heights
Beverly
Roseland
Morgan Park
South Deering
West Pullman
Riverdale
Hegewisch
Change in average
per-ride TNP fee
Downtown Zone
change in fee per ride
(dollars)
$0.25 - $0.41
$0.41 - $0.45
$0.45 - $0.49
$0.49 - $0.54
$0.54 - $0.60
$0.60 - $0.67
$0.67 - $0.78
$0.78 - $0.88
$0.88 - $1.05
$1.05 - $2.13
Source:
Transportation Network Providers
- 2nd Quarter 2019 Trips
City of Chicago Data Portal
CNT

Case study | **Portland**

PDX WAV program

Collects 50¢ from every TNC ride in the city of Portland

The "Why"

- Portland City Council wanted to focus on increased mobility for wheelchair-accessible vehicle (WAV) riders in the city. Goals of the program included:
- 1. Providing funding for transportation companies to manage the higher costs of operating WAV trips and service
- 2. Making it easier for riders to get a WAV

Making it happen

- Program creators took two years to develop structure, looking at existing programs with similar goals. Launched in Feb 2019
- TNCs and taxis are taxed 50¢ per ride, which goes into program funding. The program gives a $15 subsidy per trip to transportation companies that provide WAV rides
- Riders simply call one phone number, and get a ride in 30 min or less

What's next

- Potentially increase customer and driver coupons to boost WAV ridership
- Address challenges to get WAVs during off-peak times
- Expand the program to service visually impaired riders

Takeaways

A program like PDX WAV can provide wheelchair riders with choices, relieve pressure on paratransit programs, and reduce paratransit costs to transit agencies.

Case study | **Seattle**

Wheelchair Accessible Services Fund

$.10 surcharge collected on each TNC and taxi trip in King County

The "Why"

- To help WAV drivers offset the additional costs of operating WAVs
- To provide incentives to operate WAVs

Making it happen

- Fund authorized in 2014. County began dispersing funds in 2015
- 10¢ surcharges on TNC rides in King County go into a fund for WAV drivers. Taxis contribute to the fund through medallion fees
- Funding distributed to WAV drivers to help cover fuel and maintenance costs of their vehicles

What's next

- Get more drivers to voluntarily convert vans to be wheelchair accessible
- Cover additional costs for WAV drivers beyond what the fund currently covers
- Centralize all options for WAV riders

Takeaways

More WAVs on the streets can translate to reduced paratransit costs and increased mobility for WAV riders. The WASF helps incentivize this.

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takeaways for transit leaders

takeaways for transit leaders

Incentivizing behavior
TNC taxes can incentivize behavior if "done right." Finding this sweet spot requires good data and thoughtful strategies

Raising revenue
At the very least, TNC taxes can raise much needed revenue for local governments or transit authorities

The right champions
State and local government champions are key in pushing TNC policy through

Thinking outside the box
TNC taxes can be used in creative ways, such as reducing paratransit costs and alleviating pressure on transit agencies

More mobility options
TNC taxes can also be used to increase mobility options for riders with disabilities