

Regulatory Analysis

Notice of Intended Action to be published: Iowa Administrative Code 761—Chapter 540
“Transportation Network Companies”

Iowa Code section(s) or chapter(s) authorizing rulemaking: 321N.2

State or federal law(s) implemented by the rulemaking: Iowa Code sections 321.515 and 321.519
and chapter 321N

Public Hearing

A public hearing at which persons may present their views orally or in writing will be held as follows:

August 16, 2024
3 to 3:30 p.m.

[Microsoft Teams Link](#)
Or dial: 515.817.6093
Conference ID: 464 672 77#

Public Comment

Any interested person may submit written comments concerning this Regulatory Analysis. Written comments in response to this Regulatory Analysis must be received by the Department of Transportation no later than 4:30 p.m. on the date of the public hearing. Comments should be directed to:

Sara Siedsma
6310 SE Convenience Boulevard
Ankeny, Iowa 50021
Email: sara.siedsma@iowadot.us

Purpose and Summary

The purpose of proposed Chapter 540 is to implement Iowa Code chapter 321N by outlining the procedures for transportation network companies (TNCs) to obtain a permit to offer rideshare services in Iowa. A TNC permit allows the company to provide transportation by a TNC driver to a TNC rider through a digital network controlled by the TNC. TNCs offer Iowans the ability to receive transportation services other than by driving their own personal vehicle, taking public transportation, or using a taxicab service.

Analysis of Impact

1. Persons affected by the proposed rulemaking:

- Classes of persons that will bear the costs of the proposed rulemaking:

There are no costs or fees associated with this chapter beyond what is already required by statute. Iowa Code section 321N.2(2)“b” requires a TNC to submit a \$5,000 application fee to the Department. TNC riders pay fees to the TNC company when using its services.

- Classes of persons that will benefit from the proposed rulemaking:

Persons seeking to obtain a TNC permit will benefit from this chapter by knowing the application, issuance, renewal, and revocation process for the permits.

2. Impact of the proposed rulemaking, economic or otherwise, including the nature and amount of all the different kinds of costs that would be incurred:

- Quantitative description of impact:

There are no additional quantitative impacts that were not already anticipated as a result of the underlying statute, which requires the Department to issue TNC permits to qualified applicants.

- Qualitative description of impact:
Reorganizing, streamlining, and reducing redundancy in the proposed chapter will create a positive impact by producing a more reader-friendly version of information on which the public relies for understanding how to obtain a TNC permit.

3. Costs to the State:

- Implementation and enforcement costs borne by the agency or any other agency:
There are no additional implementation or enforcement costs in the proposed rules that were not already required as a result of the underlying statute. The statute requires the Department to issue TNC permits to qualified applicants.

- Anticipated effect on state revenues:

There are no anticipated effects on state revenues beyond the underlying statute.

4. Comparison of the costs and benefits of the proposed rulemaking to the costs and benefits of inaction:

The benefit of the proposed chapter is consistency and transparency related to the processes and requirements for obtaining a TNC permit in Iowa.

The cost of inaction is the inability of TNCs to understand quickly and efficiently what is required to obtain and maintain a TNC permit in Iowa.

There is no benefit of inaction.

5. Determination whether less costly methods or less intrusive methods exist for achieving the purpose of the proposed rulemaking:

There are no less costly or less intrusive methods to achieve the purpose of the proposed chapter, which is to quickly and efficiently provide information to qualified TNCs related to what is required to obtain and maintain a TNC permit in Iowa.

Establishing the basic application, issuance, renewal, and revocation process in the rules helps ensure the process is clear for applicants and is consistently applied.

6. Alternative methods considered by the agency:

- Description of any alternative methods that were seriously considered by the agency:
The Department did not consider alternatives for the proposed rules. The Department is required by the Iowa Code to issue a TNC permit to qualified applicants.

- Reasons why alternative methods were rejected in favor of the proposed rulemaking:

No alternatives were considered for the proposed rules.

Small Business Impact

If the rulemaking will have a substantial impact on small business, include a discussion of whether it would be feasible and practicable to do any of the following to reduce the impact of the rulemaking on small business:

- Establish less stringent compliance or reporting requirements in the rulemaking for small business.

- Establish less stringent schedules or deadlines in the rulemaking for compliance or reporting requirements for small business.

