

# Transportation Network Companies

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## What is a Transportation Network Company?

A TNC is an entity that uses a digital network to connect a passenger to a driver for the purposes of providing transportation services. Taxis, charter buses, limousines and other for-hire vehicles are excluded.

## How are TNCs regulated?

Under the new law, the South Carolina Office of Regulatory Staff has the primary responsibility and authority to regulate TNCs and their drivers.

The Act puts requirements in place regarding the following:

- mandatory permitting from ORS within 60 days of the bill's effective date (6.24.2015)
- mandatory insurance coverage and annual vehicle inspections
- mandatory trade dress identifying the TNC with which the driver is connected
  - must be readable from 50 feet in daytime and reflective illuminated or otherwise viewable at night
- mandatory background checks
- prohibition against cash tips and against picking up or soliciting "street hails"

A municipality cannot pass local ordinances regulating TNCs or their drivers in areas addressed in the Act. However, TNC drivers continue to be subject to local traffic and parking regulations as well as other municipal laws not addressed in the Act.

- Example: City A wants to restrict cabs and TNC drivers from picking up passengers on certain streets in order to keep traffic on certain thoroughfares from becoming congested. This is an area that is not addressed by the law and is, therefore, a permitted area of local regulation.

## How does this impact local law enforcement?

Certified South Carolina law enforcement officers, including local law enforcement officers, are authorized to enforce the requirements of the Act. However, only magistrates have jurisdiction over contested violations. Fines are not less than \$100, \$500, or \$1000 for first second and third offenses.

## What about business license tax revenue?

Within 30 days of the end of each calendar quarter, TNCs must remit to the ORS a local assessment fee equal to 1 percent of the total gross trip fare collected from TNC passengers during the quarter. After keeping 1 percent of this total fee for its expenses, ORS must remit to each municipality the percentage of the local assessment fee proportionate to the gross trip fares for trips originating in each municipality.

- Example: Assume \$100 million is the total gross trip fare collected by a TNC for rides originating in South Carolina. Assume \$20 million (20 percent) of the total gross trip fares came from rides originating in City A. The total local assessment remitted to ORS would be \$1 million. ORS would keep \$10,000, leaving \$990,000 in local assessment fees to be distributed. City A would receive 20 percent of the \$990,000 (or \$198,000). TNCs begin collecting the local assessment fee on September 22, 2015, and the first distribution will take place before the end of November 2015.

A municipality is not allowed to assess a tax against TNCs, TNC drivers or TNC vehicles, including a business license tax in connection with the provision of prearranged rides, unless the TNC is located within the municipality's jurisdiction and receives revenue not otherwise subject to a business license tax or local assessment fee

### **Is my municipality required to do anything under this law?**

Municipalities must provide annexation information to the Revenue and Fiscal Affairs Office within 30 days after an annexation is complete so RFA can maintain on its website an accurate file depicting the current municipal and county boundaries. This notification requirement is in addition to those requirements that already exist in law.

RFA's accurate maintenance and publication of the above-mentioned file will likely prove beneficial to municipalities in South Carolina beyond its application to the Transportation Network Company industry. The resulting file should result in increased accuracy with regard to the collection and disbursement of revenue through existing debt/tax collection programs.

A municipality must provide a written description of the municipal boundary, along with a map or plat that clearly defines the new territory added to the municipality. This information should be directed to Will Roberts at [will.roberts@rfa.sc.gov](mailto:will.roberts@rfa.sc.gov) or South Carolina Revenue and Fiscal Affairs Office, 1000 Assembly St. Rm. 419, Columbia, SC 29201.