

OFFICE *of the* STATE COMPTROLLER RIDESHARE REPORT

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INTRODUCTION

Over the last several years, the growth of transportation network companies (TNCs), or rideshare companies, such as Uber and Lyft have changed the transportation industry across America. Over these years, questions still loom on the legal classification of transportation network company drivers, specifically whether they should be considered contractors or employees. This classification has significant financial implications for entitlement benefits and employee protection programs such as workers’ compensation, unemployment insurance, and paid family and medical leave.

In recent years, several states have taken legislative and legal steps aimed at better defining the relationship between transportation network companies and their drivers as well as ensuring adequate contributions to state benefit programs. Landmark cases and settlements in surrounding states include the following:

- 2022 settlement in New Jersey resulted in Uber and a subsidiary paying \$100 million to the state’s Unemployment Trust Fund because of the misclassification of drivers as independent contractors.
- 2023 case in New York resulting in settlements with Uber and Lyft totaling \$328 million, based on a multi-year investigation that found that Uber and Lyft policies had prevented drivers from accessing state financial benefits. The settlement also resulted in changes to state law improving driver working conditions, including:
 - Setting a minimum earnings floor;
 - Allowing drivers to earn paid sick leave;
 - Proper hiring notices to drivers to ensure drivers are fully informed about their employment terms; and
 - Drivers can now contest their deactivation from the platform.
- 2024 case in Massachusetts resulted in a settlement agreement with Uber and Lyft totaling \$175 million paid to the state along with other stipulations on treatment of their drivers. The settlement also resulted in changes to state law improving driver working conditions, including:
 - Setting a minimum hourly rate for drivers for time spent traveling to pick up riders and transporting them;
 - Allowing drivers to earn paid sick leave;
 - Access to health insurance stipends; and
 - Providing occupational accident insurance for work-related injuries.

In Connecticut, the Legislature passed Public Act No. 17-140, effective October 1, 2017, regulating Transportation Network Companies and taxicabs. This public act legalized ride-hailing apps like Uber and Lyft, and was later codified into Chapter 244c, Sections 13b-116 through 13b-121 of the Connecticut General Statutes. It also sets certain fees, registration requirements, definitions, and classifications related to these rideshare services.

With respect to registration requirements and fees, TNCs operating in the State are required to register with the Commissioner of Transportation on an annual basis, and pay a \$5,000 non-refundable registration/renewal fee. Section 13b-121 of this Chapter sets forth an additional \$0.30 fee on each prearranged ride that originates in this state that must be paid by the TNC to the State.

The State has received \$15,489,481 in fees from TNCs over the last four fiscal years, arrayed as follows:

Revenue Account	Fiscal Year			
	2019	2020	2021	2022
Transportation Network Companies	\$3,856,500	\$4,288,834	\$3,409,048	\$3,935,099

However, much like in other states, the question of how TNC drivers should be classified and the adequacy of TNC contributions to state/employee benefit programs has been a contentious issue. To help provide some context on this topic, the Office of the State Comptroller (OSC) has compiled this report for informational purposes, which may be a useful tool in better understanding some of the issues at hand and the overall complexities of this topic.

Recommendations for policy changes have also been included for consideration.

EXECUTIVE SUMMARY

This report was prepared for informational purposes and to help provide a high-level overview of the complexities surrounding the classification of Transportation Network Company (TNC) drivers as either contractors or employees. It also provides an analysis of potential obligations to the State and other employee benefit programs and services. In light of recent settlements in surrounding states, the intent of this report is to inform policymakers of our current regulatory framework's impact on drivers, benefit programs, and taxpayers.

The Office of the State Comptroller (OSC) began the process of compiling information for this report by performing an analysis of the classification of TNC drivers. OSC compiled information used by the Federal government as well as the State's Department of Labor in determining whether an employer-employee relationship exists or if the worker, in this case the TNC driver, is an independent contractor. Based on the information compiled, determination of worker classification is not always straightforward. Moreover, Chapter 244c of the Connecticut General Statutes, which regulates TNCs operating in the State, further complicates the matter because it specifically states that TNC drivers are not employees of the TNC.

Looking to case law, it was noted that issues related to the classification of TNC drivers are still relatively new. In the relevant cases identified, the results were not consistent one way or the other. One case in California was of particular interest as the state passed a proposition specifically classifying TNC drivers as contractors, similar to Connecticut's law. This classification seems to have held up in court; however, the proposition also provided certain benefits to those drivers, such as a minimum wage and insurance, that wouldn't normally be provided to contractors. There were also rulings that went against TNC claims that drivers are contractors, and the court found that the drivers associated with the filed claims were, in fact, employees of the TNC.

OSC also performed an analysis of the potential obligation to the State and other employment benefits programs under the scenario that drivers were instead legally classified as employees. OSC relied on a combination of Nonemployer Establishment Statistics (NES) from the U.S. Census Bureau, available for years up to 2022, and aggregate tax filing information provided by the Connecticut Department of Revenue Services (DRS), which summarizes payments made to Connecticut contractors by TNCs.

Table 1. Estimated Connecticut Rideshare Drivers and their Earnings

Year	Estimated Rideshare Drivers	Estimated Gross Business Income (\$ Million)	Average Gross Business Income (\$)
2022	12,295	\$303.5	\$24,686
2021	11,111	\$211.2	\$19,011
2020	10,251	\$135.9	\$13,259
2019	12,105	\$196.4	\$16,228

We find that, under the Employee Scenario, TNCs and drivers would have been responsible for state payments estimated to total \$16.1 million over the four-year period from 2019 to 2022, based on the available data. TNCs would have paid Unemployment Insurance tax estimated to total \$14.5 million and Workers Compensation-related state assessments estimated at \$540,000 over that time.

Payer	Employment-Related Potential Obligation	2022 Only Amount (\$ Million)	2019 to 2022 Amount (\$ Million)
TNCs	Unemployment Insurance Tax	\$3.8	\$14.5
TNCs	Second Injury Fund & WCC Assessments	\$0.2	\$0.5
Drivers	CT Paid Family and Medical Leave Contributions	\$0.6	\$1.1
Total		\$4.6	\$16.1

CT Paid Leave: Beginning in 2021, most Connecticut employees are required to make payroll contributions to CT Paid Leave, while self-employed residents including independent contractors can choose to participate. If the drivers were considered employees, it is estimated that that state program would have received up to \$1.1 million in additional funding through 2022, depending on how many drivers are currently participating; however, the program also avoided paying eligible claims that may have been made by those drivers once enrolled.