- Consolidate or simplify the rulemaking's compliance or reporting requirements for small business.

- Establish performance standards to replace design or operational standards in the rulemaking for small business.

- Exempt small business from any or all requirements of the rulemaking.

If legal and feasible, how does the rulemaking use a method discussed above to reduce the substantial impact on small business?

There is no small business impact beyond what was already anticipated under the statute.

Text of Proposed Rulemaking

ITEM 1. Rescind 761—Chapter 540 and adopt the following **new** chapter in lieu thereof:

CHAPTER 540
TRANSPORTATION NETWORK COMPANIES

761—540.1(321N) Purpose and applicability. This chapter implements the permitting and regulation requirements of Iowa Code chapter 321N and applies to transportation network companies and transportation network company drivers.

761—540.2(321N) Definitions. The definitions in Iowa Code section 321N.1 are hereby incorporated in this chapter.

761—540.3(321N) General information.

540.3(1) Information and location. Applications, forms, and information regarding transportation network company permits are available by mail from the Motor Vehicle Division, Iowa Department of Transportation, P.O. Box 9278, Des Moines, Iowa 50306-9278; in person at 6310 SE Convenience Blvd., Ankeny, Iowa; by telephone at 515.237.3156; by email at central.vehicle@iowadot.us; or on the department's website at www.iowadot.gov/mvd/paid-rideshare.

540.3(2) Complaints. Complaints against transportation network companies pertaining to the provisions of Iowa Code chapter 321N and this chapter that are within the regulation and jurisdiction of the department may be submitted in writing to the motor vehicle division via the methods listed in subrule 540.3(1).

761—540.4(321N) Application for transportation network company permit and supporting documents.

540.4(1) Application. An application for a transportation network company permit is to be made to the motor vehicle division using Form 432070 and is to contain the information required in Iowa Code section 321N.2, as well as the following:

a. If incorporated or otherwise organized, the transportation network company's state of incorporation or organization and a statement confirming the transportation network company is in good standing with the transportation network company's state of incorporation or organization.

b. A statement confirming the transportation network company's agreement to comply with all applicable requirements of Iowa Code chapter 321N and this chapter, signed by the transportation network company's authorized representative.

c. The name by which the transportation network company will do business in the state of Iowa, if different from the transportation network company's full legal name.

d. A description of the transportation network company's digital network and the means or manner by which the network may be accessed by the transportation network company's drivers and riders. This paragraph is not intended to and shall not be construed as requiring the disclosure of information proprietary to the transportation network company.

e. A description of how the transportation network company has established a means of informing persons seeking approval to serve as transportation network company drivers of the driver's notification obligations under Iowa Code section 321N.3(2).

f. A description of how the transportation network company has established a means of making the automobile insurance disclosures required by Iowa Code section 321N.5 to persons serving as transportation network company drivers.

g. A description of how the transportation network company has established a means of making the driver and vehicle disclosures required by Iowa Code section 321N.7 to transportation network company riders.

h. A description of how the transportation network company has established a means of transmitting an electronic receipt to transportation network company riders as required by Iowa Code section 321N.8.

i. Such other information as may be required by the department.

540.4(2) *Application fee.* The application fee in Iowa Code section 321N.2(2) shall be made payable to the Iowa Department of Transportation in the form and manner prescribed by the department.

540.4(3) *Supporting documents.* The proof required in Iowa Code section 321N.2(2) includes the following:

a. Proof under Iowa Code section 321N.2(2)“*a*”(4): a valid certificate of coverage from an insurer governed by Iowa Code chapter 515 or from a surplus lines insurer governed by Iowa Code chapter 515I. An acceptable certificate of coverage will demonstrate coverage in the amounts and circumstances required by Iowa Code section 321N.4 and will certify that, if insurance maintained by a transportation network company driver under Iowa Code chapter 321N lapses or does not provide coverage in the amounts or types required by Iowa Code section 321N.4(2) or 321N.4(3), the insurance certified in the certificate of coverage will provide coverage in the amounts and types required by Iowa Code section 321N.4(2) or 321N.4(3), beginning with the first dollar of the claim, and the insurer providing such coverage shall defend the claim. An acceptable certificate of coverage will also certify that the coverage therein is not dependent on the insurer of a transportation network company driver’s personal vehicle first denying a claim, and does not require the insurer of a personal automobile insurance policy to first deny a claim to trigger coverage and defense under the coverage certified.

