



Taxing ride-hailing services: A framework for state and local governments

“Our findings provide a framework of current practices to help state and local governments make informed decisions regarding taxes and regulations.” — Jerry Zhirong Zhao, principal investigator

KEY FINDINGS

Revenue usage: The majority of localities in the study use ride-hailing revenue strategies to cover regulatory costs or fill general budget gaps. Very few use the proceeds to improve transportation systems and mobility overall.

Most of the localities adopted a non-tax-revenue strategy. Local governments tend to adopt fees, while states tend to adopt assessments.

Of the states and cities that adopted strategies for transportation purposes, uses include funding expenditures for roadway systems and transit services, enhancing transportation options for certain population groups, and promoting equitable mobility.

Pricing systems: Most localities adopted a fixed fee or surcharge paid per trip. Only two localities established differential fees depending on the type of ride (such as distance or time of day).

Rationale for a revenue-raising strategy and stakeholder perceptions: A common rationale for taxing ride-hailing companies is to help offset losses from other modes, such as transit. Supporters of revenue-raising strategies argued that the measures would contribute to customer safety and more equitable transportation options for all residents. Opponents stated concerns about the disproportionate impact on the middle class and low-income populations.

REVENUE STRATEGIES include **fixed-rate charges** per trip or per passenger and **variable sales taxes** of the total fare.

Fixed-rate PER-TRIP CHARGES average **37 CENTS.**

Sales tax rates range from **1% to 7%** of the **TOTAL FARE.**

WHY THE STUDY WAS NEEDED

Shared mobility is transforming transportation in major urban cities. Ride-hailing services such as Uber and Lyft are popular and growing rapidly, but they also create challenges for policymakers and planners, especially in transportation decision making.

In response to these new challenges, state and local governments are regulating ride hailing and imposing a variety of taxes and fees on service providers and users. Previous studies have focused on the transportation impacts of ride-hailing services, and there is limited information about the implications for state and local budgets.

PROJECT DESIGN

This study analyzed ride-hailing taxes and fees imposed on service providers and users in cities across the US. It particularly focused on those revenue strategies levied on ride-hailing usage, which generally are on a per-trip basis, because they have a direct impact on users.

The analysis had two parts. First, researchers reviewed government documents (such as legislation, proposals, and city/county codes) for 16 states, the District of Columbia, 12 cities, and 2 counties. Second, they reviewed news articles (using the *ProQuest* engine) to analyze ongoing discussions related to the charges on ride-hailing services.

IMPLICATIONS FOR POLICYMAKERS

Taxing ride-hailing companies is a source of revenue for state and local governments. A variety of strategies are available. Revenues could help offset losses from other transportation modes, such as the taxi industry and public transit, which may see reduced ridership because of ride hailing.

Setting variable and tiered rates could help planners increase vehicle occupancy and manage traffic congestion—and, ultimately, encourage more shared and sustainable travel.

Some localities use
INCENTIVES
to encourage **shared rides**
or discourage travel
during **peak hours**.

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FOR MORE INFORMATION

TPEC welcomes public engagement and encourages you to contact us with your questions, comments, and research needs.

Jerry Zhirong Zhao

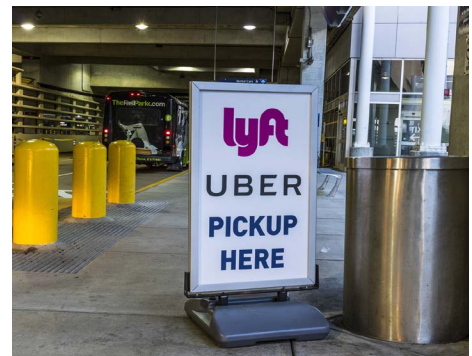
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Studies show that people who may otherwise walk or bike, use transit, or not travel at all may choose ride hailing—increasing miles traveled in vehicles.