Workers' Compensation: In addition to the potential obligations to the state, TNCs would have been required to provide Workers Compensation insurance to their drivers if they were employees. That insurance gives workers access to medical treatment and wage replacement benefits while disabled for injuries or occupational illnesses obtained on the job. OSC estimates that the TNC expense for such coverage would be approximately \$4.9 million in 2022 or \$14.9 million over the four-year period.

While not the focus of this report, certain employers are obligated to provide employees with **paid sick leave and health insurance**. Most Connecticut employees accrue one hour of paid sick time for every 30 hours worked under a new Paid Sick Law that took effect on January 1, 2025.

Regarding health insurance, under the federal Affordable Care Act, employers with 50 or more full-time equivalent workers are required to offer health coverage to full-time employees. On average in 2022, large employers in Connecticut paid \$6,600 for the employer share of single coverage and \$19,000 for family coverage per enrolled employee for health benefits. If we assume that 10% of Connecticut drivers do so on a full-time basis, the cost to offer comprehensive employer-sponsored health insurance to those drivers and their dependents at the average Connecticut rate would be approximately \$12.3 million for just 2022.

Finally, employers must pay minimum wage, which in Connecticut is now \$16.35 per hour. After all expenses are considered, it is not clear if all Connecticut TNC drivers are earning such a wage. While time transporting passengers is generally well compensated, drivers are not earning fares or tips during the times they are waiting for a trip offer or driving to the pickup location. A 2022 study in Minnesota found that the median committed driver in the Twin cities earned \$50.04 per hour for passenger time, but once non-passenger time and business expenses (e.g., gas, insurance, vehicle depreciation or lease costs) were taken into account, the median hourly rate fell to \$13.63 per hour.[1]

Policy Implications

Determining the proper legal classification of rideshare drivers has eluded state and federal courts and policymakers and is therefore beyond the scope of this report. However, this question holds significant consequences for the industry and drivers. We hope this report assists in working toward a regulatory framework that balances the interest of all parties.

States like Massachusetts and Washington have set policies that give TNC drivers certain rights and protections, while not formally changing their classification. Washington has made changes to state laws which allow drivers to access paid sick time, unemployment insurance, workers' compensation coverage and paid family and medical leave, largely through existing programs. Their per trip pay standard reflects the greater of: (1) a flat fee per dispatched trip, or (2) a per minute rate plus a per mile rate while transporting passengers, which are set by the state.

Massachusetts drivers now have a right to occupational accident insurance, in lieu of workers' compensation, and will begin receiving stipends to cover the cost of buying into the state's paid family and medical leave program as well as access to a health insurance benefit in 2025. Their pay standard is based on a minimum "earnings floor" (\$33.48 per hour of engaged time in 2025). Engaged time includes time spent driving to pick up a passenger and driving them to their destination.

In pursuing a minimum pay standard to guarantee TNC drivers fair pay, it is important to design it with an understanding of how its calculation will incentivize the actions of drivers and TNCs.[2] Additionally, existing research indicates a high rate of business expenses for full-time drivers, which should be understood to reduce any hourly earnings. More research on how driver pay standards are operating in other states, as well as Connecticut-specific earnings and expenses data, would be useful for Connecticut in constructing its own.

RECOMMENDATIONS

Based on our analysis, we are recommending the following actions:

- 1. Data Transparency:** Require TNCs to report certain statistics (1) to drivers about their own trips and earnings, and (2) to the Department of Transportation as part of the license application and renewal process, to provide greater transparency for drivers and regulators. For the state, such information should include the number of drivers active on the platform at a point in time, the average and median driver earnings per month, and other information that would be necessary for determining an appropriate and well-designed pay standard. Allowing regulators, policymakers and drivers to have access to critical data is essential to making informed decisions moving forward.
- 2. Require TNCs to provide Drivers with Essential Benefits:** Use the framework from the recent settlement in Massachusetts to require TNCs to provide drivers benefits including a minimum earnings rate, paid sick leave, healthcare stipends and occupational accident insurance. Using this framework will ensure drivers are adequately paid for their work while providing them a safety net against injury or sickness, all while deferring the decision around classification to the courts. Additionally, this will put Connecticut in closer alignment with neighboring states including New York on TNC regulation. This report includes a complete proposal on implementing these provisions in Connecticut starting on page 19.
- 3. Restructure Annual and Per-Ride TNC Fees:** There is currently a \$5,000 annual fee to operate a TNC in Connecticut and a 30-cent fee per-ride. Both fees are deposited into the General Fund. The state should increase the annual fee to \$50,000 to reflect TNC regulatory impact. Furthermore, the per-ride fee should be increased to 50 cents to adjust for inflation. Finally, we recommend depositing the per-ride revenue – estimated at \$6.5-\$7 million – into the Transportation Fund.

SUMMARY OF ANALYSIS PERFORMED

Analysis of Classification of Transportation Network Company Drivers

Chapter 244c of the Connecticut General Statutes sets forth regulations for any Transportation Network Company (TNC) operating in the State of Connecticut. Section 13b-116(2) of this Chapter defines what a TNC driver means, and specifically indicates that TNC drivers are not employees of the TNC. This effectively is classifying TNC drivers as contractors rather than employees. However, the appropriate classification of TNC drivers, as either contractors or employees, is not as simple as just referencing this one section of the General Statutes. To make an accurate classification, the Federal Internal Revenue Code and other sections of the Connecticut General Statutes covering labor law must be applied to the situations surrounding the classification of TNC drivers.

For Federal purposes, Internal Revenue Service Topic No. 762 states that common law rules are applied to determine whether a worker should be classified as an independent contractor or an employee. Under common law, the business must examine the relationship between the worker and the business as well as the degree of independence in this relationship. The facts that provide this evidence fall into the following three categories:

Behavioral controls

Facts that show whether the business has a right to direct and control what work is accomplished and how the work is done, through instructions, training, or other means. A worker is considered an employee when the business has the right to direct and control the worker. It should also be noted that a business does not actually have to direct or control the way work is done, only that the business has the right to direct and control the work.

Behavioral factors include (1) the type of instruction given, such as when and where to do the work, what tools or equipment to use, what work must be performed by a specified individual, and what order or sequence to follow when performing the work; (2) the degree of instructions (the more detailed the instructions the more likely the worker is an employee and vice versa); (3) the evaluation system used, and whether it measures the details of how the work is performed or just the end results (details on how the work is performed would be an indicator of an employer-employee relationship); and (4) whether the business provides training on how to do the job in a particular way, which would be a strong indication of an employer-employee relationship.

