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Director's Rule Template

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City of Seattle **Department of Finance and Administrative Services**	**5-970**	**N/A**
	Publication: **May 6, 2020**	Effective: **July 1, 2020**
Subject: **Transportation Network Company (TNC) Tax**	Code and Section Reference(s): **SMC 5.39; SMC 5.30.010**	
Approved: Division Director	Date: 6-1-20	
Business Unit Officer	Date: 6-5-20	
Calvin W. Goings, Department Director	Date: 6/9/2020	

1. Purpose

This rule aids Transportation Network Companies in reporting requirements of the new TNC tax. The new rule is effective July 1, 2020, and is the result of Seattle Ordinance 125971. The rule helps to clarify certain language in the ordinance and provide examples for taxpayers for reporting and paying the tax.

2. Rule

A $0.57 per trip is imposed upon every TNC operating within the City that provides application dispatch services for trips that originate in Seattle.

3. Definitions

"Application dispatch" means technology that allows consumers to directly request dispatch of drivers for trips and/or allows drivers or TNCs to accept payments for trips via the internet using mobile interfaces such as, but not limited to, smartphone and tablet applications.

"For-hire driver" means any person in physical control of a taxicab, for-hire vehicle, or transportation network company endorsed vehicle who is required to be licensed in the City. The term includes a lease driver, owner/operator, or employee, who drives taxicabs, for-hire vehicles, or transportation network company endorsed vehicles.

"Motor vehicle" means every motorized vehicle by or upon which any person may be transported or carried upon a public street, highway or alley and has the same meaning as given in Section 6.310.110. Vehicles used exclusively upon stationary rail tracks or propelled by the use of overhead electric wires are not considered motor vehicles.

"Operating in Seattle" means, with respect to a TNC, providing application dispatch services to any affiliated driver at any time for the transport of any passenger for compensation from a point within the geographical confines of Seattle.

"Split fare" is a method of allocating the cost of a single trip between passengers on the same trip.

"Shared-ride" or **"Pooled-ride"** means allowing the TNC driver to use the open seats in the vehicle to their full advantage. A passenger may be paired with other passengers along the course of their route. The pickup and drop-off order can vary with every ride.

"TNC" means a transportation network company.

"TNC dispatched trip" or **"trip"** means the provision of transportation by a transportation network company driver to a passenger in a TNC vehicle through the use of a TNC's application dispatch system. The term "TNC dispatched trip" does not include transportation provided by taxicabs or for-hire vehicles:

"TNC vehicle" means a personal motor vehicle used for the transportation of passengers for compensation that is affiliated with a TNC.

"Trip that originates in Seattle" means a TNC dispatched trip where a passenger enters a TNC vehicle within Seattle city limits.

Seattle Rule 5-970

Transportation Network Company Tax

(1) **Introduction.** Recognizing that Seattle is a national leader in the fair treatment of workers, on September 19, 2019, Mayor Durkan announced the Fare Share Plan to promote compensation standards for the drivers of the Transportation Network Companies (TNCs). TNCs provide application dispatch services that allow passengers to directly request the dispatch of drivers via the internet using mobile interfaces such as smartphone applications. In 2018, over 24 million TNC rides were taken in Seattle.

Utilizing its taxing authority granted by the Washington State Constitution and the Washington State Legislature, effect July 1, 2020, the City of Seattle will impose a tax on TNCs operating in Seattle.

(2) **Definitions.** For purposes of this rule, the following definitions will apply:

(a) **"Application dispatch"** means technology that allows consumers to directly request dispatch of drivers for trips and/or allows drivers or TNCs to accept payments for trips via the internet using mobile interfaces such as, but not limited to, smartphone and tablet applications.

(b) **"For-hire driver"** means any person in physical control of a taxicab, for-hire vehicle, or transportation network company endorsed vehicle who is required to be licensed in the City. The term includes a lease driver, owner/operator, or employee, who drives taxicabs, for-hire vehicles, or transportation network company endorsed vehicles.

(c) **"For-hire vehicle"** means any motor vehicle used for the transportation of passengers for compensation with certain exceptions and has the same meaning as given in SMC 6.310.110.

(d) **"Motor vehicle"** means every motorized vehicle by or upon which any person may be transported or carried upon a public street, highway or alley and has the same meaning as given in Section 6.310.110. Vehicles used exclusively upon stationary rail tracks or propelled by the use of overhead electric wires are not considered motor vehicles.

(e) **"Operating in Seattle"** means, with respect to a TNC, providing application dispatch services to any affiliated driver at any time for the transport of any

passenger for compensation from a point within the geographical confines of Seattle.

(f) "**Personal vehicle**" means a motor vehicle that is not a taxicab or for-hire vehicle, that is subject to regulation under Chapter 6.310, and that is used by a driver to provide trips arranged through a TNC application dispatch system.

(g) "**Split fare"** is a method of allocating the cost of a single trip between passengers on the same trip.

(h) "**Shared-ride**" or "**Pooled-ride**" means allowing the TNC driver to use the open seats in the vehicle to their full advantage. A passenger may be paired with other passengers along the course of their route. The pickup and drop-off order can vary with every ride.

(i) **"Taxicab"** means every motor vehicle:

(i) That is held out to the public as providing transportation to passengers or articles for hire;

(ii) Where the route traveled or destination is controlled by the customer;

(iii) That carries signs or indicia of a taxicab, including the words "taxi," "taxicab," or "cab"; and

(iv) Where the fare is based on an amount recorded and indicated on a taximeter or on an application dispatch system linked to a taximeter, or by a special contract rate permitted under SMC 6.310.

