

# Financial Sustainability of the Taxi Industry

*Depends on the*

## Graves Amendment



Protecting Taxi Operators



Ensuring Insurance Stability



Safeguarding Mobility Access

## **Financial Sustainability of the Taxi Industry Depends on the Graves Amendment**

The Graves Amendment is vital in protecting the fiscal health of the US taxi industry and, consequently, the mobility of many Americans. At its most basic, the Graves Amendment shields rental and leasing companies from 'vicarious liability' when they're not at fault. This shield limits lawsuits against these fleet owners in accident cases. The Graves Amendment has had far-reaching effects on the for-hire industry. Prior to enactment, taxi companies were being held financially responsible for accidents they did not cause.

Liability for crashes involving rented or leased vehicles, including taxicabs, was largely controlled by tort and vehicle statutes in each state. As a vehicle could be rented in one state and driven across state lines, exposure was driven by the location of the crash and that state's laws. Exposure to, and the size of, legal judgments were unpredictable. Consequently, insurance rates in every state had to be calculated to account for the potential of adverse litigation judgments. Premiums had little relationship to the fleet owner's safety practices and procedures. The predictability of liability exposure is central to insurance availability and market stability. The Graves Amendment greatly enhanced that predictability, enabling continued access to affordable insurance coverage for taxi providers. Without affordable insurance coverage, few taxi companies would have been able to obtain or afford it.

As Bill George, zTrip Chief Executive Officer, [wrote](#): without the protection of the Graves Amendment, "ownership itself becomes a liability trap". If this situation had continued, No insurance – no taxi operators. Many of those reliant on taxi services would have soon become unable to reach destinations.

The Graves Amendment bars two types of state-law vicarious liability claims against motor vehicle owners, including taxi operators:

- when liability is asserted solely "by reason of being the owner," and
- when the lessor/rental company committed no independent negligence or criminal wrongdoing.

Vehicle fleet owners are still liable when they

- Fail to properly maintain vehicles,
- Negligently entrust vehicles to unsafe or unqualified drivers, or
- Violate safety or regulatory requirements.

In response to the liability concerns, Congressman Sam Graves proposed this amendment to the transportation reauthorization bill known as SAFETEA-LU. The Graves Amendment was codified into federal law at 49 U.S.C. § 30106 on August 10, 2005. Sam Graves was a relatively junior member of Congress at that time, beginning his tenure only four years earlier. In 2019, he became the ranking member of the House Transportation Committee and has served as Committee Chair since 2023.

The Graves Amendment's economic impacts are large, but difficult to quantify. Without the Graves protections, a single crash could put a responsible operator out of business. Judgments in crashes involving catastrophic injury or death are often substantial. The amounts awarded are rising faster than the rate of inflation in medical and repair expenses. The relationship between the economic impacts of a crash and judgments resulting from litigation is loosening, with those judgments rising at a higher rate. The differential is coming from assessment of non-economic damages, punitive judgments to discourage future negligence, and selection of district or state court venues with a record of jury-driven high judgments.

The impact of the Graves Amendment has been to:

- Align liability with actual fault across the United States;
- Stabilize insurance markets and taxi providers' access to coverage;
- Help enable responsible transportation providers to continue operations; and
- Help communities retain access to safe, reliable transportation.

Over the past two decades, courts have upheld this statute—dismissal of owner-only claims is now routine—while allowing claims premised on the driver/lessor's own negligence. Leading decisions such as [Garcia v. Vanguard Car Rental](#) (11th Cir. 2008), reaffirmed by [Meyer v. Nwokedi](#), [Rodriguez v. Testa](#), [Vargas v. Enterprise Leasing Co.](#), and [Puerini v. LaPierre](#), upheld the law's constitutionality and established an influential framework for preemption analysis. However, attorneys who have other priorities continue to try to overturn the protections provided by the Graves Amendment. Defending this legislation entails monitoring attempts to revise this legislation, educating policymakers and regulators, and advocating that the law is consistently applied.

The United States taxi industry enables riders to reach their destinations. Riders include residents, tourists, corporate, and social service agency clients. Customers include workers, seniors, people with disabilities, and those without access to private vehicles. They often live or go to addresses with poor or no transit service. Some customers ride weekly or more frequently to reach work, grocery stores, dialysis, and more. Rides are called in or booked using an app.

Taxi operators comply with stringent local and state licensing and safety regulations. Fare schedules are usually set by localities. The industry consists of both independent and often family-owned local cab businesses as well as larger multi-city fleets. Bill George notes: "Many taxi operators are small or mid-sized businesses with thin margins. They often own or lease fleets used by multiple drivers over time." A quickly growing number of taxi providers are adopting new technologies, including ride booking apps, digital payments, on-board safety monitoring, and GPS navigation. According to [Renub Research](#), the market value of the US taxi industry is expected to grow from \$82.65 billion in 2024 to \$159.13 billion by 2033. That is an expected compound annual growth rate of 7.55%.

*The Transportation Alliance Foundation is a 501(c)(3) charitable, research, and education organization dedicated to advancing the for-hire transportation industry. Through independent research, education, and charitable initiatives, the Foundation supports operators in the taxicab, limousine, paratransit, and non-emergency medical transportation sectors while promoting safe, reliable, and accessible mobility for the communities they serve.*