Financial controls

Facts that show whether the business has the right to direct or control the financial and business aspects of the worker's job, including (1) the extent to which the worker has unreimbursed business expenses (contractors are more likely to have unreimbursed expenses, but employees can as well); (2) the extent of the worker's investment in the facilities or tools used in performing services; (3) the extent to which the worker makes their services available to the relevant market (contractors are generally free to seek out business opportunities); (4) how the business pays the worker (employees are generally guaranteed a regular wage amount for an hourly, weekly, or other period of time whereas contractors are usually paid a flat fee for the job); and (5) the extent to which the worker can realize a profit or incur a loss (having the possibility of incurring a loss typically indicates that the worker is a contractor).

Relationship of the parties

Facts that show the type of relationship the parties had, including (1) written contracts or oral agreements describing the relationship the parties intended to create (more important than an agreement, how parties work together will determine whether a worker is an employee or contractor); (2) whether the business provides the worker with employee-type benefits, such as insurance, a pension plan, vacation pay, or sick pay (contractors would not typically get these benefits, but lack of these benefits does not necessarily mean the worker is a contractor); (3) the permanency of

the relationship (if the worker is hired with the expectation that the relationship will continue indefinitely, rather than for a specific project or period, this is generally considered an intent to create an employer-employee relationship); and (4) the extent to which services performed by the worker are a key aspect of the regular business of the company (if a worker provides services that are a key aspect of the business, it is more likely that the business will have the right to direct and control the worker's activities, which would indicate an employer-employee relationship).

At the State level, the common law definition of an employee and contractor applies under employment regulation (CGS 31-12), wage (CGS 31-58), and workers' compensation (CGS 31-275). However, Connecticut's unemployment compensation law (CGS 31-222) uses the "ABC test" rather than the "common law test" to determine whether a worker is an employee or contractor. The Connecticut Department of Labor and courts have interpreted the ABC test as a way to broaden the protections against unemployment provided under the law, as it makes it easier for workers to be considered employees. Under the State's unemployment compensation law, a worker's service to an employer is considered employment, and subject to the act's requirements, unless:

A. The person performing the service has been and will be free from any control or direction related to performing the service, both under the contract of hire and in fact;

B. The service performed is outside the employer's usual course of business or outside the employer's places of business; and

C. The person performing the service is customarily engaged in an independently established trade, occupation, profession, or business of the same nature as the service being performed.

In addition to Connecticut, 32 other states use the ABC test to determine worker classification as either an employee or contractor.

Recent Legal Actions in Other States

Determining worker classification can be a difficult and complex matter depending on the factors involved. Moreover, simply applying Section 13b-116(2) of the Connecticut General Statutes to make the determination of whether an employer-employee relationship exists may not lead to an accurate assessment. This is further supported by recent court rulings involving the employment status of rideshare drivers, which highlights the ongoing and evolving nature of the employment classification of rideshare drivers. Some of the more recent cases/rulings include the following:

- In 2020, California Assembly Bill (AB5) was passed into law in 2020, to make legal distinctions between independent contractors and employees. The bill affected independent contractors who provided rideshare and delivery services and required them to be reclassified as employees. In response, the California legislature passed Proposition 22 with voter approval that designated rideshare and delivery drivers as independent contractors and not entitled to employee benefits, including unemployment insurance, paid sick leave, and overtime pay. However, it does provide certain benefits to drivers, including healthcare subsidies, occupational accident insurance, and a minimum earnings floor. On July 25, 2024 the California Supreme Court unanimously upheld its rulings categorizing rideshare drivers as independent contractors rather than company employees.
- In January 2020, a suit was filed against a rideshare company and the driver, when the driver crashed into an abandoned vehicle on the roadside, causing injury to the passenger. The rideshare company argued that it had no responsibility for the driver's actions because the driver was an independent contractor, not an employee. However, the district court rejected this argument. Furthermore, the court determined that there was credible evidence that the rideshare company controls many aspects which support the employer-employee relationship, including: (1) the drivers' finances; (2) branding and marketing; (3) requirements for quality, cleanliness, and

behavior; (4) offering benefits to drivers; and (5) requiring drivers to submit drivers' license information, vehicle registration, and pass a background check. The judge concluded that a reasonable person could differ on whether a worker is an employee or contractor based on the evidence in the case and allowed the case to proceed to a jury.

- In March of 2020, the United States Court of Appeals for the Third Circuit similarly determined that a genuine issue of fact existed as to whether rideshare companies exercised control over its drivers such that they should be considered employees. The case came out of a class action suit against a rideshare company brought by its drivers alleging violations of state and federal labor laws. The rideshare company made the argument that these laws did not apply because the drivers were contractors not employees. Initially, a trial court agreed with the rideshare company and dismissed the case. However, the appellate court later reversed the decision because it found that there were disputed issues regarding agency and that the case should not have been dismissed. The appellate court found that there was significant evidence that the rideshare company decides the fare, decides which drivers receives a trip request, controls whether to refund or cancel a passenger's fare, and dictates the driver's territory, which is subject to change without notice, all pointing to the existence of an agency relationship, rather than one of an independent contractor.

With various factors to consider, and taking into account the complexities involved, making an assessment of whether an employer-employee relationship exists between rideshare companies and their drivers is outside the scope of this document. However, a prudent step to take would be to evaluate the State's legislation that regulates rideshare companies and their drivers and determine whether updates to that legislation should be considered.

Analysis of Potential State Obligations

Employees in Connecticut typically have access to Unemployment Insurance (UI), Connecticut Paid Leave (CTPL), and workers compensation (WC) insurance.[3] Employers pay UI tax and two assessments related to workers compensation to the State.[4] They also remit to the State employees' payroll contributions to CTPL. This section attempts to estimate the cost that would have been associated with each of these employment benefits and assessments for the TNC's drivers over the 2019 to 2022 period if they had been considered employees instead. These estimated costs are deemed "potential obligations."

