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How Should We Tax the Sharing Economy?

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Walking out of the airport lobby and getting into an Uber car booked through an app on a smartphone, hiring a handyman through the TaskRabbit website to repair a leaking kitchen sink, searching vacation rental accommodations on Airbnb—none of these functions was possible a decade ago. Yet today, with the development and growth of the sharing economy—which includes a number of mostly online enterprises that match service providers with clients—these are common transactions. This report reviews key federal tax considerations for companies and workers as the sharing economy becomes more prevalent.

WHAT IS THE SHARING ECONOMY?

Although many associate Uber, Airbnb, and TaskRabbit with the sharing economy, there is no clear boundary as to what the sharing economy encompasses due to the novelty of the concept and its constantly evolving applications.

Many companies in the sharing economy maintain the common feature of using an app- or web-based software platform to match supply with demand; however, this feature alone does not serve as a good identifier. For example, traditional companies may adopt web-based applications to interact with customers or have a strong online presence, but these companies are typically not part of the sharing economy. As such, having an innovative business model is a better indicator than industry classification. Pricing mechanism is also not a distinguishing feature; in the case of TaskRabbit, "taskers" who perform work set their own hourly rates, whereas Uber sets prices centrally. Whether a service provider has an occupational license in the industry he works in is also not a deciding factor, since not all industries have such licensing requirements.

To add to the complexity in defining this emerging sector, many research studies use the term "sharing economy" interchangeably with gig economy, peer economy, collaborative economy, on-demand economy, matching economy, access economy, or platform economy.[1] A few common definitions are summarized below. All definitions include the typical ride-hailing and home-sharing websites like Uber and Airbnb, but they differ in whether they include two other types of business models: peer-to-peer sales and platform ownership of assets. Peer-to-peer sales websites, such as eBay and Etsy, focus on the sale of tangible goods instead of on services. Some platform companies own the assets used in transactions with customers and simply rent them out through an app or website. For example, Zipcar owns its fleet of cars, and customers can rent these vehicles online. This is different from Uber, which does not own the cars that drivers use to transport customers.

There is no clear boundary as to what the sharing economy encompasses. All definitions include the typical ride-hailing and home-sharing websites like Uber and Airbnb, but differ in whether they include two other types of business models: peer-to-peer sales (Etsy) and platform ownership of assets (Zipcar).

Both Peer-to-Peer Sales and Platform Ownership of Assets

The broadest definition for the sharing economy includes all four business models—that is, peer-to-peer sales websites, entities in which the platforms

There are many more users/consumers than workers/suppliers in the sharing economy. Most participants rely on the gig work as secondary sources of income that supplement their primary income; many of them work part time.

own the underlying "shared" assets, and ride- and home-sharing websites. In other words, this definition does not exclude business models based on the ownership of assets or whether the underlying platform provides services or sells goods.

Studies that adopt this definition include one by Pew Research Center, which includes peer-to-peer sales sites such as eBay, Etsy, and Craigslist, as well as companies that own the assets and simply rent them out to customers, such as Zipcar and Rent the Runway.[2] It also includes crowdfunding websites such as GoFundMe and Kickstarter in its definition. A PricewaterhouseCoopers (PwC) study further includes an "entertainment, media, and communications" sector that consists of music and video streaming services such as Spotify and Amazon Family Library in its definition.[3] Another survey-based academic study emphasizes the collective consumption nature of the sharing economy and includes online communities that enable peer-to-peer purchases, donations, or shared access to goods and services. Websites that allow people to rent, buy, swap, or even donate items are all included.[4]

