

Economic Impact Statement

Montgomery County, Maryland

Bill 19-24 Taxicab Licenses – Amended Requirements

SUMMARY

The Office of Legislative Oversight (OLO) anticipates that Bill 19-24 would have a positive impact on economic conditions in the County in terms of the Council’s priority economic indicators. By increasing the permissible age of taxicabs from eight to ten years and allowing hybrid, electric, and WAV taxicabs to be in use for twelve years, the Bill may prevent operating expenses that occur from replacing vehicles, thereby protecting business incomes from these costs. Additionally, the Bill may prevent certain drivers and owners from reducing the size of their fleet, laying off workers, or exiting the industry, instead of replacing their vehicles. If this occurs, the policy change would benefit residents who otherwise may experience income losses from job dislocation.

BACKGROUND AND PURPOSE OF BILL 19-24

In 2021, the County Council passed Expedited Bill 47-21, which increased the permissible age of taxicabs in the County from eight to ten years. Bill 47-21 included a sunset clause that set the Bill to expire on December 31, 2024. If no action is taken on the clause, the permissible age of taxicabs in the County will return to eight years on December 31, 2024.¹

The purpose of Bill 19-24 is to repeal the sunset clause under Expedited Bill 47-21 and make other changes to taxicab laws in the County. If enacted, Bill 19-24 would:²

- Permanently increase the permissible age of taxicabs from eight to ten years;
- Allow hybrid, electric, and wheelchair accessible (WAV) taxicabs to be in use for twelve years; and
- Require taxicab drivers who are in an accident to submit accident reports to the Department of Transportation in addition to the holder of the taxicab license.

According to the County Executive, permanently changing the permissible age of taxicabs to ten years will allow “Montgomery County’s taxicab industry to remain competitive with neighboring jurisdictions,”³ which allow taxicabs to be operated for at least ten years. Further, creating a new category for alternative-fuel and WAV taxicabs and allowing these vehicles to operate for two additional years “may incentivize PVL [Passenger Vehicle License] holders to transition to and invest more heavily in those vehicles.”⁴

The Council introduced Bill 19-24, Taxicab Licenses – Amended Requirements, at the request of the County Executive on September 17, 2024.

¹ Montgomery County Council, “Introduction Staff Report for Bill 19-24.”

² Ibid.

³ See Memo from County Executive to Council President in Introduction Staff Report for Bill 19-24.

⁴ Ibid.

INFORMATION SOURCES, METHODOLOGIES, AND ASSUMPTIONS

Per Section 2-81B of the Montgomery County Code, the purpose of this Economic Impact Statement is to assess, both, the impacts of Bill 19-24 on residents and private organizations in terms of the Council’s priority economic indicators and whether the Bill would have a net positive or negative impact on overall economic conditions in the County.⁵

For sources of information, this analysis relies on materials included in the Introduction Staff Report for the Bill and sources cited below. OLO does not use formal methodologies or make any assumptions in this analysis.

VARIABLES

The primary variables that would affect the economic impacts of enacting Bill 19-24 are the following:

- Number of taxicab vehicles approaching eight years; and
- Cost of new or used vehicles.

IMPACTS

WORKFORCE ■ TAXATION POLICY ■ PROPERTY VALUES ■ INCOMES ■ OPERATING COSTS ■ PRIVATE SECTOR CAPITAL INVESTMENT ■ ECONOMIC DEVELOPMENT ■ COMPETITIVENESS

Businesses, Non-Profits, Other Private Organizations

OLO anticipates that Bill 19-24 would have positive impacts on certain private organizations in the County in terms of the Council’s priority economic indicators.

The Bill would primarily impact taxicab drivers and companies. According to the County Executive, most taxicabs operating in the County are owned by individuals who work as independent contractors.⁶ By increasing the permissible age of taxicabs from eight to ten years and allowing hybrid, electric, and WAV taxicabs to be in use for twelve years, the Bill would permit taxicab drivers and companies to use their vehicles for an additional two or four years. The County Executive claims this would allow 76 out of the total 200 taxicabs (38%) operating in the County to remain in use.⁷

Extending the use of taxicabs would prevent certain drivers and companies from replacing their vehicles in the near term. Holding all this equal, this would reduce operating expenses and increase business income. Additionally, the Bill may prevent certain drivers and owners from taking alternative actions, such as reducing the size of their fleet, laying off workers, or exiting the industry, instead of replacing their vehicles. Indeed, significant increases in inflation on new and used vehicles since the pandemic may make it cost-prohibitive for certain drivers and companies to replace their vehicles.⁸

⁵ Montgomery County Code, Sec. 2-81B.