To calculate an accurate cost for each benefit and assessment, we would ideally have earnings and expense information by year for each driver as well as information about the workers' compensation coverage the TNC's would have obtained and the number of drivers active on each TNC platform.[5] As that information is not available, we rely on the best-available government statistics for measuring the gig economy: Nonemployer Statistics (NES) from the U.S. Census Bureau.[6]

**Figure 1. Connecticut Taxi and Limousine Services NAICS 4853:
Sole proprietor establishments with Assumed Split between Existing Drivers and Rideshare Drivers**



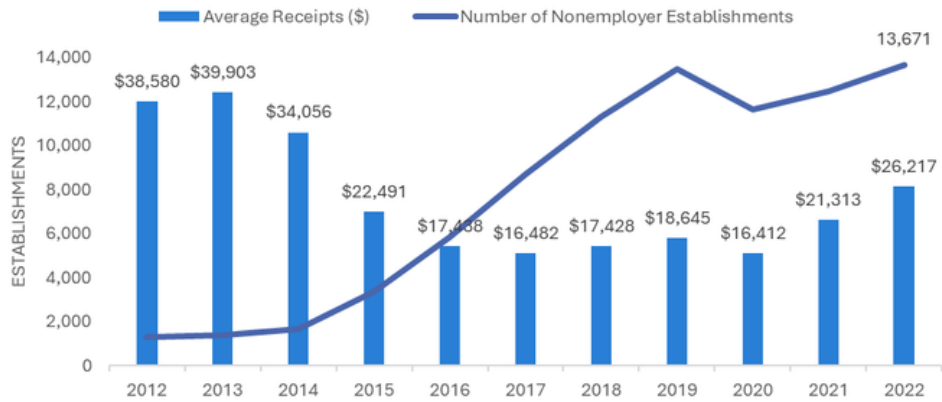
*NAICS 4853 Taxi and Limousine Service incumbant establishments and earnings are assumed to remain flat at 2013 levels in this analysis. Growth is assumed to be rideshare drivers.

A nonemployer establishment is a business that has no paid employees, is subject to the federal income tax, and has receipts of at least \$1,000. Within that data, we focus on self-employed individuals operating unincorporated businesses, known as sole proprietors, in the Taxi and Limousine Service industry (NAICS 4853), which includes rideshare drivers. The data indicates that in 2022, the most recent year of data available, there were 13,671 sole proprietor establishments in the industry in Connecticut. While some of these self-employed transportation providers drive either taxis or limousines, the majority are believed to be rideshare drivers.

In 2013, there were only 1,376 Connecticut sole proprietor establishments in that classification. Uber and Lyft began operations in Connecticut in 2014, and the number of such establishments rapidly increased to more than 13,000 by 2019, before leveling off. However, not all drivers are necessarily included in these statistics, especially drivers doing so on a very part-time basis who may earn less than \$1,000 per year or who may not file their paperwork correctly. Surveys of drivers in Minnesota and Massachusetts found that about half of drivers work fewer than ten hours per week. To the extent these estimates undercount drivers and their earnings, the estimated potential obligations in this report are also underestimated.[7]

To estimate the potential obligations for rideshare drivers only, we fix the 2013 level of establishments and business income as belonging to industry incumbents (sole proprietors offering taxi and limousine services in 2013).[8] The growth in number of establishments and gross business income since then is attributed to rideshare drivers. Based on that approach, we estimate that the number of Connecticut-based rideshare drivers ranged between 10,251 and 12,295 over the years 2019 to 2022.

Figure 2. Taxi, Limousine & Rideshare Drivers in Connecticut: Average Business Income



In 2013, the average annual receipts per self-employed taxi or limousine driver was \$39,903. Then the average receipts for sole proprietors in the industry fell each year through 2017 (to \$16,482) as rideshare drivers came to make up a larger proportion of establishments. This makes sense given that many rideshare drivers operate on a part-time basis.

Figure 3. Connecticut Taxi, Limousine and Rideshare Drivers: Gross Business Income (Millions)



Holding the 2013 incumbent establishments and earnings constant, we estimate the number of Connecticut rideshare drivers, their combined receipts, and their average receipts as shown in Table 1. These numbers form the basis for the potential obligations estimated in the remainder of this report.

Table 1. Estimated Connecticut Rideshare Drivers and their Earnings

Year	Estimated Rideshare Drivers	Estimated Gross Business Income (\$ Million)	Average Gross Business Income (\$)
2022	12,295	\$303.5	\$24,686
2021	11,111	\$211.2	\$19,011
2020	10,251	\$135.9	\$13,259
2019	12,105	\$196.4	\$16,228

Unemployment Insurance Tax

Connecticut employers subject to the provisions of Chapter 567 of the Connecticut General Statutes must make contributions for unemployment insurance (UI) based on the wages paid to their employees. For 2019 through 2022, the first \$15,000 of an employee’s wages were subject to the Connecticut UI tax.

We estimate the payments the companies would have owed to the State unemployment insurance system based on the drivers’ earnings if the drivers had been considered employees to be approximately \$14.5 million over the four-year period. To assist in this calculation, OSC obtained aggregated tax information from the Connecticut Department of Revenue Services on the 1099-K tax forms the TNCs issued to their independent contractors during this period. We used that data to assist in estimating the share of rideshare drivers earning above and below the \$15,000 taxable wage threshold.[9] We reduce the Gross Business income for each year based on these assumptions to obtain the Estimated Taxable Wages (i.e., the first \$15,000 of each driver’s business income). [10]

Table 2 shows the estimated taxable wages and the resulting UI liability for all TNCs by year using the “new employer rate.” We use the new employer rate as a middle-of-the road basis for the estimate. The actual rate used to calculate the liability for each company, after the initial year, would be based on unemployment insurance claims by each company’s employees in past years, subject to the minimum and maximum rates set by the Department of Labor. For 2022, the new employer rate is 3.0%. The minimum rate is 1.9% and the maximum rate is 6.8%.

