

February 2024

Fare Play:

Considerations for Exempting Yellow Taxis From a Congestion Pricing Surcharge

Background

The Metropolitan Transportation Authority (MTA)'s Central Business District Tolling Program (CBDTP) will be the nation's first area-wide congestion pricing program when it launches late this spring. By tolling drivers entering Manhattan south of 60th street, the program seeks to reduce traffic congestion in and around the tolling zone while raising recurring funding for capital improvements to the MTA system.¹ Specifically, the MTA plans to raise at least \$1 billion in annual revenues, which will be used to finance \$15 billion for capital projects—a sum required by the program's [2019 State authorizing legislation](#). The CBDTP is the largest single source of funding for the MTA's \$55.4 billion 2020-2024 Capital Program.² On December 6, 2023, the MTA board voted to begin the Authority's toll-setting process with a proposed [CBDTP toll schedule](#), which is now subject to a final round of public comment through March 11, 2024. The MTA board will then vote on the toll schedule, choosing to approve the plan, reject it, or approve with modifications.

Under the proposed schedule, taxis and for-hire vehicles such as Uber and Lyft are exempt from the congestion toll, and instead are subject to a per-trip surcharge paid by the passenger on any trips entering, exiting, or within the central business district (CBD). This surcharge represents a change from the per-day tolls studied in the program's Final Environmental Assessment—a change that the MTA has argued was necessary to avoid a significant daily cost to drivers and to more directly influence the transit choices of passengers.³ It is worth noting taxi

treatment varies across congestion pricing schemes enacted in other cities internationally. Taxis are exempted from London's congestion charge, while private-hire vehicles must pay a charge unless they are wheelchair-accessible and carrying a passenger. In Milan, taxis are fully exempt from the congestion charge. However, taxis are not exempt from congestion charges in Stockholm and Singapore. (In Singapore, high-occupancy taxi trips were originally exempt along with other vehicles with four or more passengers, but this exemption has since been eliminated.)⁴

The MTA's proposed surcharge is currently set at \$1.25 for yellow taxis, green cabs, and traditional for-hire vehicles such as livery cars.^{5,6} A higher surcharge of \$2.50 is set for high-volume for-hire services such as Uber and Lyft.⁷ These surcharge values are, by MTA estimates, equivalent to spreading a single daily toll across the average number of daily trips by these vehicles entering, exiting, or circulating within the tolling zone.⁸

How Much Would a Yellow Taxi Exemption Cost?

Changes to the preliminary tolling plan are likely to be limited at this point in the toll-setting process. However, just prior to the MTA board's vote to proceed with the preliminary plan, board member Midori Valdivia called on the MTA to consider a “deeply narrow” exemption for yellow taxis, echoing similar calls by Mayor Adams and the New York Taxi Workers Alliance.^{9,10,11} Based on current yellow taxi trip data—provided by the New York City Taxi and

Figure 1
Exempting Yellow Cabs from Congestion Pricing Would Cost About \$35 Million in Foregone Revenues Per Year

Average Monthly CBD Trips (November 2022-October 2023)	2,332,429
Proposed CBDTP Surcharge	\$1.25
Estimated Change in Trip Demand	(1%)
Estimated Monthly Surcharge Revenue	\$2,886,380
Foregone Revenue (Annualized)	\$34,636,564

SOURCE: IBO calculations based on trip data provided by the NYC Taxi and Limousine Commission.
New York City Independent Budget Office

Limousine Commission (TLC)—IBO estimates an exemption just for yellow taxis would cost the MTA \$35 million per year in foregone surcharge revenues, or about 3.5% of the authority’s \$1 billion annual revenue estimate.

To arrive at this estimate, IBO used TLC data to calculate the average monthly yellow taxi trips entering, exiting, or within the CBD from November 2022 through October 2023 (see Figure 1). We assume a 1% decrease in trip demand in response to the surcharge, based in part on the MTA’s estimated reductions in CBD-related person-journeys by taxis or for-hire vehicles in the Final CBDTP Environmental Assessment.¹² This average is then multiplied by the \$1.25 surcharge and annualized. Other than the small downward effect of the surcharge on demand, as discussed above, IBO does not include any other changes in yellow taxi demand in the cost model; if demand for yellow taxis were to increase—for example, from travelers shifting from tolled modes to un-tolled taxis—foregone revenue to the MTA would also increase.¹³

Who Might Pay the Difference?

Scenario 1: \$35 million revenue gap has no effect on MTA’s ability to finance \$15 billion.