Either Peer-to-Peer Sales or Platform Ownership of Assets

Some research has focused on platforms that function as online intermediaries to match supply and demand and generally includes enterprises that provide services and sell goods but typically do not own the shared assets. New York University business professor Arun Sundararajan summarized the three major elements of a peer-to-peer business in testimony before the U.S. House Small Business Committee: *platforms* (marketplaces that facilitate exchanges between peers), *entrepreneurs* (suppliers in the marketplaces), and *consumers* (individuals who demand goods or services).[5] With these features, the four major types of sharing economies[6] are rental services (e.g., Airbnb), professional service providers (e.g., Uber), general purpose freelancers (e.g., TaskRabbit), and peer-to-peer sales (e.g., eBay or Etsy). Similarly, the features of "online platform companies" included in a JPMorgan Chase & Co. Institute (JPMorgan) study uses these descriptions but also classifies the companies as labor platforms (e.g., TaskRabbits and Uber) and capital platforms (e.g., eBay and Airbnb).[7] This definition is consistent with that used in a 2017 proposed U.S. Senate bill on worker classifications, which states that the characteristics of a "marketplace platform" include operating a website or mobile application that facilitates the provision of goods and services and features mechanisms for settling transactions.[8]

A study by the Aspen Institute includes ride sharing, accommodation sharing, task services, short-term car rentals, and food/goods delivery services in its definition of the sharing economy. In addition to Uber, Airbnb, and TaskRabbit, the study includes companies like Postmates, Zipcar, and Care.com. This definition emphasizes only service-based platforms but does not include peer-to-peer sales companies. It also does not exclude platforms that own the underlying assets.[9]

Neither Peer-to-Peer Sales or Platform Ownership of Assets

Several government reports have also studied the sharing economy. A Congressional Research Services (CRS) study defines the sharing economy as the collection of markets that match providers to consumers on a per-job basis in support of on-demand commerce. This type of service is labeled "on-demand" because it uses technology to respond to customers' immediate or specific needs.[10] Because the study emphasizes the labor market impacts for workers, only service-based platforms such as Uber, Lyft, TaskRabbit, Handy, Instacart, Postmates, Heal, and Pager are included.

A study by the U.S. Department of Commerce defines "sharing economy" companies as "digital matching" entities that provide online marketplaces that enable the matching of service providers with customers. This includes companies that use IT systems to facilitate peer-to-peer transactions, rely on user-based rating systems for quality control and to ensure trust between providers and consumers, and offer workers flexibility in deciding their work hours; workers, in turn, typically use their own assets or tools to provide these services.[11] According to this definition, eBay, Amazon, Zipcar, and Craigslist are excluded, whereas ride-sharing, home-sharing, and task services are included, as are financial services firms such as Lending Club and Funding Circle.

SIZE AND FEATURES OF THE U.S. SHARING ECONOMY

The lack of a consistent definition for the sharing economy—as well as a lack of comprehensive, high-quality data on this industry—leads to different estimates regarding its size. Despite these challenges, notable private sector studies generally have found that the sharing economy has the following features: first, there are many more users/consumers than workers/suppliers. Second, most participants rely on the gig work as secondary sources of income that supplement their primary income; many of them also work part-time. Third, millennials constitute the largest age group that participates in the sharing economy, followed by baby boomers. Finally, although the sharing economy is a small portion of the overall economy, it has experienced and will continue to experience unprecedented growth.

When it comes to the actual employment and size of the sharing economy, however, government data, academic research, and private sector analyses point to slightly different figures.

The Bureau of Labor Statistics (BLS) collects information on contingent workers, defined as workers who do not expect their jobs to last for longer than one year, and alternative employment arrangements, which include independent contractors, on-call workers, temporary agency workers, and workers employed by contract firms. In 2017, contingent workers made up 3.8% of the U.S. labor force, and 10.1% of workers participated in alternative employment arrangements, of which 6.9% were independent contractors.[12] Although the questions in the BLS survey did not directly target gig workers, these workers were most likely included as part of the independent contractor statistics. Some observers therefore compared the 2005 and 2017 results, the most recent two waves available, and concluded that the sharing economy is still quite small; in 2005, contingent workers accounted for 4.1% of the U.S. labor force, 7.4% of which were independent contractors. On the other hand, critics argued that the survey is not a good measure of the sharing economy because it only asked about the workers' main jobs, which excluded workers who drive Uber as a secondary income source, for instance.[13]