(j) **"TNC"** means a transportation network company.

(k) **"TNC dispatched trip"** or **"trip"** means the provision of transportation by a transportation network company driver to a passenger in a TNC vehicle through the use of a TNC's application dispatch system. The term "TNC dispatched trip" does not include transportation provided by taxicabs or for-hire vehicles:

(l) **"TNC driver"** or **"driver"** means a driver, licensed or required to be licensed under SMC 6.310, affiliated with, and accepting dispatched trips from, a TNC.

(m) **"TNC vehicle"** means a personal motor vehicle used for the transportation of passengers for compensation that is affiliated with a TNC.

(n) **"Transportation network company"** means a person, licensed or required to be licensed under SMC 6.310, operating in Seattle that offers prearranged transportation services for compensation using an online-enabled application or platform to connect passengers with drivers using their personal vehicles.

(o) **"Trip that originates in Seattle"** means a TNC dispatched trip where a passenger enters a TNC vehicle within Seattle city limits.

(3) **Tax rate and measure.** The tax is imposed upon every TNC operating within the City that provides application dispatch services via the internet using mobile interfaces such as smartphone applications to connect drivers with passengers for transportation services

(a) The amount of the tax due is $0.57 per trip that originates in Seattle.

(i) Each pooled or shared ride is a different trip and the TNC tax is due for each trip that originates in Seattle.

(ii) Alternatively, a split fare is a single trip and the total fare is allocated between the passengers on trips that originate in Seattle.

(b) The TNC shall enter on the tax return the number of trips originating in Seattle even though no tax may be due.

(c) No tax is due from a TNC that reports fewer than 1 million trips that originate in Seattle during the prior calendar quarter. Any TNC reporting a number of trips below this threshold shall complete and file a return and declare no tax due on the return.

(d) TNC taxes collected from customers are included in gross receipts for Business and Occupation taxes as well as for the Seattle Business License tax. The TNC taxes collected are not a deductible expense. TNC taxes collected are separate and apart from the TNC licensing fee collected under SMC 6.310.150 and the wheelchair accessible services surcharge collected under SMC 6.310.175.

(e) If the TNC company offers a refund to a dissatisfied customer, the TNC tax still applies to trips that originate in Seattle. Conversely, the TNC tax does not apply to service charges for cancelled trips.

(f) The TNC tax applies only to Transportation Network Company trips originating in Seattle. Other for-hire vehicles and drivers are excluded from the TNC tax.

(4) **Deductions.** A taxpayer may deduct from the measure of the tax any trip that originates in Seattle and terminates outside the state of Washington.

(5) **Examples.** The following examples identify a number of facts and then state a conclusion. The tax status of each circumstance must be determined after a review of all the facts and circumstances.

(a) **Example 1**: Driver A works for TNC Co. which has more than 1 million trips that originate in Seattle per quarter. Driver A receives a request from passenger B for a ride from Downtown Seattle to Bellevue. TNC Co. would be liable for the $0.57 per trip tax because the trip originated in Seattle.

(b) **Example 2**: Same as Example 1, except passenger B requests a ride from Bellevue to Downtown Seattle. TNC Co. would not be liable for TNC tax because the trip originated in Bellevue.

(c) **Example 3**: Same as Example 1, except passenger B requests a ride from Downtown Seattle to Portland, Oregon. TNC Co. would not be liable for the TNC tax on this trip. A taxpayer may deduct from the measure of the tax any trip that originates in Seattle and terminates outside the state of Washington.

(d) **Example 4**: Driver B works for Upstart TNC. Upstart is a new TNC offering luxury and specialty vehicles. Upstart has a limited number of drivers and only provides about 200,000 rides per month that originate in Seattle. Driver B receives a request on his smartphone from passenger C for a ride from Downtown Seattle to Bellevue. Upstart TNC would not be liable for the $0.57 per trip tax because the tax does not apply to TNCs that reports fewer than 1 million trips that originate in Seattle in the prior calendar quarter. Even though Upstart is below the threshold, they will need to complete and file a return, declaring no tax due.

(e) **Example 5**: Driver A works for TNC Co. that has more than 1 million rides per quarter that originate in Seattle. Driver A receives a request from passenger D for a ride from Downtown Seattle to Redmond. Passenger D uses the pooled-ride feature to request his trip. A pooled-ride allows the TNC driver to use the open seats in the vehicle to their full advantage. After picking up passenger D and on the way to Redmond, Driver A receives another pooled-ride request from Passenger E. Passenger E is picked up in Seattle and will be dropped off in Bellevue. After dropping of Passenger E in Bellevue, Driver A receives another pooled-ride request from Passenger F. Passenger F is picked up in Bellevue and dropped off in Redmond. In this instance, TNC Co. would be liable for TNC tax on the trips provided to both D and E because their trips originated in Seattle.

(f) **Example 6**: Driver A works for TNC Co. that has more than 1 million rides per quarter that originate in Seattle. Driver A receives a request from passenger G for a ride from a location in downtown Seattle to another location within the city limits of Seattle. After requesting the ride, Passenger G decides to split the fare with their friend H using the TNC's app. Driver A picks up passengers G & H in downtown Seattle to take them to their destination. In this instance, TNC Co.

would be liable for TNC tax on one trip because there is only one ride request. A split fare is only a means of allowing passengers to split the cost of a ride between themselves and not the result of more than one ride request.