Transportation Investment Advocacy Center

American Road & Transportation Builders Association

TNC FEE
MODEL LANGUAGE REPORT

DECEMBER 2022

EXECUTIVE SUMMARY

Transportation Network Companies (TNCs) – businesses such as Uber and Lyft who offer on-demand rideshare services typically through a mobile application – have become an increasingly popular mode of transportation throughout the United States. While acting as an alternative and, in some cases, more accommodating option to traditional taxi services, the propagation of TNC services has also led to increased congestion, particularly in major urban areas[1].

To combat the negative effects of congestion and to find new methods of revenue generation for continued investment in transportation infrastructure, many states and localities have begun imposing fees on TNCs, typically assessed per-ride or as a percentage rate.

Currently, at least 12 states and nine municipalities have TNC fees in place ranging from 10-cents per-ride in California to $3 in Chicago for states and municipalities with flat rates. For states and municipalities with percentage rates, fees range from one percent per-ride in Alabama to over eight percent in New York City. Several states and municipalities include different rates for shared and non-shared rides, with rates for shared rides being lower to incentivize carpooling. Chicago and New York City also have cordon pricing built into their fee structures that impose higher fees for rideshares taken in designated downtown areas.[i]

This Transportation Investment Advocacy Center™ (TIAC) report outlines model language legislation imposing per-ride fees on TNCs. It provides information that transportation advocates can share with state lawmakers for the consideration of enacting similar legislation.

Some parts of the model legislation language are highlighted and underlined. They are variables—effective dates, fee rates, and names of state funds —that can be filled-in with state-specific information.

Following the model language, a Q&A section provides more insights concerning the administration of TNC fees, different ways revenues from the fees are used, and further explanation of the purpose behind certain cities having their own fees.

An addendum provides more information on the proposals put forth by the aforementioned cities and states.

Established in 2014 by the American Road & Transportation Builders Association (ARTBA), the TIAC is a first- of-its kind, dynamic education program and internet-based information resource designed to help private citizens, legislators, organizations, and businesses successfully grow transportation investment at the state and local levels through the legislative and ballot initiative processes.

[1] For example: The San Francisco County Transportation Authority (SFCTA) reported 50 percent of the rise in congestion in the city between 2010 and 2016 was attributed to TNCs. https://www.sfcta.org/projects/tncs-and-congestion.

TNC FEE MODEL LANGUAGE

SECTION 1 – DEFINITIONS

For the purposes of this act:

1. *"Transportation Network Company (TNC)" is defined as an online business that provides prearranged transportation services online or through a mobile application – usually in the form of automobile rides – to users for a fee.*

2. *"Transportation Network Company (TNC) driver" is a person designated to act as a driver on the digital network of the TNC, having gone through the company's online application and verification process.*

3. *"Transportation Network Company (TNC) passenger" is defined as the person for whom service is provided when requested through the TNC Network Company.*

4. *"Transportation Network Company (TNC) vehicle" is defined as the vehicle used during the rideshare driven by the TNC driver and requested by the TNC passenger.*

5. *"Rideshare" is defined as an arrangement where a passenger travels in a vehicle driven by the vehicle's owner for a fee facilitated by an online service managed by a TNC. The fee is pre-determined and mutually agreed upon during acceptance of the ride by both the driver and passenger.*

6. *"Gross trip fare" is defined as the total of the base fare plus any additional fees such as an additional distance or time charge.*

7. *"Per-ride fee" is defined as a fee collected by the TNC on behalf of the TNC driver, to be assessed on a per-ride basis.*

8. *"Standard per-ride fee" is defined as the per-ride fee for vehicles that exclusively operate on motor fuel through an internal combustion engine.*

9. "*Non-shared ride*" is defined as a rideshare wherein the TNC passenger is the sole passenger in the TNC vehicle for the entirety of the requested trip.

10. *"Shared ride"* is defined as a rideshare that may also be shared with one or more riders, as requested by the TNC passenger.

11. *"Paratransit services"* are defined as services offered by TNCs or other companies for person(s) with disabilities who are unable to use fixed-route transportation services.

