



State of Wisconsin  
2019 - 2020 LEGISLATURE

LRB-4838/P5  
KP:kjf

**PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION**

1 AN ACT *to amend* 440.425 (3); and *to create* 440.435 (4) and 440.465 (1s) of the  
2 statutes; **relating to:** authorizing counties to establish fees on trips arranged  
3 through Internet sites, online-enabled applications, or similar systems.

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***Analysis by the Legislative Reference Bureau***

Under this bill, a county may establish a fee of up to 50 cents for each trip originating in the county that is arranged through an Internet site or online-enabled application, software, or system that permits the prearrangement of transportation. The bill also authorizes a county to establish an additional fee of up to \$2 for each trip originating or terminating at an airport that is arranged through an Internet site or online-enabled application, software, or system that permits the prearrangement of transportation. The bill requires a county to use 55 percent of the fees for public transit purposes, and requires a county to transfer 45 percent of the fee collected for a trip to the city, village, or town in which the trip originates. The city, village, or town must use at least 80 percent of the funds for road maintenance purposes and no more than 20 percent of the funds for road safety purposes.

For further information see the *local* fiscal estimate, which will be printed as an appendix to this bill.

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***The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:***

4 SECTION 1. 440.425 (3) of the statutes is amended to read:





## **Legislative Fiscal Bureau**

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December 6, 2019

TO: Senator Lena Taylor  
Room 5 South, State Capitol

FROM: Bob Lang, Director

SUBJECT: Transportation Network Company Regulations and Fees

As you requested, this memorandum provides information on current law pertaining to the regulation of rideshare companies (transportation network companies) such as Uber and Lyft, as well as an estimate of revenue that could be generated if a per-trip fee on transportation network company (TNC) services in Milwaukee County was more broadly allowed in statute.

### **TNC Regulation in Wisconsin**

2015 Wisconsin Act 16 specifies various requirements and prohibitions applicable to TNCs, including requirements for participating drivers, insurance minimums, penalties and enforcement standards. Under Act 16, no city, village, town, or county in the state may enact or enforce an ordinance (or adopt or enforce a resolution) that regulates a TNC, its participating drivers, and their personal vehicles in connection with TNC services. The Act defines a TNC as a business that, for compensation, uses a digital network to connect passengers to participating drivers for the purpose of providing TNC services to those passengers. Under the law, TNCs do not include a taxicab, limousine, shuttle, or other for-hire vehicle service.

Act 16 provides limited exceptions to the general preemption for certain local regulations relating to airport use. Specifically, the law authorizes a city, village, town, or county, to do either of the following with respect to a TNC: (a) to the extent necessary to comply with conditions required under federal law for certain Federal Aviation Administration grants, impose fees for use of an airport not to exceed fees imposed for the use of an airport by other for-hire vehicles, and; (b) require a TNC to comply with a permit developed by an airport and issued to the TNC regarding the manner of operation on airport property by participating drivers engaged in TNC services.

### **TNC Regulation in Other States**

Like Wisconsin, apart from certain exceptions for airport-related fees, most states have chosen to preempt local governments from regulating TNCs. A January, 2019, report from the Washington State Legislature's Joint Transportation Committee (2019 report) cites 49 states that have laws

governing TNCs and, of those, 37 states (including Wisconsin) that preempt local regulation of TNCs. According to the report, the remaining 12 states have either not preempted or have created certain exemptions to state preemption, including: (a) Nevada, New York, and Vermont, which allow exceptions for larger cities; (b) Illinois and South Dakota, which allow local governments to be more restrictive than state minimum standards; (c) Alabama, Alaska, and New York, which permit local governments to opt out of state regulation by not allowing TNCs to operate in their jurisdiction; (d) Nebraska and Minnesota, which have no state preemption, and; (e) Kentucky and Maryland, which have certain specific exemptions to state regulation. Four states, including Washington, have passed legislation that only addresses insurance requirements.

According to the 2019 report, whether and how TNC fees and taxes are levied varies by state with many state TNC laws not explicitly mentioning fees. Table 1 shows a selection of cities and states that currently impose either a TNC trip or fare-based fee. The regulation and taxation of TNC services is a rapidly evolving area of state and local policy. As such, Table 1 should be viewed as a recent snapshot of state and local TNC tax and fee policies and not a complete list of all current fees.

**TABLE 1**

**Select State and Local TNC Taxes and Fees**

<u>Cities</u>	<u>TNC Tax/Fee</u>
Chicago, IL	\$0.67 per trip
New Orleans, LA	\$0.50 per trip originating inside the parish
New York, NY	\$2.75 per trip or \$0.75 per rider if pooled
Philadelphia, PA	1.4% of total fare of trips originating inside the city
Portland, OR	\$0.50 per trip
Tacoma, WA	\$0.24 per trip on certain rides originating inside the city
Seattle, WA	\$0.24 per trip on rides originating inside the city (fee will increase to \$0.75 per trip, effective July 1, 2020)
King County, WA	\$0.33 per trip on rides originating inside the county
Washington, D.C.	6% of total fare
<u>States</u>	<u>TNC Tax/Fee</u>
Alabama	1% of total fare
California	0.33% of total TNC revenue
Connecticut	\$0.25 per trip
Hawaii	TNCs pay the 4% sales tax on total fare
Iowa	TNCs pay the 6% sales tax on total fare
Maryland	Counties and municipalities can impose their own per-trip assessment up to \$0.25
Massachusetts	\$0.20 per trip
Nevada	Excise tax of 3% of total fare
New York	4% of total fare on trips originating outside of NYC
Rhode Island	TNCs pay the 7% sales tax on total fare
South Carolina	1% assessment on total fare
South Dakota	TNC's pay the 4.5% sales tax on total fare
Wyoming	TNC's pay the 4% sales tax on total fare