The BLS results are consistent with the findings of several other studies, which generally indicate that less than 1% of the working population consistently uses online platforms to arrange work.[14] A JPMorgan study shows that 0.4%–0.6% of the working-age population earned gig income in a given month, whereas a McKinsey Global Institute study estimates that less than 1% of the U.S. working-age population were contingent workers who secured gigs or customers through digital marketplaces.[15] A 2014 MBO Partners study estimates that 2.7 million Americans, or approximately 1% of the total working population, provided services through on-demand economy platforms.[16] The results of various academic studies have also consistently concluded that this segment of the workforce remains quite small, with gig workers accounting for 0.4%–0.5% of the total workforce.[17,18]

A few private sector surveys have generated larger estimates of the total employment and size of the sharing economy. PwC's survey indicates that about 20% of the U.S. population had engaged in a sharing economy transaction in December 2014, of which 7% were service providers earning gig income. This study also estimates that five major sectors (travel, car sharing, finance, staffing, and music and video streaming) generated $14 billion in 2014 and that revenue would grow to $335 billion by 2025. A 2015 Piper Jaffray Investment Research study[19] estimates that by 2025, home sharing-based rentals

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could represent as much as 10% of accommodations bookings, generating $107 billion, while Uber and other ride-sharing companies would account for over 5% of the global taxi market of $90 billion.

PROS AND CONS OF THE SHARING ECONOMY

Despite the disparity in size and workforce participation estimates for the sharing economy, there are undeniable benefits and challenges created by this new business model.

Benefits

The term "gig economy" stemmed from the notion that each work assignment is akin to an individual "gig."[20] Thus, the nature of the work implies that gig workers expect to maintain a brief relationship with their clients. From a worker or supplier perspective, the most touted feature of the gig economy is the flexibility and ease of getting gigs. Unlike traditional entrepreneurs, gig workers do not have to establish their own storefronts, incur sales and marketing expenses, or build up their own client base. This means the cost barrier of entering a certain line of work is much lower because the platform companies, as online intermediaries, have made self-employment more attractive and simple. A prominent example is driving for Uber versus driving a taxi: in order to become a taxi driver in New York City (NYC), a potential driver needs to purchase a NYC taxi medallion, which costs between $100,000 and $200,000,[21] and comply with numerous document requirements.[22] The to-do list to drive for Uber, however, is much shorter, primarily requiring drivers to have access to a four-door vehicle and submit a valid driver's license and proof of insurance.[23]

In addition to satisfying the potentially unmet demand for flexible work schedules and using a crowd-based rating mechanism to enhance trust between parties, platform companies provide workers with opportunities to bridge employment—i.e., working between two career jobs or between full-time work and retirement. This allows workers' participation in gig markets to be more transitory, and lets them use spare time productively.[24] For asset suppliers such as Airbnb hosts, leveraging underutilized assets can generate great economic benefits, including stimulating new consumption.

From a consumer perspective, the emergence of the sharing economy reduces the prices of certain services and improves customer experiences.[25] A study points out that globally, Airbnb offers rates that are 30%-60% lower than those of traditional hotels.[26] Another research study finds that Airbnb's entry into Texas has induced a flexible supply of accommodations that benefits all consumers, including participants and non-participants of the sharing economy.[27] However, the other side of the coin is that the popularity of Airbnb has a negative effect on hotel revenue: each 10% increase in the number of Airbnb listings in Texas corresponds to a 0.39% decrease in monthly hotel revenues across the state, which in turn negatively impacts governments' collection of hotel occupancy taxes.[28] In the study's most noticeable results, the rapid growth of Airbnb listings in Austin caused an 8%-10% decline in revenue among lower-end hotels and hotels that do not cater to business travelers.

Another research study compared the efficiency of ride-sharing services (e.g., Uber) versus traditional taxis by analyzing the fraction of time and the total number of miles driven in which a driver has a fare-paying passenger in the car.[29] It concludes that Uber drivers spend significantly more time and drive substantially more miles with a passenger in their cars than taxi drivers.

