



## **Massachusetts law sends share of ride-share firms' profits to taxis**

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Even after sharing in some of Uber's profits, Massachusetts taxi companies continue to disapprove of the state's new law regulating the ascendant ride-sharing industry.

One provision of the law taxes the fares of ride-share firms such as Uber and Lyft and funnels a portion to the traditional taxi industry.

The state's Republican governor, Charlie Baker, signed the legislation Aug. 5 after the Massachusetts legislature cranked out a compromise regulatory plan on a Sunday evening prior to the end of the legislative session.

“I am pleased to sign bipartisan legislation to ensure Massachusetts remains a leader for innovative new technologies, with safe and diverse transportation options and opportunities for hard-working individuals to earn a living,” Baker said in a prepared statement.

Steve Sullivan, general manager of Metro Cab Association Inc., told AMI Newswire that Boston taxi companies are hoping to see stiffer regulations on ride-sharing companies. The cab companies are pinning their hopes to a decision by a federal district court judge, who has told the city to revise its business practices governing ride-share firms and taxi companies by September.

Asked about the rationale in the state law for taxing ride-share companies, the governor's spokesman, William Pitman, seemed to distance Baker from the provision.

“The legislation filed by the governor (in 2015) didn't propose this,” Pitman told AMI in an email. Indeed, the tax provision was added during the legislative process, according to a review of previous versions of the bill.

The Massachusetts law calls for a 20-cent per-fare tax on ride-sharing companies, with 10 cents going to towns and cities to offset impacts to their roads and infrastructure and another 5 cents going into a state transportation fund. The final 5 cents will be set aside for small businesses in the taxicab, hackney and livery industries to encourage them to adopt new technologies and training, the law states.

Rachel Lefsky, communications director for Sen. Karen Spilka (D-Ashland), who chairs the

Senate Ways and Means Committee, told AMI that the assessment simply recognizes the financial struggles the taxi industry has been going through and the need to assist the small businesses that provide taxi services.

“This isn’t a permanent assessment,” she said. “It’s to help them in this transition period.”

The tax is scheduled to sunset in about 10 years.

Although neither Uber nor Lyft immediately responded to requests for comment, Kirill Evdakov, the founder of Fasten, a ride-sharing service founded in Boston, provided an emailed statement about the Massachusetts law.

“I don’t think we should be in the business of subsidizing potential competitors,” Evdakov said.

An earlier version of the final bill mentioned a similar per-ride assessment. The language in that bill urged the establishment of a fund to compensate taxi owners based on declining values of taxi medallions, the city-issued licenses to operate cabs.

Charles Hughes, a research associate at the Cato Institute in Washington, D.C., estimates that the 5-cent tax going to the taxi industry will amount to at least \$1.5 million per year. And because the law says ride-share companies won’t be able to pass the fee on to customers, the result could be lower compensation for ride-share drivers, Hughes said in a blog post this week.

“Most of the ideas for the use of this new subsidy from the new ride-hailing companies is to try to make traditional taxi companies adopt some of their practices,” Hughes said. “Adopting some of the innovative practices that have enabled ride-hailing companies to become successful might be something that traditional taxis should explore, but why is it something their competitors have to subsidize?”

The new law also puts in place background checks for ride-share drivers and allows ride-share services at Logan International Airport and the Boston Convention and Exhibition Center. But taxi owners say the law is still too favorable to ride-share firms and they criticize its failure to require that ride-share drivers be fingerprinted.

“The city (of Boston) regulates anything a cab does,” said Metro Cab’s Sullivan. “Uber makes up their own laws.”

He said medallions were once worth more than \$700,000 in Boston, but they’ve plummeted since ride-share companies have been allowed to operate in the city.

“You can’t sell a medallion in Boston now,” he said.

Safety among the ride-sharing companies is also a question mark, according to Sullivan, who said three sexual-assault allegations have been made in Boston in the past two months as a result of ride sharing.