

J. C. Cennamo

FROM	NAME & TITLE	Robert Cennamo, Budget Chief	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Department of Finance Room 432, City Hall (410) 396-4774		
	SUBJECT	CCB 19-0320 - Passenger-for-Hire Services Tax – Corrective		

TO

DATE:

The Honorable President and
Members of the City Council
Room 400, City Hall

October 2, 2019

Position: Supports

The Department of Finance is herein reporting on City Council Bill 19-0320, which calls for correcting provisions governing the City’s passenger-for-hire excise tax to conform with limitations by State law and imposition of the tax.

Background

On June 18, 2013, City Council Bill 13-0213 became law, establishing the City’s taxing authority for Public Passenger Vehicles in the City, also known as the “Taxi Tax”. The tax was set at \$0.25 per passenger per trip on any one trip which originated or ended in the City. Transportation Network Services (TNS), which includes ride-share services such as Uber and Lyft, for example, were not included in this legislation.

During the 2015 Maryland General Assembly session, Senate Bill 868 established the regulatory framework for TNS’s. It also authorized jurisdictions that had licensed or regulated taxicab services by January 1, 2015 to impose an assessment on TNS’s by January 1, 2015. Per the State law, TNS’s must collect the assessment and remit the revenue to the State Comptroller’s Office, which distributes it to the appropriate jurisdictions. On October 1, 2017, the City added the definition of “Transportation Network Services” to the City Code with the passage of City Council Bill 17-0115.

This change in the code partially satisfied the State law basis for imposing the tax on TNS’s. However, the legislation did not fully align the City law to the State law. The following issues impede the State Comptroller’s Offices’ ability to collect this tax on behalf of the City and represent the purpose for City Council Bill 19-0320:

- Per trip assessment: The State law authorizes the imposition of the tax on a per trip basis while the City Code authorizes the charge on a per passenger per trip basis. There are no mechanisms in place, either at the State or local level, to identify and track the number of riders per trip, and the State will only collect this assessment on a per trip basis.
- Trip Origination: The State law allows the imposition of the tax only on trips originated in the jurisdiction where the tax is imposed. The City laws requires the imposition of the tax not only on trips initiated within the City, but also on those trips started outside but ending within the City.
- Remittance and Collection of Taxi tax and TNS’s: The State will only collect the assessment on TNS’s; therefore, City Code must be amended to clarify that the remittance of the Taxi tax remains under the authority of the City’s Director of Finance, but the tax collected by TNS’s is remitted to the State’s Comptroller Office.

Fiscal Analysis

Rideshare market data is not readily available and TNS's are reluctant to disclose market share information to protect competitiveness. However, we were able to use publicly available information to determine per capita rideshare numbers for four jurisdictions:

Transportation Networks - Per-Capita Rideshare Comparison			
Location	Population	Rideshare Per Year	Per-Capita Rideshare
Boston (Massachusetts)	683,015	35,040,000	51.3
King County (Washington)	2,188,649	33,215,000	15.2
State of Massachusetts	6,859,819	64,800,000	9.4
Montgomery County (Maryland)	1,058,810	9,244,000	8.7

The demographic characteristics and commuting preference of these locations are not exactly comparable to the City, suggesting that the City may have a different per-capita rideshare pattern. We assumed that Baltimore would experience 14.6 rides per capita, which is similar to the data for King County, Washington (which includes the City of Seattle). This would generate \$2.1 million of annual revenue assuming a \$0.25 rate. The following table summarizes a range of possibilities:

Fiscal Impact - Estimated City Revenue - Scenario Analysis				
Scenarios	Low	Mid	High	Average
Per-Capita Rideshare	9.1	14.6	51.3	21.0
Annual Rideshare	5,565,997	8,930,061	31,377,542	12,844,608
Gross Revenue (\$0.25 per Ride)	\$1,391,499	\$2,232,515	\$7,844,386	\$3,211,152
State's Admin fee (5%)	\$69,575	\$111,626	\$392,219	\$160,558
Estimated City Revenue	\$1,321,924	\$2,120,889	\$7,452,166	\$3,050,594

Other Considerations

The growing demand for rideshare alternatives such as TNS's is one of the factors explaining the recent sharp decline in revenues from parking related activities such as parking tax, parking meters, and garage income from City owned garages. The following table shows the revenue trend for key parking related revenues in the last three years:

Parking Related - Revenue Trend FY 2017-FY2019 Comparison			
	Fiscal 2017	Fiscal 2018	Fiscal 2019**
Parking Tax	\$32,379,450	\$31,860,654	\$31,415,000
Garage Income*	\$23,017,702	\$22,589,177	\$21,024,500
Parking Meters	\$15,416,446	\$14,537,290	\$14,200,000
Total Annual Revenues	\$70,813,598	\$68,987,120	\$66,639,500
Annual Change	\$1,733,146	-\$1,826,478	-\$2,347,620
Revenue loss Since FY 2017			-\$4,174,098

* Excludes prior years' revenues from the four garages sold

** Represents current year-end estimated revenues

Parking revenues from these three sources have declined \$4.1 million annually, or 6%, in only a two-year period. The shift to TNS riders has reduced income in traditional parking-related sources, but stills puts pressure on the City's aging transit infrastructure. Given the sharp decline in revenues, we believe an additional rate increase is warranted (from \$0.25 to \$0.50) which would generate an additional \$2.1 million for a total of \$4.2 million.

Per State law, the City is considered an exempt jurisdiction, which means that it is not subject to the cap on the per trip assessment charge of \$0.25 and is therefore authorized to set its own rate. The State requires 120-day notice before collecting the tax on our behalf at the new rate, which should be pursued immediately after the passage of this legislation.

Conclusion

City Council Bill 19-0320 will align the City code and State law, enabling the State to collect revenue from TNS's on behalf of the City. This legislation is necessary to ensure that the City receives these funds from TNS entities and provides additional revenue support for the general fund as the City experiences reductions in parking and garage revenue sources.

For the reasons stated above, the Department of Finance supports City Council Bill 19-0320, and further would propose an amendment to increase the rate from \$0.25 to \$0.50.

cc: Henry Raymond
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