From a government perspective, it has historically been difficult for tax authorities to monitor informal transactions—especially those conducted in cash. Online platforms that enable these transactions keep digital records, which means that tax authorities can potentially access previously unreported tax bases. Thus, the benefit of making the informal economy formal is a potential increase in tax revenue.[30]

Sharing economy workers experience higher income instability compared to traditional employees. Their work is mostly tied to a certain platform.

Challenges

Although the worker or supplier enjoys a more flexible work schedule and gets to leverage the existing customer base of online platforms, the disadvantage is that one's work is tied to a certain platform. Most gig companies discourage workers from operating outside of the platform (e.g., renting an Airbnb room off platform to avoid the commission). In addition, several studies have shown that gig workers experience higher income instability compared to traditional employees. Gig workers are also mostly responsible for their own training, professional development, capital investments, and maintenance.

Furthermore, disruptive new technologies always create winners and losers in the marketplace. In addition to hotel operators whose profits declined with the expansion of Airbnb, NYC taxi drivers witnessed customers deflect to Uber in pursuit of lower fares, and the value of their yellow cab medallions plummeted from $1 million to less than $200,000 within a few years.[31] The proliferation of Uber drivers also enhances downward pressure on wages through oversupply, which, ironically, could lead to employment insecurity.

In August, the New York City Council voted to freeze issuances of new ride-hauling vehicle licenses for one year to conduct a study on the industry's impact on the city.[32] Most people believe that fierce protest by taxi drivers against Uber and Lyft drove this decision; however, it is true that the number of licensed Uber and Lyft vehicles in NYC almost tripled from 25,000 to over 80,000 between 2015 and 2018, imposing a heavy burden on the already congested city streets.

The sharing economy also creates new types of socioeconomic divides. New technology may impose a disproportionate burden on small businesses and lower-income households with limited access to or knowledge of these new digital tools.[33] This "digital exclusion" may exacerbate income inequality. In addition, the sharing economy is an urban phenomenon and requires sufficient population density to work.[34] Before the new technologies spread to rural areas, the urban-rural divide could become deeper.

Although the sharing economy could potentially lead to higher tax revenues for governments, it also reinforces the well-known challenges of taxing large numbers of small taxpayers. Taxes under this model are more difficult to collect, more distortionary (because compliance costs consume a larger portion of revenue earned), and generate only modest revenue gains from small businesses.[35] Some analysts also caution that while digitalization makes transactions more traceable, if tax compliance does not improve as overall economic activities grow due to the sharing economy, the portion of the informal economy in relation to the total economy will increase.[36]

LEGAL CHALLENGES AND OTHER REGULATORY ISSUES

The sharing economy also creates thorny legal issues and emerging regulatory challenges for the public sector. A major legal challenge many of the labor platforms face—most notably Uber, which is the subject of several pending legal cases—is whether the workers are employees or independent contractors.[37]

Most, although not all, platform companies view providers as independent contractors instead of as employees. This classification has important employment and labor law ramifications. Employees are more likely to be eligible for minimum wage, overtime pay, benefits, sick pay, unemployment compensation, health insurance, and retirement benefits protections, which are not available to non-employees. If a worker is an independent contractor, the platform company is not required to withhold income taxes, or to collect or pay taxes in accordance with the Federal Insurance Contributions Act (FICA, which finances Social Security and Medicare) and the Federal Unemployment Tax Act (FUTA, which finances unemployment insurance).

The classification of workers for tax purposes will likely be determined by the outcomes of several pending court rulings.

A major legal challenge many of the labor platforms face—most notably Uber—is whether the workers are employees or independent contractors. Airbnb has faced major controversies regarding illegal rentals, hotel occupancy taxes, and health and safety issues.

Form 1099-K requires banks, credit card companies, and "third-party settlement organizations" to report payments to each payee on Form 1099-K if the payment exceeds $20,000 and the aggregate number of transactions exceeds 200, yet these thresholds are different from Form 1099-MISC requirements.