SECTION 2 – TRANSPORTATION NETWORK COMPANY (TNC) PRE-RIDE FEE

1. Beginning MM, DD, YYY a Transportation Network Company (TNC) shall, on behalf of a TNC driver, collect a per-ride fee of XX dollar(s) and XX cent(s) or XX percent of the gross trip fare of a rideshare.
    a. OPTIONAL – The standard per-ride fee is XX dollar(s) and XX cent(s) or XX percent of the gross trip fare. For low or no emission TNC vehicles, the per-ride fee is XX dollar(s) and XX cent(s) or XX percent of the gross trip fare.
    b. OPTIONAL – The per-ride fee for a non-shared ride is XX dollar(s) and XX cent(s) or XX percent of the gross trip fare; the per-ride fee for a shared ride is XX dollar(s) and XX cent(s) or XX percent of the gross trip fare.

2. The rate shall be adjusted annually as set forth in section (4) of this bill.

SECTION 3 – FEE COLLECTION

1. The fee shall be administered by the Department of Revenue.
   a. The fee outlined in section (2) shall be collected by the TNC on behalf of the TNC driver.
   b. The Department of Revenue shall, within XX days of the end of each fiscal year, require the TNC to submit:
      i. Number of rides (broken down by shared and non-shared rides/gas-powered and no and low-emission TNC vehicles).
      ii. Total amount of fees collected (broken down by shared and non-shared rides/gas-powered and no and low-emission TNC vehicles).

2. The Department of Revenue shall then transfer the remitted fees directly to the (insert name of state transportation fund), to be used solely for transportation purposes. The amount transferred to the transportation fund is based on the number of rides and the amount of fees collected from the previous fiscal year.

SECTION 4 – INDEXING OF TNC FEE (OPTIONAL)

1. At the end of each fiscal year, the fees outlined in section (2) will be adjusted annually by:
   a. Option 1: the percentage change in the National Highway Construction Cost Index (NHCCI) as calculated by the Federal Highway Administration (FHWA).
   b. Option 2: the percentage change in the Consumer Price Index for all Urban Consumers (CPI-U) as calculated by the U.S. Bureau of Labor Statistics (BLS).

2. Annual adjustments shall not cause the per-ride fee to fall below the rate outlined in section (2).

3. The Department of Revenue shall notify all TNCs XX days in advance of the annual fee adjustment of the new rate.

SECTION 5 – EXEMPTIONS (OPTIONAL)

1. The fees outlined in section (2) shall not apply to:
   a. Paratransit services – wherein the TNC passenger is eligible for paratransit services and the TNC vehicle is equipped for paratransit services.
   b. Taxi carriers – rides taken via taxi service not having been prearranged by a TNC.

2. Annual adjustments shall not cause the per-ride fee to fall below the rate outlined in section (2).

Appendix A: Questions and Answers

Q: How are funds generated from TNC fees typically used?

A: Funds from TNC fees are used in a variety of ways. Many states simply designate the funds to the state general fund. Other states earmark revenues for a number of specific purposes, including passing down revenues to local governments, road and bridge repairs, and offsetting costs associated with the regulation of TNCs. Several municipalities dedicate funds for transit repair/expansion and congestion mitigation.

See the table in Appendix B for more information.

Q: How much revenue is typically raised from TNC fees?

A: The amount of revenue generated from TNC fees varies depending on the size of the fee, the density of the population in the targeted area, reliability, and accessibility of other forms of transportation, etc. For example, the City of San Francisco estimates annual revenue projections of $30 to $35 million from TNC fees[ii], whereas the entire state of Colorado only projects ~ $10 million annually from TNC fees. This largely has to do with the fact that San Francisco is more densely populated than Colorado, which in turn leads higher rideshare costs.

Q: Why do some municipalities have their own rates or, in some cases, separate rates from the ones imposed at the state-level?

A: Many major metropolitan regions have their own TNC fees because ridesharing is more commonly used in those areas and the higher population density and increased congestion of major cities like New York City and Chicago necessitates the need for additional fees. Furthermore, most major US cities have their own transit systems which require separate funding independent from state revenue resources. New York City, Chicago, San Francisco, and Washington, DC all dedicate at least a portion of TNC funds to transit.