Table 2. Unemployment Insurance Tax: Estimated Potential Obligation

Year	UI New Employer Rate	Estimated Taxable Wages (\$ Million)	Estimated Potential Obligations (\$ Million)
2022	3.0%	\$128.0	\$3.8
2021	3.0%	\$115.9	\$3.5
2020	3.2%	\$99.0	\$3.2
2019	3.4%	\$118.1	\$4.0
Total		\$461.0	\$14.5

We estimate that the amount owed for Connecticut UI tax for drivers would range between \$3.2 million and \$4.0 million per year using the new employer rate, with the total amount owed for the 2019 to 2022 period being approximately \$14.5 million.[11]

Connecticut Paid Family and Medical Leave

The Connecticut Paid Leave (CTPL) program provides workers access to income replacement benefits when out of work for life events covered under the federal Family and Medical Leave Act of 1993 (FMLA), the Connecticut Family and Medical Leave Act (CT FMLA) and the Connecticut Family Violence Leave Act. Under the program, eligible workers are entitled to up to 12 weeks of paid leave, with two additional weeks in certain circumstances. The CTPL program is funded by wage deductions from workers and contributions from self-employed individuals and sole proprietors who choose to enroll. The program began collecting wage deductions and contributions on January 1, 2021. Since the program began, the contribution rate has been 0.5% of total wages, up to the Social Security contribution limit.[12]

Were drivers considered employees of TNCs, rather than independent contractors, the companies would have been required to collect 0.5% payroll deductions from the drivers’ pay for payment into the State’s paid leave program during the years 2021 and 2022. The drivers would then have been eligible to make claims for benefits beginning in 2022.

We estimate the lost payments to the trust fund to be approximately \$1.1 million over the years 2021 to 2022. That estimate assumes that rideshare drivers did not voluntarily participate in the program during those years. If Connecticut drivers have been voluntarily contributing to the program already, our estimate should be reduced by the amount of contributions made by enrollees through 2022. Available information suggests that most drivers are not already participating.[13]

It is worth noting that while the state program received less revenue than if the drivers were considered employees and required to make payments, it also likely paid out fewer benefit claims, to the extent drivers would have made eligible claims.

Table 3. Connecticut Paid Leave: Estimated Potential Contributions

Year	CTPL Contribution Rate	Estimated Self-Employment Earnings (\$ Million)	Estimated Obligation (\$ Million)
2022	0.5%	\$127.5	\$637,377
2021	0.5%	\$88.7	\$443,581
Total		\$216.2	\$1,080,958

Our estimate calculates the lost revenue to CTPL using the contribution basis for sole proprietors voluntarily participating in the program, since our earnings data most closely aligns with that method.[14] Since sole proprietors do not have ordinary wages, such workers contribute 0.5% of their self-employment income, as defined by the IRS at 26 USC 1402(b), which is their net profit from their profession or business.

Since our data reflects driver gross earnings, we reduce the gross earnings by an assumed net profit share of earnings for TNC drivers before applying the 0.5% rate to obtain the estimated obligation. The actual obligation could be higher or lower depending on the actual net profits reported by Connecticut drivers each year. For our estimate, we assume that net profits are 42% of gross earnings, after all driver expenses are taken into account.[15] These costs include gas, vehicle depreciation, and all other eligible business expenses.

Finally, it is not entirely clear if the gross earnings amounts in our data include the platform fees that are kept by the TNC for each ride. To the extent our data includes them, the average net profit share could be lower than 42%. For example, if platform fees averaging 25% of gross earnings are included, the average net profit share could be as low as 32%, making the contributions owed over the two-year period only approximately \$824,000 instead of \$1.1 million.[16]

Workers’ Compensation Insurance

Connecticut employers have an obligation to provide workers’ compensation insurance coverage for their employees, which then gives workers access to medical treatment and wage replacement benefits while disabled for injuries or occupational illnesses obtained on the job. The State’s Workers’ Compensation Commission administers workers’ compensation benefits in the state.

To provide this benefit, employers buy coverage in the open market (i.e., the voluntary market) at rates that vary based on insurer, employee classification, and other policy terms. Large employers may also choose to self-insure (i.e., directly pay any worker’s claims). If an employer is twice denied coverage in the voluntary market, the employer can purchase workers’ compensation insurance in the assigned risk market. The National Council on Compensation Insurance (NCCI) sets the rates in the assigned risk market for Connecticut.

While various adjustments are made to arrive at a company’s ultimate insurance premium amount for the year, the simplified equation that estimates the cost for our purposes (also known as the “manual rate”) is the following:

$$\begin{array}{|c|} \hline \text{Payroll (\$)} \\ \hline 100 \\ \hline \end{array} \times \text{Class Code Rate} = \text{Premium (\$)}$$

We estimate the approximate amount of premiums the TNCs combined would have been required to purchase on behalf of their drivers if the TNC drivers were considered employees during the 2019 to 2022 period to be \$14.9 million using the assigned risk market rate for limo companies.[17] The table below shows the estimated premium costs by year, which range from \$2.5 million in 2020 to \$4.9 million in 2022.

Table 4. Workers’ Compensation Insurance: Estimated Premiums

Year	Payroll Equivalent (\$ Million)	Limo Rate (Code 7382)	Estimated Premium (\$ Million)
2022	\$101.2	4.8	\$4.9
2021	\$70.4	5.3	\$3.7
2020	\$45.3	5.5	\$2.5
2019	\$65.5	5.8	\$3.8
Total	\$282.4		\$14.9

To estimate the premium cost for covering TNC drivers, we use the assigned risk market rate of the Connecticut class code for limo companies (7382) and the “Rule for contracted vehicle workers entitled to workers compensation insurance” from the Connecticut Basic Manual to determine the relevant payroll amount.[18] We use the limo class code because there is no specific code for TNC drivers, limos operate similarly to TNC drivers by driving passengers, and because the taxi company class code (7370) requires an alternate basis of premium (based on number and type of vehicles rather than payroll) that is not applicable to TNC drivers. The limo company rates are listed in the table above.

The “Rule for contracted vehicle workers entitled to workers compensation insurance” in the Connecticut Basic Manual published by NCCI says the following:

Charge premium on the vehicles’ owner’s policy when evidence of required workers compensation insurance has not been provided. When the owner of the vehicle has not provided evidence of workers’ compensation insurance, calculate the payroll amount based on the documentation provided by the vehicle owner as follows:

- *When payroll can be obtained, you must include the total payroll of the contractors as the payroll of the insured employer that contracted for the vehicles.*
- *When payroll is not provided or the worker is an owner-operator and does not receive a set payroll, you must include one-third of the total contract price for the vehicles as payroll of the workers. If the contract price does not include the cost of fuel, maintenance, or other services provided to the owner or the owner-operator, you must add the value of these goods and services to the contract price before determining the one-third amount.*

We rely on the final part of the rule which directs us to calculate a driver’s payroll as one-third of the contract price, which is the gross earnings of the driver from the TNC in that year. This allows us to calculate the total payroll across all drivers (one-third of the gross receipts amount each year) and use the manual premium formula to obtain the estimated workers’ compensation premium by year.[19]

Other State Payments Related to Workers’ Compensation

Connecticut employers with an obligation to provide workers’ compensation insurance are also required to pay an assessment that funds the Second Injury Fund and another assessment that funds the operations of the State’s Workers’ Compensation Commission.