However, if the courts rule that Uber drivers should be classified as employees, Uber (and other platform companies) would need to pay its workers benefits and would also incur administrative expenses to comply with tax withholding, payment, and collection requirements. Several platform companies remarked that hiring workers as employees instead of as independent contractors will cost 20%-30% more, which is a key issue in these heated court battles.[38] A few gig companies hire their workforce as employees, citing the legal risks and the risk of being challenged by the IRS.[39]

Globally, the U.S. is not the only country facing worker classification issues. In the midst of local court cases and lawsuits, studies in Canada and the U.K. have provided a new perspective, advocating for the application of a different employment category. The "dependent contractors"[40] category has been recognized by Canadian common law as an intermediate status between the employee and independent contractor roles since the 1930s, although provincial and national labor standards laws generally do not provide a definition of the term.[41]

A U.K. government report calls for the formal establishment of "dependent contractors": they are not employees of a company but remain economically dependent on the given company through some kind of contractual relationship.[42] The U.K. study did not provide a clear definition for this designation, but its intent was to provide gig workers with better benefits and a decent wage by creating a clear distinction between the dependent contractor role and the self-employed status.

Though it does not have to contend with labor questions, Airbnb has faced major controversies regarding illegal rentals, hotel occupancy taxes, and health and safety issues.

The Airbnb platform allows hosts to rent out their properties to potential renters for a short period of time. Since its inception, the legality of such arrangements has been challenged in several major cities. Most notably, New York state law makes it illegal to rent an apartment for less than 30 days unless the host is present at the same time.[43] In October 2016, the state passed a law that would impose heavy fines on hosts that violate local housing regulations, to which Airbnb immediately filed a lawsuit. After intense debate, the company dropped the suit under the condition that the city will only impose fines on the hosts instead of the company.[44]

Some cities have begun to address the rental issues and reached compromises with the home-sharing industry. For example, San Francisco recently granted legal status to short-term rentals as long as hosts registered with the city, paid the city's hotel taxes, and obtained rental insurance. The city also stipulated that a unit cannot be rented for more than 90 days annually. In 2014, Portland added a new category of housing in its regulatory framework that governs Airbnb rentals; it capped the number of days units may be rented and mandated that hosts register their properties and obtain permits. However, a recent audit report issued by the city shows that more than 80% of the listings do not follow these requirements.[45]

Some observers also claim that Airbnb and similar home-sharing companies have negative impacts on the supply of long-term housing. Because more people are buying up properties to offer them as short-term rentals, the inventory for long-term accommodations decreases, and low-income residents face greater difficulties in obtaining affordable housing. There is also a proliferation of professional management companies that help property owners convert their properties to Airbnb-friendly units and rent them out.[46] In addition, to the extent that Airbnb and hotels are substitutes, because Airbnb units are not cleaned daily, the hosts may not utilize cleaning services as frequently as hotels or opt to clean the units themselves. This might lead to reduced employment for labor-intensive hospitality jobs such as cleaning and housekeeping.[47]

Another concern involves consumer health and safety issues. Some claim that the agility and profitability of short-term rental platform companies partly stems from the fact that they are not subject to many regulatory requirements. For example, hotels must comply with federal, state, and local environmental regulations such as the Americans with Disabilities Act, the Clean Air Act, the Clean Water Act, the Resources Conservation and Recovery Act, and the Toxic Substances Control Act, whereas Airbnb hosts are not subject to these regulations and associated costs.[48]

CAN YOU GIG 'EM?

Although most people are more likely to participate in the gig economy as consumers than as providers, the gig economy is increasingly touching a larger segment of workers. Below are a few major tax issues gig workers face.

Filing Requirements

Although the profiles of gig workers are somewhat different than those of traditional independent contractors, as long as an individual earns income from activities (including gig work) outside of the traditional employer-employee relationship, he is treated as a self-employed person or as a small business owner for tax purposes.