b. Proof under Iowa Code section 321N.2(2)“*a*”(5): a written copy of the applicable policy and an explanation of the manner or means by which the policy is made known to transportation network company drivers and the manner or means by which the policy is enforced.

c. Proof under Iowa Code section 321N.2(2)“*a*”(7): a written copy of each applicable policy and an explanation of the manner or means by which the policy is made known to transportation network company drivers and the manner or means by which the policy is enforced. As used herein, “nondiscrimination policy” means a policy that prohibits discrimination against transportation network company riders on the basis of race, age, disability, religion, color, sex, or national origin. “Accessibility policy” means a policy that prohibits discrimination against and ensures equal opportunity and access to transportation network company riders who are persons with disabilities under the Americans with Disabilities Act of 1990 (ADA) as amended by the ADA Amendments Act of 2008 (P.L.110-325), codified at 42 U.S.C. 12101 et seq.

d. Proof under Iowa Code section 321N.2(2)“*a*”(8): a written copy of the applicable policy and an explanation of the manner or means by which the policy is made known to the designated records retention officer or responsible staff and the manner or means by which the policy is enforced.

e. All applicable documents identified in 761—subrule 380.7(2) and any other documentation, if required by the department, necessary to assess the operational capabilities of any driverless-capable vehicles the transportation network company intends to operate, including for the purpose of determining whether to impose operational restrictions as authorized under rule 761—400.21(321).

761—540.5(321N) Issuance of permit. Upon submission of a completed application as set forth in rule 761—540.4(321N), the department shall process the application and inform the transportation network company of the package’s status no later than 30 days after the department receives the application. Application statuses for the purpose of this rule are as follows: “in process,” “granted,” and “denied.” If the department informs a transportation network company that the application is “in process,” then the department shall also inform the transportation network company of the reason for the status.

761—540.6(321N) Amendment to transportation network company permit. If during the period the permit is valid any information required and presented in the application under subrule 540.4(1) changes, the transportation network company is to notify the motor vehicle division of the change in writing within 30 days after the change. Notification is to include the permit number and a description of the information that has changed and needs to be updated in the department's records. Submission of amended information is not a request for a new permit or for permit approval and does not extend the period the permit is valid. Upon determination that the information submitted is complete and correct, the department shall update its records and issue an amended permit, if the department determines it is necessary.

761—540.7(321N) Suspension and revocation procedures.

540.7(1) *Suspension.* If the department determines that the transportation network company has violated Iowa Code chapter 321N or this chapter, the department may issue to the transportation network company a written notice of the violation. The written notice shall specify the violation and advise the transportation network company that failure to remedy the violation and to comply with the applicable requirements within 30 days will result in suspension of the permit and the privilege to operate or conduct business as a transportation network company in the state of Iowa. If the transportation network company fails to remedy the violation within 30 days, the department shall issue to the transportation network company a written notice of suspension of the permit and the privilege to operate or conduct business as a transportation network company in the state of Iowa, which will take effect 30 days after service of the written notice of suspension. Once effective, the suspension will remain in effect until the transportation network company demonstrates to the department that the transportation network company is in compliance with the applicable requirements or the permit is revoked or expires, whichever occurs first.

540.7(2) *Revocation.* If the department determines that the transportation network company is in continued noncompliance with Iowa Code chapter 321N or this chapter, the department shall revoke the transportation network company's permit and the privilege to operate or conduct business as a transportation network company in the state of Iowa for a minimum of 90 days. Notice of revocation shall be in writing and specify the continued noncompliance. The revocation will take effect 30 days after service of the written notice of revocation and will remain effective until the following criteria are satisfied:

a. The transportation network company submits a new application, application fee, and supporting documents under rule 761—540.4(321N).

b. The department determines a new permit should be issued under this chapter.

540.7(3) *Continued noncompliance.* As used in this rule, "continued noncompliance" means a violation of Iowa Code chapter 321N or this chapter for which a notice of suspension has become effective and has remained in effect for a period of at least 180 days.

761—540.8(321N) Appeal.