Table 5. State Assessment Rates (as a Share of Premium)

Year	Second Injury Fund Rate (Other Rates)	Second Injury Fund Rate (Assigned Risk Rates)	WCC Assessment Rate
2022	2.25%	1.56%	1.9%
2021	2.25%	1.73%	2.0%
2020	2.25%	1.73%	2.3%
2019	2.25%	1.73%	1.8%

We estimate that, under the Employee Scenario, TNC payments to the state over the 2019 to 2022 period for the Second Injury Fund assessment would total nearly \$250,000 and for the Workers’ Compensation Commission assessment would total nearly \$300,000, for a combined state payment of \$541,011 towards these assessments over the four-year period.

Table 6. Second Injury Fund and Workers’ Compensation Commission Assessments: Estimated Potential Obligations

Year	SIF Estimated Obligations (\$)	WCC Estimated Obligations (\$)	Combined Estimated Obligations (\$)
2022	\$75,757	\$92,268	\$168,025
2021	\$64,559	\$74,634	\$139,193
2020	\$43,108	\$57,312	\$100,420
2019	\$65,364	\$68,009	\$133,374
Total	\$248,788	\$292,223	\$541,011

Additionally, we note that the State collects insurance premiums tax at a 1.5% rate on insurers' net direct premiums. If TNC had purchased workers' compensation insurance to cover their Connecticut drivers, the state may have collected additional tax revenue from insurers as a result.

Summary of Estimated Obligations by Benefit Type

This analysis has estimated some of the employment benefit-related costs over the 2019 to 2022 period that TNCs and their drivers would likely have faced under the alternative treatment of drivers as employees. Table 7 summarizes these estimates for the single year of 2022 and for all years combined. We find that these potentially avoided obligations are likely to equal approximately \$9.5 million for 2022 and \$31.0 million across the four-year period.

Table 7. Overall Potential Obligation Estimates

Potential Obligation	2022 Only Amount (\$ Million)	2019 to 2022 Amount (\$ Million)
Unemployment Insurance Tax	\$3.8	\$14.5
CT Paid Family and Medical Leave	\$0.6	\$1.1
Workers' Compensation Insurance	\$4.9	\$14.9
Second Injury Fund & WCC Assessments	\$0.2	\$0.5
Total	\$9.5	\$31.0

Other Employment Benefits Not Specifically Estimated

Healthcare Benefits Required by the ACA

Under the Affordable Care Act, employers with 50 or more full-time equivalent workers are required to offer health coverage to at least 95% of their full-time employees (and dependents) that covers at least 60% of healthcare costs.[20] While health coverage is a federally required benefit that is beyond the scope of this state-focused analysis, the large TNCs operating in Connecticut would bear a significant cost for providing the minimum required health coverage to drivers working full-time, to the extent their drivers were classified as employees.

On average in 2022, large employers in Connecticut paid \$6,600 for the employer share of single coverage and \$19,000 for family coverage per enrolled employee for health benefits in the state according to the Medical Expenditure Panel Survey. If we assume that 10% of Connecticut drivers do so full-time, the cost to offer comprehensive employer-sponsored health insurance to only 10% of drivers and their dependents would be approximately \$12.3 million for just 2022.

Paid Sick Time

Connecticut General Statutes Sec. 31-57r requires employers of a certain size to provide paid sick leave, which is paid time off the employee can take for illness, medical diagnosis, and treatment of either the employee or their family member, and for certain other reasons. Under the law in effect for the period 2019 to 2022, employees

accrued paid sick leave at a rate of 1 hour per 40 hours worked, up to 40 hours per year. Under new provisions that took effect on January 1, 2025, employees accrue sick time at a rate of 1 hour per 30 hours worked.

In states that have guaranteed paid sick leave to TNC drivers, regardless of their classification as employees or independent contractors, sick time is typically accrued based on time spent transporting passengers. Massachusetts drivers accrue 1 hour of paid sick leave per 30 hours of time spent picking up and transporting passengers, which is paid at a \$20 per hour rate that will increase annually.

Minimum Wage

Finally, employers must pay minimum wage, which in Connecticut is now \$16.35 per hour. After expenses are considered, it is not clear if all Connecticut TNC drivers are earning such a wage. While time transporting passengers is generally well compensated, drivers are not earning fares or tips during the times they are waiting for a trip offer or driving to the pickup location.

A 2022 study in Minnesota found that the median committed driver in the Twin cities earned \$50.04 per hour for passenger time, but once non-passenger time and business expenses (e.g., gas, insurance, vehicle depreciation or lease costs) were taken into account, the median hourly rate fell to \$13.63 per hour.[21]

A Potential Guide for Connecticut: the Massachusetts Settlement

In June 2024, Massachusetts Attorney General Andrea Joy Campbell announced a landmark settlement with Uber and Lyft.[22] Aside from the \$175 million settlement amount, which was largely restitution for underpaid drivers, the agreement included several key provisions:[23]

Driver Benefits:

- **Minimum Earnings:** Uber and Lyft drivers receive a guaranteed minimum earnings rate of \$32.50 per hour of engaged time (time between accepting a ride and dropping off the passenger), excluding tips. This rate increased to \$33.48 per hour on January 1, 2025, to account for inflation. The rate will continue to increase annually with inflation (up to 3% per year) or changes to the state's minimum wage.
- **Paid Sick Leave:** Drivers earn one hour of paid sick leave for every 30 hours of engaged time worked, up to 40 hours annually. The companies were required to update their apps to allow drivers to view and claim sick leave directly in the app. Drivers are entitled to use paid sick leave after recording 90 hours of engaged time on the TNC's app. Sick time is paid at \$20 per hour, which is adjusted annually like the minimum earnings rate.
- **Health Care Stipends (Portable Health Fund):** By March 1, 2025, Uber and Lyft must provide drivers averaging more than 25 hours of engaged time per week with a quarterly cash stipend equal to the average contribution required for the lowest tier qualified health plan on Massachusetts' health insurance exchange. Drivers averaging above 15 hours receive half that amount. Uber and Lyft must send information quarterly to a neutral administrator concerning hours worked by each driver, since eligibility for the health stipend depends on engaged time on both platforms combined.
- **Occupational Accident Insurance:** Both companies must provide coverage up to \$1 million for work-related injuries. The policy must cover driver medical expenses and lost income, like a workers' compensation benefit.