Estimated Payments and Self-Employment Tax

Because gig workers are not subject to withholding taxes, they must budget for self-employment and income taxes themselves and pay quarterly estimated taxes to avoid penalties, in addition to preparing their annual filings to reconcile their tax liability. In terms of self-employment taxes, because there is no "employer" with whom to split the taxes, gig workers are responsible for the full 15.3% self-employment tax on their earnings (12.4% for Social Security and 2.9% for Medicare).[49]

Business Expenses and Deductions

On the expenses side, gig workers must keep receipts and records of business expenses to calculate their taxable income.[50] This means Uber drivers need to track miles driven, parking expenses, payments for car washes, tolls, fees (including fees and commissions collected by Uber), and gas purchases. Airbnb hosts generally can rent their units for up to 14 days tax-free. However, if a host rents rooms for more than two weeks, she will need to keep track of deductible expenses such as advertising, cleaning, maintenance and repairs, property taxes, insurance, and service fees charged by the platform.

A deduction often neglected by young gig workers is their contributions to retirement savings vehicles such as IRAs, SEP-IRAs, or SIMPLE-IRAs, which further reduce their taxable income.[51] A taxpayer may even decide the non-deductible Roth IRA is a beneficial investment because his tax rate is low. Finally, based on newly issued IRS guidelines, gig workers are likely eligible for the qualified business income (QBI) deduction created under the 2017 tax act.[52] The technical guidance of applying the deduction, however, is complicated.

The $19,399 Discrepancy[53]

The tax code specifies that if an entity pays an independent contractor more than $600, the payer must issue Form 1099-MISC to both the IRS and the contractor.[54] However, a separate Form 1099-K was introduced in 2011 as part of the Housing and Economic Recovery Act, which requires banks, credit card companies, and "third-party settlement organizations" to report payments to each payee on Form 1099-K if the payment exceeds $20,000 and the aggregate number of transactions exceeds 200. Besides the obvious reporting threshold discrepancies for similar services provided, the regulations state that the rules that govern Form 1099-K dominate when both apply.[55] The issue is platform companies like TaskRabbit would qualify as third-party settlement organizations because they process customers' credit card payments and make payments to taskers through a central account. Thus, a tasker may receive a Form 1099-K only if he earns over $20,000 by providing over 200 distinct services.[56]

In practice, companies are taking varied approaches to compliance. According to the platform companies' websites, Airbnb

The tax system is complicated, with rules that are overly burdensome for gig workers who generally earn a small amount of revenue from such work to supplement their income. Tax compliance in the sharing economy is lagging.

Although there is debate about the size of the gig economy and whether it is the future trend of employment, it is increasingly likely that one may experience a mix of traditional and independent work over the course of his/her career.

and Etsy issue Form 1099-K, applying the $20,000/200 transaction threshold like TaskRabbit.[57] Lyft takes a more conservative approach, reporting driving-related income on Form 1099-K and non-driving-related income (e.g., referral bonuses and other incentives) on Form 1099-MISC, using a $600 threshold for both.[58] Uber issues Form 1099-K for payments to drivers of more than $20,000 and over 200 trips or deliveries, and Form 1099-MISC for referrals and promotions of more than $600.[59]

Overall, practitioners agree that the tax system is complicated, with rules that are overly burdensome for gig workers who generally earn a small amount of revenue from such work to supplement their income. A recent survey of tax professionals reveals that the top reason the IRS issues a document mismatch inquiry (Form CP 2000) is a taxpayer's failure to report income earned as an independent contractor, particularly gig workers.[60] A study investigated Uber and Lyft drivers' interactions on internet discussion forums and found that drivers' understanding of the filing requirements and income inclusions was generally not clear, and their knowledge about deductions and expenses was even worse.[61] Besides the inefficiency created as individuals spend hours researching the complicated tax rules, the long-term consequences of overly complicated tax requirements would be lower tax compliance, thus lower tax revenue for governments.[62]

TAX POLICIES IN THE SHARING ECONOMY

Policymakers have already taken steps to study and manage the sharing economy. A hearing held in late July 2018 considered many concerns raised by both participants and non-participants in the gig economy.[63] This report recommends that legislators focus on the following areas.