540.8(1) A transportation network company whose permit has been suspended, revoked, or denied may request an informal settlement or a contested case proceeding as provided in 761—Chapter 13.

540.8(2) To be timely, the request must be submitted within 20 days of service of the notice of suspension or revocation. A request to appeal a denial may be submitted at any time.

540.8(3) The department will stay the suspension or revocation pending resolution of the informal settlement, contested case, or appeal.

761—540.9(321N) Renewal.

540.9(1) A transportation network company that holds a valid permit may renew the permit by submitting, at minimum, the following: (1) the application, (2) the application fee, (3) current proof of insurance as specified in subrule 540.4(3), and (4) any supporting documents as set forth in rule

761—540.4(321N) that have changed since the documents were last approved by the department. Any required documentation that has not changed, other than current proof of insurance, does not need to be resubmitted for a permit renewal. The application for renewal must be submitted no more than 60 days before the expiration date of the existing permit and no fewer than 30 days before the expiration date of the existing permit.

540.9(2) Pursuant to Iowa Code section 17A.18(2), when a transportation network company has made a timely and sufficient application for the renewal of a valid permit, the existing permit does not expire until the application has been finally determined by the department and, in case the application is denied or the terms of the new permit are limited, until the last day for seeking judicial review of the department's order or a later date fixed by order of the department or the reviewing court.

540.9(3) If the application for renewal is submitted fewer than 30 days before the expiration date of the existing permit, then the application will be considered a new application and Iowa Code section 17A.18(2) shall not apply. If a transportation network company does not file a renewal application pursuant to this rule, then the original application will expire on the expiration date set forth on the original permit.

540.9(4) If a transportation network company initiates an appeal, informal settlement, or contested case proceeding pursuant to rule 761—540.8(321N) and the original application expires pursuant to the expiration date of the application, then the transportation network company is required to submit a renewal application pursuant to subrule 540.9(1) if the transportation network company intends to hold a valid permit under this chapter once the appeal, informal settlement, or contested case proceeding has been finally determined.

761—540.10(321N) Record review.

540.10(1) When the department examines the records of a transportation network company as authorized under Iowa Code section 321N.2(5), the department may request the transportation network company to provide a list of all prearranged rides for a seven-day period or all transportation network company drivers in Iowa for a specific date. The transportation network company shall provide the required information to the department within 30 days of the request.

540.10(2) For the records provided under subrule 540.10(1), the department may identify a random sample of rides or drivers, or rides and drivers, for review for the specified period. The transportation network company must provide additional information for each driver and each rider for each ride as requested by the department. The department may also require:

- a.* A copy of the driver's license for the transportation network company driver.
- b.* A copy of the driver's state-issued vehicle registration, including year, make, model, VIN and license plate number.
- c.* A copy of proof of the driver's financial liability coverage, including the driver's insurance company name, address, and policy number. In addition, a copy of proof of financial liability coverage maintained to comply with Iowa Code sections 321N.4(2) and 321N.4(3) that includes coverages and limits may be satisfied by any of the following:
 - (1) Insurance maintained by the transportation network company driver.
 - (2) Insurance maintained by the transportation network company.
 - (3) A combination of subparagraphs 540.10(2) "c"(1) and (2).
- d.* A copy of or a verification that all necessary disclosures were supplied to the driver by the transportation network company, including the lienholder, vehicle owner, insurance and motor vehicle equipment requirements.
- e.* A copy of all complaints received by the transportation network company from any rider who received a ride from the driver. This includes but is not limited to complaints related to drug or alcohol use, vehicle safety, motor vehicle equipment safety, driver behavior, driver ability or operation of the vehicle.
- f.* A summary or other documentation that shows how the transportation network company resolved any complaint from a rider.

g. Documentation or verification of the background and sex offender registry check on the driver.

h. The electronic ride receipt provided to each rider.

540.10(3) Notwithstanding any provision of subrule 540.10(1) to the contrary, the department and the transportation network company may agree to an alternative process or format for the transportation network company to provide the requested records if the records otherwise include the information required in subrule 540.10(2).

540.10(4) Records submitted by the transportation network company to the department pursuant to this rule shall maintain the same status, including confidentiality and disclosure requirements as provided in Iowa Code section 321N.2(5).

These rules are intended to implement Iowa Code sections 321.515 and 321.519 and chapter 321N.