- **Paid Family and Medical Leave:** Drivers receive a paid stipend to buy into the state’s paid family and medical leave program. The amount is half the independent contractor rate for participation. In Massachusetts, Paid Family and Medical Leave contributions are split between employers and employees. Under the settlement, the TNCs are essentially paying the employer share.

Additional Provisions:

- **Transparency:** Uber and Lyft must display trip details, destinations, and earnings estimates before ride acceptance. After trips, drivers receive detailed pay breakdowns (including how much a rider has paid).
- **Discrimination and Retaliation Protections:** The companies are prohibited from discriminating based on protected characteristics or retaliating against drivers who file complaints or seek benefits under the settlement.
- **Support Services and Appeals Process:** Uber and Lyft must provide in-app live chat support in multiple languages, must provide drivers with an explanation if they have been deactivated, and must create an appeals process that allows drivers to challenge deactivation.

Notably, while the settlement provides substantial benefits and protections for drivers, it does not classify them as employees. This means drivers remain independent contractors under Massachusetts law. Additionally, since the driver benefits are the result of a legally binding settlement instead of legislative action, they only apply to the two TNCs involved in the lawsuit – Uber and Lyft.

Could the Massachusetts model work in Connecticut?

Connecticut is now bordered to the north (Massachusetts) and to the south (New York) by two more highly regulated markets for TNC drivers. If Connecticut requires many of the same benefits and protections for its own drivers, it would not be alone in doing so.

CT Paid Leave: One difference between Connecticut and Massachusetts relates to paid family and medical leave. In Connecticut, that employee benefit is funded entirely through employee-contributions, while in Massachusetts employers share the cost. Connecticut individual proprietors, such as TNC drivers under the independent contractor classification, can already opt to participate by making contributions based on their net income. *We recommend requiring the TNCs to notify drivers of this option during signup, so drivers are aware of their eligibility to participate in this state benefit.*

Paid Sick Leave: Connecticut’s paid sick leave laws for employees appear to be similar to the Massachusetts settlement provisions.[24] *Connecticut should make the relevant state statutes inclusive of TNCs and TNC drivers, regardless of a TNC driver’s classification as an employee or independent contractor.* To implement the Massachusetts approach, that would include specifying the specific hourly amount at which the hours of sick time would be paid for TNC drivers.

Healthcare Stipends: To implement the Massachusetts approach, Connecticut could consider requiring the TNCs to provide portable health insurance subsidies to drivers averaging at least 15 hours of engaged time per week for the given quarter (across all TNCs), or 25 hours for a larger quarterly subsidy. The subsidies would be based on the average enrollee premium cost for a bronze tier qualified health plan (QHP) on the state’s exchange, Access Health CT. Because enrollee premium costs are highly variable based on the enrollee’s age, location, income level, and the current level of federal and state subsidies, consideration should be given as to whether the subsidy amount provided to drivers should change based on any of those factors. The Massachusetts approach would also require designating a neutral third-party (e.g., a state agency) to accept quarterly data from all TNCs

on drivers' engaged time per week on each platform that would be responsible for calculating drivers' average engaged time to determine eligibility for either a full or partial subsidy.

Occupational Accident Insurance: To follow the Massachusetts approach, Connecticut could require TNCs to purchase occupational accident insurance (with minimum limit of \$1 million) to cover drivers while logged into their app and actively working. These policies assist drivers with their own medical bills and provide partial income replacement for a certain number of weeks, like workers' compensation benefits. The approach avoids some of the complexity of modifying the State's workers' compensation laws to include TNCs and TNC drivers (regardless of their classification), while still providing an essential protection to drivers.

Minimum Earnings: Massachusetts and New York (outside New York City) utilize a minimum hourly earnings amount. If a driver's earnings fall below that amount over a set time period (based on engaged time, not total time working), the TNCs must top up the driver's earnings to reach that minimum pay amount. Another possible model is Washington State, which currently has a per trip pay standard. For trips outside of Seattle, drivers earn 39 cents per minute plus \$1.34 for each mile driven during that time, or \$3.45 per trip, whichever is greater. The amounts for trips inside Seattle are considerably higher. Minnesota also recently adopted a combined per minute and per mile pay rate standard.

Connecticut could either adopt a minimum hourly earnings floor (based on engaged time), which more closely resembles a "minimum wage" for hourly employees, or a per trip minimum rate approach, that guarantees minimum earnings for each trip that reflects both the time spent and the miles of wear and tear on the driver's vehicle. The latter approach may be more favorable for drivers, since there can be a significant disconnect between the amount earned for a trip and the distance traveled, which can make some rides unprofitable for drivers after considering gas and vehicle depreciation.

Connecticut will likely require additional information from the TNCs, and possibly also from drivers on their typical expenses, in order to calculate a minimum pay standard that is effectively equivalent to the state's hourly minimum wage. *As a first step, Connecticut should require the TNCs to provide the data necessary to formulate a well-designed policy, as well as confer with TNCs and drivers about the potential impacts of various possible designs.*

Additional Provisions: Uber and Lyft drivers in Massachusetts gained various basic protections, which Connecticut could require for Connecticut drivers as well. As the largest TNCs have already operationalized these provisions in their app, they may be easier to implement than the driver benefits discussed above. *Connecticut should require:*

- **Transparency:** *Require TNCs to display trip details, destinations, and earnings estimates before ride acceptance. After trips, drivers should receive detailed pay breakdowns (including how much a rider has paid).*
- **Discrimination and Retaliation Protections:** *Prohibit the companies from discriminating against drivers in any state-protected class or retaliating against drivers who file complaints.*
- **Support Services and Appeals Process:** *Require TNCs to provide in-app live chat support in languages frequently spoken in Connecticut. Also require TNCs to provide any deactivated drivers with an explanation as to why they were deactivated and create an appeals process, so drivers have an avenue to challenge their deactivation.*
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CONCLUSION

The Comptroller's Office would like to express our appreciation and thanks to the personnel at the Connecticut Department of Labor, Connecticut Department of Revenue Services, Connecticut Office of the State Treasurer, Workers' Compensation Commission, and National Council on Compensation Insurance who helped provide guidance and responded to questions during this analysis.

Any questions in relation to the information contained in this report can be directed to my office.

