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Trump's Big Beautiful Bill:

Economic Impacts for Drivers, Mobility Companies & Sustainable/EV Policy

Signed into law on July 4th, President Trump's newest tax and infrastructure package, the "One Big Beautiful Bill Act," introduces sweeping changes with wide-reaching implications for the transportation sector. Among the most significant for drivers and operators in the taxi, for-hire vehicle (FHV), and bus space are two headline-grabbing measures: a new tax deduction for tips and overtime, and the termination of the federal electric vehicle (EV) tax credit for clean commercial vehicles.[1]

A Win for Drivers: Deductions for Tips and Overtime

[1] https://www.congress.gov/bill/119th-congress/house-bill/1/text

For drivers, the bill offers targeted tax relief in the form of new above-the-line deductions. Workers can now deduct up to $25,000 in tip income and up to $12,500 in overtime pay ($25,000 for joint filers) from their federal taxable income. These deductions are phased out for individuals earning over $150,000 annually (or $300,000 for joint filers), but for the vast majority of working drivers, the benefit could be substantial.

It is important to note that this federal deduction does not reduce Social Security or Medicare payroll taxes, and treatment may vary for state and local taxes. The provision is temporary and will apply only to income earned between 2025 and 2028, unless Congress takes further action to extend it.

However, the benefit is not universal. The bill stipulates that tip income must come from an occupation that "customarily and regularly" receives tips. Within 90 days of enactment, the Secretary of the Treasury is required to issue a list of qualifying occupations. How inclusive that list turns out to be will determine whether taxi and FHV drivers, delivery workers, and gig economy participants are eligible or left out.

In New York City, where most taxi and FHV drivers earn tips, the impact could be significant. According to the NYC Taxi & Limousine Commission (TLC) Factbook, in 2024, yellow taxi drivers earned an average annual base pay of $68,748 with an additional $11,480 in tips, meaning roughly 14.3% of their income came from gratuities at a rate of about 17%. High-volume FHV drivers had an average annual base pay of $71,638 plus $4,082 in tips.[2]

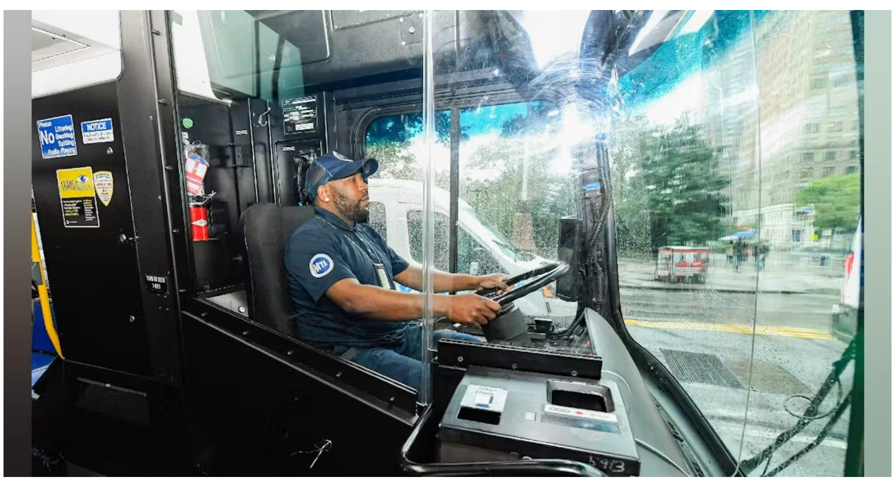
Nationally, the U.S. Bureau of Labor Statistics (BLS) reports that taxi and limousine drivers earned an average annual wage of $39,500 in 2024. BLS wage estimates do include tips, so assuming a similar tip rate to that of NYC taxis, this equates to an estimated $5,648.50 in annual

[2] https://www.nyc.gov/site/tlc/about/data-and-research.page

tips – an amount that could now be deductible under the new tax provisions. Shuttle drivers and chauffeurs earned an average of $39,070 in 2024, while bus drivers earned an annual average of $58,390.[3]

Unlike taxi and FHV drivers, most bus drivers are not in a position to receive tips. Transit bus drivers are typically public employees or work for companies under government contract, and are prohibited from accepting gratuities. Even intercity bus drivers, who technically can accept tips, rarely see them in practice. The main exception is in the charter and tour segment, where tipping is more common. For companies that operate both tour buses and scheduled intercity routes, the new tip deduction could even create friction because drivers who receive tips on tours may now enjoy a tax break that their line-run colleagues do not. That could raise new questions about fairness in compensation within the same organization. Under the shuttle and chauffeur category, shuttle drivers serving connections between hotels and convention centers are likely to receive fewer tips than chauffeur drivers.

The overtime deduction applies specifically to the overtime premium required under the Fair Labor Standards Act (FLSA) – the amount paid above an employee's standard hourly wage for hours worked beyond 40 per week. The deduction is poised to become one of the most impactful and widely used components of the new law, especially for drivers who regularly log long hours.