Q: Aside from differentiating between shared and non-shared rides, what other ways can the structure of TNC fees be used to incentivize certain user actions?

A: The model legislation also includes an option for different TNC fees for regular gas-powered vehicles and low/no-emission vehicles. This is largely taken from Colorado’s model which imposes a 30-cent fee for gas-powered vehicles, and a 15-cent fee for zero emission vehicles. This is to further incentivize the use of electric vehicles and plug-in hybrids to combat negative impacts of GHGs and other air pollutants.

Q: Do TNC fees only apply to rideshares, or do they also apply to the use of TNCs for things like food delivery?

A: This report only pertains to rideshares. However, Colorado became the first state to impose a “retail delivery fee” to motor vehicles who transport goods that are subject to the state sales tax. While the fee doesn’t exclusively target TNCs, customers who use TNCs like Uber for food or grocery delivery are required to pay the fee. This is a mechanism we could see other states use to fund transportation infrastructure

Appendix B: STATE TNC FEES

State	TNC Fee Description[iii]
Alabama	1% per-ride fee, revenue covers the costs of TNC regulation through the Public Service Commission and passed down to local municipalities for general use.
California	Flat 10-cent fee, revenue is distributed back to TNCs – via a dedicated fund – to implement services for people with disabilities. The City of San Francisco imposes an additional fee of 1.5% for shared rides and 3.25% non-shared rides.
Connecticut	Flat 25-cent fee. Revenue goes to the general fund.
Colorado	Flat 30-cent fee, 15-cents for zero-emission vehicles. Revenues go to transit expansion and fleet electrification.
Hawaii	4% fee, revenue goes to the general fund.
Illinois	The City of Chicago charges a flat fee of $3 for trips within the downtown area, and $1.25 outside of downtown. Revenue earmarked for transit.
Louisiana	The City of New Orleans imposes a flat 50-cent fee. Revenue funds TNC regulation.
Massachusetts[2]	Flat 20-cent fee. Revenue must be used "to address the impact of transportation network services on municipal roads, bridges and other transportation infrastructure."
New Jersey	50-cent fee for non-shared ride, 25-cent fee for shared ride. Revenue goes to the general fund.
Nevada	3% fee. Every two years no more than $5 million in revenue goes to the highway fund, anything over $5 million goes to the general fund.
New York	New York City (NYC) imposes both flat and percentage fees. The city itself imposes a flat $2.75 fee for non-shared rides and a 75-cent fee for shared rides as well as an 8% fee. The state of New York charges an additional 2.5% fee for rides within NYC, and a 4% fee for all rides outside of NYC. Revenues from trips within NYC go toward congestion mitigation and subway repairs. Revenues from trips outside of NYC go to the general fund.
Oregon	The City of Portland charges a flat 50-cent fee with funds used for costs associated with the regulation of TNC-related programs.
Pennsylvania	The City of Philadelphia charges a 1.4% fee with revenues directed to public schools and TNC regulation.
Rhode Island	7% fee. Revenue goes to the general fund.
South Carolina	1% fee. Revenue goes to the general fund.
Washington	The City of Seattle charges a flat 75-cent fee; 14-cents earmarked for TNC regulation, 10-cents for accessibility, and 51-cents for affordable housing and the streetcar system.
Washington, DC	6% fee, 17% of generated revenue goes to the Department of For-Hire Vehicles, 83% to the Washington Metropolitan Area Transit Authority (WMATA).
Wyoming	4% fee. Revenue goes to the general fund and local government.

[2] Gov. Charlie Baker (R) pocket vetoed a 2021 transportation bill that removed increases in TNC fees. The bill would have raised the fees from $0.20 per ride to $0.40 for shared rides and $1.20 for solo rides.

REFERENCES

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[i] "Setting TNC Policies to Increase Sustainability" (Page 6), University of California Davis Institute of Transportation Studies.
[ii] "Traffic Congestion Mitigation Tax" (under 'Additional Information'), Treasurer and Tax Collector, City and County of San Francisco. https://sftreasurer.org/business/taxes-fees/traffic-congestion-mitigation-tax-tcm.
[iii] "Setting TNC Policies to Increase Sustainability" (Table 1, Table 2), University of California Davis Institute of Transportation Studies.