

Taxicabs (may also apply to limousines)

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This tax guide helps owners and independent drivers of taxicabs (and limousines) understand how Washington's retail sales tax, business and occupation (B&O) tax, and public utility tax apply to their activities. This guide covers the taxability of income from:

- Rentals of taxicabs to independent drivers,
- Fares,
- Surcharges for fuel, additional passengers and baggage; and
- Tips.

Rent or lease of a taxicab

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The rental or lease income received by a taxicab owner from an independent driver for use of the taxicab is subject to retailing B&O tax.

The taxicab owner must also collect retail sales tax from the driver on that amount and remit it to the Department of Revenue (Department). This is true regardless of how (under the rental agreement) the rental payment is determined. Under some agreements, the rental payment is based on fares received by the driver. Under other agreements, the rental payment is based on the amount of time (for example, hours or days) the taxicab is used by the driver.

Also, the taxicab owner must charge the driver the Motor Vehicle Sales/ Lease Tax of .3% on the rental amount. (See [RCW 82.08.020\(3\)](#).)

Driver obligation

Taxicab owners may be prohibited from requiring a driver to pay owner expenses under local codes. However, the retail sales tax that is due on a taxicab rental/lease is a **driver obligation** as it is imposed on the taxicab driver (lessee) but collected and remitted to the Department by the taxicab owner. The Department requires the driver to pay retail sales tax on the lease amount and the Department requires the owner to collect this money and submit it to the Department.

Fare income

Fare income

Income received by taxicab drivers (and taxicab owners operating their own taxicabs) for transporting passengers or property is subject to the public utility tax (PUT) under either the motor or urban transportation classifications. These classifications are defined in [RCW 82.16.010](#) and outlined below.

Persons subject to public utility (PUT) are exempt from payment of this tax for any reporting period in which the gross taxable amount reported under the combined total of all PUT tax classifications does not equal or exceed

the maximum exemption for the assigned reporting period.

Per [RCW 82.16.040](#), the PUT exemption amounts are for taxpayers reporting:

Monthly... \$2,000 per month

Quarterly... \$6,000 per quarter

Annually... \$24,000 per annum

The amount subject to the PUT is the full value of cash, credit card charge slips, taxi scrip and account vouchers received for providing the taxicab service. (There are no deductions allowed for dispatching and cashiering services.)

Urban Transportation: Operation of any motor vehicle by which persons or property are moved for hire within five miles of the city limits or entirely within the city limits.

Motor Transportation: All other operations of any motor vehicle by which persons or property are moved for hire.

For further clarification of the five mile requirement, and what qualifies as urban transportation, please refer to the Department's [Trucking Guide](#).

People engaged in both urban and motor transportation are taxable under the motor transportation classification unless they have segregated their income in their records.

[WAC 458-20-180](#)

The PUT is reported on the [Public Utility Tax Addendum](#) of the excise tax return.

The current tax rate for *Urban Transportation* is .00642. The current tax rate for *Motor Transportation* is .01926.

Use our [Motor & Urban Transportation Lookup Tool](#) to determine which tax applies, based on the starting and ending address.

Other income

Other income

Miscellaneous fees

Income received from miscellaneous fees (e.g., fuel surcharge, extra bag fee, additional passenger fee, airport fees, etc.) is subject to the PUT in the same manner as the fare income described above. Charges for these miscellaneous fees are not subject to retail sales tax.

Tips

Amounts received as voluntary tips are not subject to Washington's taxes. However, if the tip is required or mandatory, it is subject to PUT tax as previously explained. Examples of required or mandatory tips include:

- Required gratuity of \$1.00 per each additional passenger.
- Required extra baggage tip.

No deduction for the cost of doing business

Drivers are subject to tax on the gross income they receive. There are no deductions allowed for business expenses such as cab rental costs (fare splits), dispatch fees, cashiering services, gas, tolls, etc. However, a deduction for services jointly provided is allowed. See [WAC 458-20-179](#).

Interstate transportation

Income received from providing transportation of people across state lines is not subject to Washington's taxes. As provided in [WAC 458-20-193D](#), "Income from those activities which consist of the actual transportation of persons or property across the state's boundaries is exempt."

Registration requirements

Registration requirements

Taxicab owners

Taxicab owners renting their taxicabs to drivers must be [registered](#) with the Department of Revenue. They are obligated to collect and remit retail sales tax on the amounts received from the drivers for use of their taxicabs. In addition, B&O tax applies under the retailing classification.

Independent drivers

Independent drivers who have a gross fare income of less than \$12,000 annually, and have no other taxable income, are not required to register. See [WAC 458-20-101](#).

For more information

If you have further questions, please [contact us](#) or write to Interpretations and Technical Advice, Department of Revenue, PO Box 47453, Olympia WA 98504-7453.

Additional resources

Additional resources

[State tax reporting for taxi drivers and related businesses](#)

[Motor & Urban Transportation Lookup Tool](#)

State license endorsements:

- [Taxicabs](#)
- [Limousine](#)