**Estimated Revenue from a Per-Trip TNC Fee in Milwaukee County**

Recognizing that a law change would be needed to impose a broad-based (non-airport related) County-wide fee, you requested an estimate of what a per-trip fee could generate in revenue for Milwaukee County. One obstacle to producing such an estimate is the lack of trip data reported by TNCs. TNCs are able to collect and report a variety of data, such as date, time, and location of pick-ups and drop-offs, as well as information on fares collected and the amount drivers are paid for trips, unless required by state and local authorities (such as those entities listed in Table 1). However, TNCs will typically not disclose detailed trip data. Therefore, this estimate relies on data from two of Milwaukee's peer cities, Seattle and Boston, where TNC trip data and revenue figures are available. Data is available for Seattle because the city was permitted to create a per-trip fee in the absence of state preemption legislation. Data was also accessible for Boston because Massachusetts directly regulates and taxes TNCs at the state level.

Table 2 compares the City of Milwaukee to the City of Boston and the City of Seattle, which have a similar population size to the City of Milwaukee. However, as compared to Milwaukee, both Boston and Seattle are comparatively more densely populated, traffic congested, and more reliant on transit. In addition, both cities have much higher downtown parking costs and median household incomes, as compared to Milwaukee. These may all be likely indicators of increased TNC service usage.

**TABLE 2**

**Comparison of the City of Milwaukee with Two Cities that Currently Have a Per-Trip TNC Fee**

	<u>City of Boston</u>	<u>City of Seattle</u>	<u>City of Milwaukee</u>
Population	673,184	704,352	595,047
Population density (persons per sq. mile)	13,943	8,391	6,191
Urban mobility congestion rank*	6	7	47
Average annual transit trips per capita (MSA)	93.1	63.2	33.8
Average monthly cost of downtown parking	\$458	\$288	\$118
Medium household income	\$66,758	\$86,822	\$39,098

\*Ranking of the 101 most congested metropolitan areas by yearly delay per auto commuter.

In 2016, the State of Massachusetts enacted state legislation which charges a per-trip assessment of 20 cents per TNC ride, half of which goes to the state's transportation fund and to support the state's taxi industry, and the other half of which is distributed proportionately to each city and town based on the jurisdiction's share of originating trips. In 2017, there were approximately 64.8 million TNC trips started in Massachusetts which resulted in \$12.8 million in total revenue from TNCs. In 2018, trips increased by 25% to 81.3 million trips, resulting in \$16.3 million in total assessments, half of which was distributed to local governments based on the number of originating trips.

The State of Washington's TNC law is limited in scope and only addresses insurance requirements. In the absence of clear statewide regulation on TNC operations, according to the 2019 report, dozens of cities, two counties, and several airports in Washington have outlined TNC requirements for companies and drivers. The City of Seattle currently charges a fee of 24 cents per TNC ride. On November 26, 2019, a new ordinance was signed into law by the City of Seattle government that will increase the City's per-trip assessment to 75 cents per TNC ride, effective July 1, 2020.

You requested an estimate of revenue that could be generated from a 50 cent per-trip fee charged to each TNC trip originating in Milwaukee county, with 55% of fee revenue retained by Milwaukee County and the remaining 45% in fee revenue allocated to Milwaukee county's underlying municipalities. Table 3 shows the actual amount of revenue collected in Boston and Seattle in 2018. The table also provides an estimate of the number of TNC trips that could be expected to originate in Milwaukee County in the first full year of fee service. If an estimated 10 million trips originate in Milwaukee county during the first full year of operation, \$5 million could be collected from a 50 cent per-trip fee with \$2,750,000 remitted to the county and \$2,250,000 remitted to the County's underlying municipalities. The allocation of fee revenue to underlying municipalities could be tied to the number of TNC trip fares that originated in each municipality in each revenue year. This would be similar to how the State of Massachusetts allocates TNC revenues to the state's cities and towns.

**TABLE 3**

**Revenue from City of Boston and City of Seattle Per-Trip  
TNC Fees and Estimate for Milwaukee County**

	City of Boston (Actual)	City of Seattle (Actual)	Milwaukee County (Estimate)
Number of rideshare trips (Annual)	42,201,375	24,000,000	10,000,000
Number of rideshare trips (Daily Average)	115,600	65,800	27,400
Fee per trip	\$0.20	\$0.24	\$0.50
City revenue share	50%	100%	
Annual revenue retained by the City	\$4,220,138	\$5,760,000	
Milwaukee County revenue share			55%
Annual revenue remitted to the County			\$2,750,000
Municipalities in Milwaukee County revenue share			45%
Annual revenue remitted to municipalities in Milwaukee County			\$2,250,000

The above estimate is based upon a fee per trip of \$0.50 for Milwaukee County. If the fee per trip would be set at \$0.75 (the fee which will be in effect in Seattle beginning in July 1, 2020), it is estimated that \$7.5 million could be generated, with \$4,125,000 going to the county and \$3,375,000 being remitted to the country's underlying municipalities.

As detailed previously, under current law (s. 440.465), all local governments in Wisconsin are

preempted from regulating TNCs. Therefore, enacting a local per-trip TNC fee would require state legislation.

I hope this information is helpful. Please let me know if you have questions.

RH/ml