NOTES

[1] Parrott and Reich (2024), Transportation Network Company Driver Earnings Analysis and Pay Standard Options, Minnesota Department of Labor and Industry, Minnesota Department of Labor and Industry

[2] For example, New York City has a per trip minimum pay standard that takes into account how much of all drivers' time is spent transporting passengers. That structure may have led the TNCs operating there to pursue widespread app lockouts for drivers. Such a move artificially increases the utilization rate that will be factored into the following year's pay standard while limiting locked out drivers' ability to generate income during their chosen working hours. Fadula, L. (2024, December 13). Uber and Lyft Found a Loophole in a Driver Pay Law. Drivers Pushed Back. The New York Times. <https://www.nytimes.com/2024/12/13/nyregion/uber-lyft-lockouts-wages-nyc.html>

[3] Certain types of employees are excluded based on exceptions in statute. For example, municipal employees are excluded from Connecticut Paid Leave unless their unionized employees collectively bargained to participate.

[4] The two assessments, for the Second Injury Fund and Workers Compensation Commission operations, are administered by the Office of the State Treasurer.

[5] Information on the number of Uber drivers in Connecticut was requested from Uber but not received.

[6] The Office of the State Comptroller (OSC) also obtained aggregate State tax filing-derived information from the Department of Revenue Services related to TNC's 1099 tax forms for their contractors in the state.

[7] A December 2016 report from the Connecticut Office of Legislative Research (OLR) indicates that there were over 9,000 people currently driving for Uber in Connecticut at that time according to Uber. However, the NES statistics for 2016 indicate there were 5,844 sole proprietors in NAICS industry 4853 in Connecticut in that year (including taxi and limo drivers), suggesting significant undercounting. OLR (2016) Issue Brief 2016-R-0293, Transportation Network Companies.

[8] In reality, the number of taxi and limousine drivers and their earnings will have changed as the transportation industry changed. However, in the absence of numbers to indicate how incumbents fared, the assumption of no change is conservative.

[9] Since such forms must be issued for contractors earning at least \$20,000 with 200 transactions, the number of such forms with earnings above \$15,000 is used to inform assumptions about the split of rideshare sole proprietors earning above \$15,000. Because Uber's tax filings are believed to include contractors for its other subsidiary businesses, such as Uber Eats, we include only 60% of its high-earning contractors as TNC drivers for this calculation.

[10] We use \$7,500, the midpoint of the \$0 to \$15,000 range, as the average gross wages for those earning less than the threshold and multiply that by the number of drivers earning below \$15,000 to get the taxable wages of that group. This follows the methodology of UC Berkley researchers [Jacob and Reiche \(2020\) in their California study](#), which cite an IRS study as the basis for assuming a linear distribution of earnings below the taxable wage threshold. We then multiply \$15,000 by the number of drivers estimated to be earning at least that amount. Finally, we add those figures together to arrive at the taxable wages for each year. Note that the 1099-K minimum requirement threshold is \$20,000, while the taxable wage threshold is \$15,000. Because of that difference, the drivers earning between \$15,000 and \$20,000 are likely to be incorrectly assigned to have average wages of \$7,500 rather than \$15,000. This means we are likely underestimating the taxable wages for each year, and therefore, the estimated potential obligations are also underestimated.

[11] The actual amount could be higher or lower, depending on the actual average gross wages per driver, the appropriate tax rate determined by the Connecticut Department of Labor, the extent of drivers not included in the Census Bureau's nonemployer statistics, and any adjustments to drivers' gross earnings that may be necessary prior to applying the threshold.

[12] The maximum taxable earnings for Social Security were \$142,800 in 2021, \$147,000 in 2022, and \$160,200 in 2023. Given the high limits compared to the typical earnings of Connecticut drivers, we assume all net earnings are subject to the 0.5% rate.

[13] We do not have information on how many drivers are voluntarily participating in the CTPL program, but the number is anticipated to be low. According to Connecticut Paid Leave Authority's 2024 annual report, only 3,184 sole proprietors across all industries statewide are registered with CT Paid Leave in 2024.

[14] We assume that the deductions from the drivers, were they considered employees on the TNC's payrolls, are the same as what they would pay as self-employed voluntary participants, since the program sets the deduction and contributions at the same 0.5% rate.

[15] A study of Minnesota drivers in 2022 (Parrott and Reich, 2024) using data provided by Uber and Lyft found that net pay ranged between 42.1% and 47.8% of gross pay depending on the area of the state a driver primarily worked. The two states have comparable costs based on federal per diem rates. A study by the Massachusetts group Drivers Demand Justice found net pay for the median Massachusetts driver to be 51.1% of gross earnings over the second half of 2022 and first half of 2023. Our choice of 42% is therefore a conservative estimate. However, platform fees were not included in the payments data for the Minnesota study.

[16] The estimated annual obligation amounts under this alternative are \$338,000 in 2021 and \$486,000 in 2022, using an assumed net profit share of 32%.

[17] If the companies opted to self-insure, they may have spent less to pay and administer claims, depending on how nearly the assigned risk market premiums match those costs.

[18] We rely on the assigned risk market rate because the average open market rate is unavailable, and the assigned risk market rate is understood to be a good proxy for the actual rate based on conversations with NCCI. To the extent the rate overstates the premium cost per \$100 of payroll, the actual cost of such workers' compensation insurance premium would be lower.

[19] Note that if these drivers had been on the payroll of the TNCs making minimum wage and working approximately the same number of hours the data suggests, the premium calculation would be based on actual payrolls. Assuming that drivers have average gross earnings of \$25 per hour worked, we calculate that scenario to increase the 4-year premium cost by 45% or more.

[20] Employers that must provide such coverage can opt to pay a penalty instead.

[21] Parrott and Reich (2024), Transportation Network Company Driver Earnings Analysis and Pay Standard Options, Minnesota Department of Labor and Industry

[22] View the terms of the settlement at <https://www.mass.gov/doc/attorney-general-and-uberlyft-settlement-agreement/>.

[23] https://www.mass.gov/info-details/uber-and-lyft-settlement-information-and-frequently-asked-questions?utm_source=chatgpt.com#what-new-benefits-will-current-drivers-receive?

[24] Note that accruing paid sick time under the settlement is based on engaged time (the time between accepting a ride and dropping off the passenger). If drivers spend any time waiting between completing a trip and accepting a new trip, that working time is not accruing paid leave. See <https://www.cga.ct.gov/2025/rpt/pdf/2025-R-0016.pdf> for information about the paid sick leave benefit in Connecticut.