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# AGENDA REPORT

**TO:** Sabrina B. Landreth  
City Administrator

**FROM:** Katano Kasaine  
Director of Finance

**SUBJECT:** Implementation & Administration of  
TNC Passenger Tax

**DATE:** May 7, 2018

City Administrator Approval

Date:

5/11/18

## RECOMMENDATION

**Staff Recommends That The City Council Consider Adoption Of A Resolution On The City Council's Own Motions Submitting To The Voters As The Statewide General Election On November 6, 2018, A Proposed Ordinance To Impose A General 50 Cent Per Ride Tax On Passengers Of Transportation Network Companies; And Directing The City Clerk To Take Any And All Actions Necessary Under Law To Prepare For And Conduct The November 6, 2018 Statewide General Election.**

## EXECUTIVE SUMMARY

The proposed tax on passengers of Transportation Network Companies ("TNC Tax") is structured like some existing local tax programs already in place and does not require an analysis of the tax policies. Rather, the focus of the analysis for this report is on the implementation and administration, including the staffing capacity needed in the Finance Department – Revenue Management Bureau ("RMB"), to successfully implement and administer the proposed TNC Passenger Tax. The proposed tax is \$0.50 for each prearranged ride that originates in the City of Oakland. The debt is owed to the City by the passenger of the TNC. Under the proposed language, the TNC is responsible for collecting and remitting the tax to the City.

## BACKGROUND / LEGISLATIVE HISTORY

Transportation Network Companies (TNCs) are regulated at the State level. The proposed ballot measure is not to regulate TNCs, it is proposing a user tax on passengers of TNCs. An analysis from the City Attorney's Office is necessary to ensure that a tax on the users of TNCs can be adopted.

## ANALYSIS AND POLICY ALTERNATIVES

As with other local taxes already collected by the RMB, the TNC Passenger tax is collected by the service provider and remitted to the City monthly. The challenge with collecting the tax is

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ensuring that TNCs recognize their legal obligation to the City, register with the City as required by the proposed law, and collect and remit the tax from their passengers. It is important to note that other jurisdictions, including Chicago, the States of Massachusetts, Alabama, and Nevada impose either a trip tax or an excise tax on TNC services. Thus, TNCs are experienced with the collection and remittance of a passenger tax and should have few, if no, concerns regarding being able to execute their responsibilities.

#### *Implementation of the Tax Programs*

The implementation of the TNC Passenger tax requires information technology infrastructure. The development of a web/public portal connected to the RMB's existing local tax software will allow businesses to file and remit tax payments on-line. The one-time cost associated with the implementation, including costs for the development of a web/public portal and ancillary costs, such as costs to produce documents, forms, materials, and mailing services, but excluding any staffing costs are estimated to be approximately \$100,000.

#### *Administration of the Tax Programs*

The ongoing administration of the TNC Passenger tax, staffing capacity may need to be identified and funded to carry out the tasks and responsibilities, which are preliminary identified as follow:

- *Policy Coordination, Implementation and Sustainment:* This is a high-level oversight on the part of the Revenue and Tax Administrator.
- *Customer Service:* The expected volume of inquiries via phone calls and emails for the TNC Tax is minimal comparing to the Vacant Property Tax. The requested two to three customer service representative positions, as outlined in the Vacant Property Tax report, should be able to absorb the additional customer service related tasks for the TNC Tax.
- *Financial Management:* The position would be responsible for receiving, posting and reconciling tax payments from the TNC.
- *Enforcement, Audit and Investigation:* One FTE Tax Enforcement Officer, should be sufficient to carry out the enforcement of the TNC Tax regularly and consistently.
- *Legal Services:* The assistance in the interpretation and the application of the TNC Tax from an attorney is expected to be minimal and occurs mostly during the implementation phase of the tax.
- *Mailing and Computer System Support Services:* On going coordination with the mailing vendor and system support services will need to be put in place.

Staff estimates that, after implementation, approximately one FTE will be necessary to administer the tax. At this time, staff does not have data on trips originating from the City.

### **FISCAL IMPACT**

#### *Estimated Revenue*

It is unknown how much revenue this measure would generate as the number of TNC trips originating in the City is unknown. However, an average of 13,699 daily TNC trips originating in the City would need to occur to achieve the ballot estimate of \$2.5 million annual revenue.

### *Estimated One-Time and Recurring Costs*

Start-up, staffing and ancillary costs will need to be included in the adjusted FY 2018-19 and added to the Bi-Annual Budget if the ballot measures passes. The development of a web/public portal connected to the RMB's existing local tax software will allow businesses to file and remit tax payments on-line. The one-time cost associated with the implementation, including costs for the development of a web/public portal and ancillary costs, such as costs to produce documents, forms, materials, and mailing services, but excluding any staffing costs are estimated to be approximately \$100,000.

### **PUBLIC OUTREACH / INTEREST**

No public outreach was deemed necessary for this report other than the standard posing of the city council agenda

### **COORDINATION**

This report has been coordinated with the Office of City Attorney.

### **SUSTAINABLE OPPORTUNITIES**

***Economic:*** The taxing of TNCs offers a source of revenue to maintain local streets, sidewalks and pedestrian crossings.

***Environmental:*** The increase in the number of vehicle-miles traveled mean road conditions deteriorate sooner. Bad road conditions have negative impact on the environment. The taxing of TNC Passengers offers a source of revenue opportunities in keeping local streets from deterioration and minimize the effect of bad road conditions on the environment.

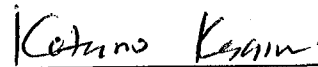
***Social Equity:*** The taxing of TNCs ensures fairness.

**ACTION REQUESTED OF THE CITY COUNCIL**

Consider adoption of a resolution on the City Council's own motions submitting to the voters as the statewide general election on November 6, 2018, a proposed ordinance to impose a general 50 cent per ride tax on passengers of transportation network companies; and directing the City Clerk to take any and all actions necessary under law to prepare for and conduct the November 6, 2018 statewide general election.

For questions regarding this report, please contact Margaret O'Brien, Revenue & Tax Administrator, (510) 238-7480.

Respectfully submitted,



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Finance Department

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