The MTA has long maintained that any exemptions to the CBDTP toll would need to be made up through increased tolls on other drivers.¹⁴ This is not strictly true in all scenarios; the MTA could grant an exemption without raising tolls if the exemption were small enough to not affect the Authority’s ability to finance the required \$15 billion for capital projects. To finance \$15 billion, the MTA is currently targeting \$1 billion in annual toll revenues from the CBDTP.¹⁵

Under this scenario, toll revenue from other drivers could come in surprisingly strong and reach this \$1 billion target—even with a yellow taxi exemption—allowing the MTA to cover its capital debt service without raising other tolls.

Scenario 2: \$35 million revenue gap is distributed equally across all non-exempt drivers.

Alternatively, a yellow taxi exemption could create a revenue gap that would need to be covered by other tolls, either wholly or partially. Assuming the preliminary tolling schedule would yield exactly the MTA’s \$1 billion annual revenue target, and this target is the minimum required to finance \$15 billion for the Authority’s 2020-2024 Capital Program, then \$35 million in foregone revenue from a yellow taxi exemption would create a revenue shortfall that would need to be made up elsewhere in the tolling structure.

The MTA could address this shortfall through any number of changes to the tolling schedule, but one possibility is to distribute the revenue loss equally across all non-exempt vehicles. In this very specific scenario, each non-exempt driver would experience a roughly 3.5% increase in their total charges. For a passenger vehicle entering the CBD during peak hours, this approach would increase their toll from \$15 to \$15.53. For a for-hire vehicle driver, like Uber and Lyft drivers, this would increase the per-trip surcharge from \$2.50 to \$2.59.

The Current State of Yellow Taxi Trips in the CBD

According to the MTA, taxis and for-hire vehicles made up more than half of the vehicles in the CBD prior to the Covid-19 pandemic—a figure cited by the Traffic Mobility Review Board as part of the justification for its tolling recommendations.¹⁶ However, the taxi and high-volume for-hire vehicle industries both saw ridership plummet at the onset of the Covid-19 pandemic, and the MTA has not provided an updated estimate of these vehicles’ share of total traffic in the tolling zone.

While both industries still have ridership below pre-pandemic levels, yellow taxi ridership has been notably slower to recover. TLC trip data indicates that in October 2023, total yellow taxi trips entering,

Figure 2

Yellow Taxi Trips Entering, Exiting, or Within the CBD Are at Half of Pre-Pandemic Levels, While For-Hire Vehicle Trips Are at 88 Percent of Pre-Pandemic Levels

CBD-Related Trips by Yellow Taxis and High Volume For-Hire Vehicles, as Share of 2019 Trips

Month	Yellow Taxis		High-Volume For-Hire Vehicles	
	Trips	Share of 2019 Equivalent Month	Trips	Share of 2019 Equivalent Month
November 2022	2,523,162	50%	6,821,515	83%
December 2022	2,427,265	49%	7,332,867	91%
January 2023	2,191,818	40%	6,771,357	n/a
February 2023	2,122,506	41%	6,724,255	83%
March 2023	2,485,095	43%	7,416,167	82%
April 2023	2,384,340	44%	7,069,393	87%
May 2023	2,535,374	46%	7,154,799	85%
June 2023	2,414,034	47%	7,016,214	88%
July 2023	2,165,940	46%	6,918,756	89%
August 2023	2,096,413	46%	6,399,881	83%
September 2023	2,068,894	43%	7,345,693	93%
October 2023	2,574,302	49%	7,462,909	88%

SOURCE: IBO calculations based on trip data provided by the NYC Taxi and Limousine Commission.

NOTE: High-volume for-hire vehicle trip counts were not available for January 2019.

New York City Independent Budget Office

exiting, or within the CBD were at 49% of pre-pandemic levels, while high-volume for-hire vehicle trips were at 88% of pre-pandemic levels.¹⁷ These levels have remained consistent over the past 12 months of available data (see Figure 2). Advocates for the taxi industry have argued an exemption is

necessary to support the still-struggling industry, but it is unclear how sensitive riders will be to a \$1.25 surcharge.¹⁸ In our estimate above, IBO assumes the toll will lower demand for taxi trips by just 1%, based in part on the MTA's Final Environmental Assessment modeling.¹⁹