For transit bus drivers, the new overtime deduction could be a big deal – many already earn significant overtime just running their normal schedules. Drivers often earn premium pay under union contracts not just for working more than 40 hours a week, but also for things like working multiple pieces of work over a long period of time in one day (typically 11 hours) – a "spread." But the fine print matters. Only the work paid at time-and-one half for actual work in excess of 40 hours is the premium pay deductible. Work paid at time-and-one-half for that work that exceeds

[3] https://data.bls.gov/oesprofile/

the contract-specified spread will not generate any deduction for the premium paid. In short: it is not just whether a driver gets overtime pay, but why they get it. Transit employers will need to track these differences carefully, and unions may want to revisit contract terms to make sure all drivers have a fair shot at qualifying for the new benefit.

This shift in tax treatment could also have ripple effects on how companies structure their workforce, particularly in the luxury transportation sector. Limousine companies, traditionally wary of full-time employment models due to the costs of fringe benefits, may see an incentive in offering drivers more hours or salaried positions that trigger deductible overtime. By making overtime pay more tax-efficient for employees, companies could reduce reliance on part-time or contract labor while trimming their own benefit obligations, particularly in markets where high-end service and availability are critical. It remains to be seen whether this creates a broader shift away from the independent contractor model, but it introduces a compelling calculation for operators navigating cost and labor pressures.

The Clock Is Ticking: Clean Vehicle Tax Credit to Expire

Image: Grist

On the other side of the ledger, the bill marks the end of one of the most important clean energy incentives available to fleet operators and owner-operators: the federal EV tax credit. As of October 1, 2025, the $7,500 Clean Vehicle Credit for new electric vehicles will no longer be available. The $4,000 credit for used EVs, as well as the Commercial Clean Vehicle Credit will also be eliminated.

For cities like New York, where the NYC Taxi & Limousine Commission (TLC) has promoted electric vehicles for taxis and for-hire vehicles as part of its sustainability goals, this change presents a serious challenge.[4] The federal incentives helped defray the high upfront cost of EVs, allowing more drivers and small fleet owners to participate in the transition to zero-emission vehicles. Without these incentives, the economics of switching to EVs become less appealing, particularly for independent drivers and small operators.

The EV tax credit phase-out may also complicate city and state-level electrification plans. In New York, California, and other states with aggressive vehicle electrification targets, the loss of federal support will shift more of the burden onto local incentive programs, many of which are already oversubscribed or facing budget constraints. As I had continuously predicted after the 2024 Presidential election, as the federal government and Congress move further towards reducing funding, grants and other clean air tax or other incentives, certain "Blue" or Democratic controlled states and cities are likely to provide more state and local funding and programs to fill the sustainability gap and keep their EV infrastructure planning and deployment efforts moving forward.

For example, In California, Governor Newsom and legislators began preparing in November 2024 to relaunch a state-level ZEV rebate funded through cap-and-trade revenues to fill the void after the federal credit ends[5], while also exploring CEQA streamlining proposals to fast-track EV infrastructure and ensure continued momentum.[6] In New Jersey, the "Charge Up New Jersey" program was opened on July 1st of this year, just days before the federal budget bill was signed by President Trump, offering a $1,500 rebate for new EV purchases, with a $4,000 incentive for low-income households, alongside ongoing $250 home charger rebates and dedicated funding through 2026 for multifamily, fleet, tourism, and commercial charging infrastructure.[7]

Meanwhile, in April, New York Governor Hochul announced an additional $30 million for the Drive Clean Rebate, providing up to $2,000 at point of sale for more than 60 new EV models across all 62 counties. The update to Charge Ready NY 2.0 now offers between $3,000–$4,000 per Level 2 charging port, with higher amounts in disadvantaged communities, and dedicates $3 million for ride-and-drive events, free charging, and community outreach.[8]

A Mixed Message to Mobility Workers & Companies?

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[4] https://www.nyc.gov/assets/tlc/downloads/pdf/Taxi_EV_Adopted_Rule_01_25_23.pdf, https://www.nyc.gov/site/tlc/about/green-rides.page

[5] https://www.businessinsider.com/california-proposes-ev-buyer-credit-excludes-elon-musk-tesla-2024-11

[6] https://www.politico.com/news/2025/07/09/california-has-an-idea-to-counter-trumps-megabill-roll-back-environmental-laws-00446120

[7] https://chargeup.njcleanenergy.com/

[8] https://www.governor.ny.gov/news/governor-hochul-announces-additional-30-million-now-available-lease-or-purchase-electric

The combination of relief for tipped and overtime workers, along with the rollback of EV credits, sends a mixed message. On one hand, the federal government is providing support to working drivers whose incomes often depend on long hours and fluctuating demand. On the other hand, the new legislation is cutting off access to tools that help those same workers transition to cleaner, more sustainable vehicles. Whether this trade-off reflects a larger realignment in federal transportation priorities remains to be seen. For now, drivers should take note of both the opportunities and the deadlines. The tip and overtime deductions can reduce tax burdens in the short term. Those considering an electric vehicle purchase or fleet upgrade would be wise to act before the clock runs out on federal support.

For mobility companies evaluating their tipping, compensation and worker classification arrangements in light of this new federal legislation, there could be both positive ramifications and some new risks associated with making changes to policies and business models. While converting independent contractors, for example, to employees to benefit from the new tax benefits, labor classification risks may decrease, but employer costs might increase. This is a complex legal and operational policy analysis, which involves cost/benefit assessments to ascertain whether any changes would benefit mobility companies. It is very important to seek legal counsel prior to making changes and/or informing employees and/or independent contractor partners/drivers. If you have any questions, reach out and contact our firm anytime, at mdaus@windelsmarx.com or 212-237-1106.