⁶ Montgomery County Council, “Introduction Staff Report for Bill 19-24.”

⁷ Ibid.

⁸ Federal Reserve Bank of St. Louis, “Consumer Price Index for All Urban Consumers,” September 11, 2024; Federal Reserve Bank of St. Louis, “Consumer Price Index for All Urban Consumers,” September 11, 2024.

Beyond these potential impacts, OLO does not expect the Bill to affect private organizations in terms of the Council's other priority indicators.

Residents

OLO anticipates that Bill 19-24 would have positive impacts on certain residents in the County in terms of the Council's priority economic indicators. If the Bill prevents certain drivers and owners from laying off workers, certain residents may not experience income losses from job dislocation.⁹ Also, if the Bill prevents certain drivers and owners from reducing the size of their fleets or exiting the industry, certain residents may not experience costs associated with disruptions to their transportation modes.¹⁰

Beyond this potential impact, OLO does not expect the Bill to affect residents in terms of the Council's other priority indicators.

Net Impact

OLO anticipates that Bill 19-24 would have a positive impact on economic conditions in the County in terms of the Council's priority economic indicators. By increasing the permissible age of taxicabs from eight to ten years and allowing hybrid, electric, and WAV taxicabs to be in use for twelve years, the Bill may prevent operating expenses that occur from replacing vehicles, thereby protecting business incomes from these costs. Additionally, the Bill may prevent certain drivers and owners from reducing the size of their fleet, laying off workers, or exiting the industry, instead of replacing their vehicles. If this occurs, the policy change would benefit residents who otherwise may experience income losses from job dislocation.

DISCUSSION ITEMS

Not applicable

WORKS CITED

Federal Reserve Bank of St. Louis. "Consumer Price Index for All Urban Consumers: New Vehicles in U.S. City Average," September 11, 2024. <https://fred.stlouisfed.org/series/CUUR0000SETA01>.

———. "Consumer Price Index for All Urban Consumers: Used Cars and Trucks in U.S. City Average," September 11, 2024. <https://fred.stlouisfed.org/series/CUSR0000SETA02>.

Montgomery County Code. Sec. 2-81B, Economic Impact Statements (n.d.). https://codelibrary.amlegal.com/codes/montgomerycounty/latest/montgomeryco_md/0-0-0-80894.

⁹ Shiro and Butcher, "The Long-Term Economic Scars of Job Displacements."

¹⁰ "Racial Equity and Social Justice (RESJ) Impact Statement on Expedited Bill 47-21, Taxicabs - Age of Vehicles."

Montgomery County Council. “Introduction Staff Report for Bill 19-24: Taxicab Licenses - Amended Requirements,” September 17, 2024.
<https://apps.montgomerycountymd.gov/ccllims/BillDetailsPage?RecordId=2843&fullTextSearch=19-24>.

“Racial Equity and Social Justice (RESJ) Impact Statement on Expedited Bill 47-21, Taxicabs - Age of Vehicles.” Office of Legislative Oversight, Montgomery County Council, May 16, 2022.
<https://www.montgomerycountymd.gov/OLO/Resources/Files/resjis/2022/BillE47-21.pdf>.

Shiro, Ariel Gelrud, and Kristin F. Butcher. “The Long-Term Economic Scars of Job Displacements.” Brookings Institution, July 21, 2022. <https://www.brookings.edu/articles/the-long-term-economic-scars-of-job-displacements/>.

CAVEATS

Two caveats to the economic analysis performed here should be noted. First, predicting the economic impacts of legislation is a challenging analytical endeavor due to data limitations, the multitude of causes of economic outcomes, economic shocks, uncertainty, and other factors. Second, the analysis performed here is intended to *inform* the legislative process, not determine whether the Council should enact legislation. Thus, any conclusion made in this statement does not represent OLO’s endorsement of, or objection to, the Bill under consideration.

AUTHOR

Stephen Roblin (OLO) prepared this report.