Endnotes

- ¹ Improvements to air quality, travel speeds, and more reliable transportation to work are also highlighted as intended benefits on the program website. See Metropolitan Transportation Authority. (n.d.). [Why New York City Needs Central Business District Tolling \(mta.info\)](https://www.mta.info/why-new-york-city-needs-central-business-district-tolling). Retrieved February 15, 2024.
- ² Metropolitan Transportation Authority. (2023, July). [MTA Capital Program 2020-2024](#), Amendment #3, page 12.
- ³ Metropolitan Transportation Authority. (2023, October 2). [Traffic Mobility Review Board Public Meeting - 10/2/2023](#) (youtube.com). Timestamp: 22:27.
- ⁴ For more information on international congestion pricing taxi exemptions, see: [London](#), [Milan](#), [Stockholm](#), and [Singapore](#).
- ⁵ Yellow taxis and green cabs (also known as street-hail liveries) have different rules that affect their ridership in the Manhattan CBD. Yellow taxis are allowed to pick up passengers by either street-hail or prearranged service anywhere in New York City, and frequently serve the CBDTP tolling zone. Green cabs are only permitted to pick up passengers by street-hail outside of Manhattan south of West 110th Street and East 96th Street—an area that includes the CBDTP tolling zone. In other words, green cab trips may end in the Manhattan CBD, but drivers are not permitted to accept new street-hail passengers in the zone, effectively limiting their use in the CBD.
- ⁶ Traditional for-hire vehicles provide pre-arranged transportation through a City-licensed base at a volume of less than 10,000 trips per day and include livery or community cars as well as prepaid services like black cars and luxury limousines.
- ⁷ High-volume for-hire services are defined as TLC-licensed bases that dispatch or plan to dispatch more than 10,000 trips per day in New York City. Most app-based rideshare services fall in this category.
- ⁸ Metropolitan Transportation Authority. (2023, December 6). [MTA Board Meeting](#). Timestamp 1:37:48.
- ⁹ Metropolitan Transportation Authority. (2023, December 6). [MTA Board Meeting](#). Timestamp: 1:51:53.
- ¹⁰ Comments by Meera Joshi and Eric Adams. (2023, December 5). [Transcript: Mayor Adams Holds In-Person Media Availability](#).
- ¹¹ Desai, Bhairavi. (2023, November 30). [NYTWA Statement on Congestion Pricing Recommendations from the Traffic Mobility Review Board \[Press Release\]](#).
- ¹² This estimate was informed by assessment scenarios B and F, in which taxis and for-hire vehicles pay a single daily toll. See Table 4A-9, Daily Manhattan CBD-Related Auto-Based Vehicle Person-Journeys (compared to No Action Alternative) by Tolling Scenario (2023). (2023, April). *Central Business District (CBD) Tolling Program Final Environmental Assessment*, page 4A-17.
- ¹³ IBO does not have sufficient information to estimate and incorporate the demand changes to other travel modes that could result from a taxi surcharge or exemption.
- ¹⁴ Metropolitan Transportation Authority. (2023, July 19). [Overview of the Central Business District Tolling Program for the Traffic Mobility Review Board](#), page 19.
- ¹⁵ Notably, this \$1 billion annual target was first presented in the MTA's February 2020 Financial Plan, and has not been publicly updated to reflect any changes in interest rate assumptions.
- ¹⁶ Traffic Mobility Review Board. (2023, November). [Congestion Pricing in New York](#), page 22. Note this figure was originally presented in MTA-produced briefing materials to the Traffic Mobility Review Board in August 2023. See [Central Business District Tolling Program Traffic Mobility Review Board Public Meeting #2](#), page 21.
- ¹⁷ Here pre-pandemic levels are calculated as the ratio of trips in October 2023 to trips in October 2019.
- ¹⁸ In addition to lagging ridership, advocates also cite the burden of existing taxi surcharges dedicated to the MTA and the ongoing challenges of medallion owner-drivers to repay medallion loans, especially those not yet backed by the City's Medallion Relief Program guarantee and loan restructuring. For more information on the City's medallion loan guarantee programs, see [Taxi Medallion Owner Relief Program - TLC \(nyc.gov\)](#).
- ¹⁹ Our assumption implies a very inelastic demand response to the surcharge. Estimates of the price elasticity of demand for taxi trips vary widely in the economics literature. To provide an upper-bound to our estimate if we vary this assumption, a 10% decrease in trips rather than 1% would only decrease our foregone revenue estimate from \$35 million to \$31.5 million. However, this is an unlikely outcome, because even as the proposed CBDTP tolling schedule raises the price of a taxi trip, it introduces an even higher toll on substitutes like private car and rideshare trips.