First, the inconsistent reporting thresholds between Forms 1099-MISC and 1099-K should be clarified. It would be uncontroversial for Congress to propose legislation or for the U.S. Department of Treasury to issue guidance regarding how Form 1099-K rules apply to sharing economy businesses to ensure consistent reporting.

Second, although we have not seen the end of sharing economy lawsuits, the court rulings in pending cases will likely have decisive implications for worker classification as well as tax collection, and the effects can take years to unfold. While total employment in the sharing economy is small, it potentially involves the creation of a group of low-income workers that are not qualified for many basic worker protection and benefits. The current system, which classifies them as independent contractors and subjects them to similar tax treatments as small business owners, will only exacerbate the issue, especially for the large portion of gig workers who are young and financially inexperienced.

The solution may not exist in the current worker classification system. Portable benefits or new worker classifications would be useful alternatives. A bill introduced in Congress in 2017 recognized the importance of allowing independent workers to maintain both worker and entity-contributed benefits upon changing jobs and called for additional research on portable benefits for them.[64]

Finally, tax compliance in the sharing economy is lagging. A significant number of taxpayers who receive income from the sharing economy are not aware of their filing and reporting obligations and therefore fail to make quarterly estimated tax payments or pay self-employment taxes. When gig workers venture into expense deductions, the compliance is even less accurate. IRS has a Sharing Economy Tax Center[65] that features information on many topics relevant for gig workers; however, adding industry-specific guidance in layman's terms would be more helpful.

A Senate proposal in 2017 addressed some of these issues. The New Gigs Act[66] clarifies worker classification standards for those claiming independent contractor status. It proposes to have third-party networks in the gig economy use Form 1099-K, and payers in traditional independent contractor relationships file Form 1099-MISC, with reporting thresholds of $1,000 for both. Finally, the bill requires gig businesses to withhold a 5% income tax from their contractors. Although the bill has not advanced, Congress is likely to return to these issues in the future.

Although there is debate about the size of the gig economy and whether it is the future trend of employment, it is increasingly likely that one may experience a mix of traditional and independent work over the course of his/her career. These two work styles do not need to be mutually exclusive, since consumers may view the platforms as providing an additional option to the existing choices. Depending on her traveling needs, a consumer can use Uber if she only needs to commute from an airport to a hotel, and rent a car if she needs extended access to a vehicle, for instance. There is no doubt that the sharing economy poses sweeping legal, commercial, and social challenges. Policymakers should proactively work to manage these issues.

ENDNOTES

1. See (1) Sarah Donovan, David Bradley, and Jon Shimabukuro, *What Does the Gig Economy Mean for Workers?* Congressional Research Services Report no. R44365, February 5, 2016, http://bit.ly/2ynIfmh; and (2) Niam Yaraghi and Shamika Ravi, *The Current and Future State of the Sharing Economy* (Washington, D.C.: Brookings Institution and Brookings India, March 2017), https://brook.gs/2PB64h9.

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6. The author recognizes that peer-to-peer education (e.g., Skillshare and Udemy) and peer-to-peer finance (e.g., Kickstarter and LendingTree) are separate business models and require separate discussions.

7. Diana Farrell and Fiona Greig, *Paychecks, Paydays, and the Online Platform Economy: Big Data on Income Volatility* (New York: JPMorgan Chase & Co. Institute, 2016), http://bit.ly/2QTPutc. Another study utilizes a similar definition: Caroline Bruckner, *Shortchanged The Tax Compliance Challenges of Small Business Operators Driving the On-Demand Platform Economy* (Washington, D.C.: Kogod Tax Policy Center, May 2016), http://bit.ly/2AdzDQF.

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9. Aspen Institute, "Forty-Five Million Americans Say They Have Worked in the On-Demand Economy, While 86.5 Million Have Used It," January 6, 2016, http://bit.ly/2El3dHK.

10. Donovan, Bradley, and Shimabukuro, *What Does the Gig Economy Mean for Workers?*

11. Rudy Telles Jr., *Digital Matching Firms: A New Definition in the "Sharing Economy" Space*, ESA Issue Brief #01-16 (Washington, D.C.: June 3, 2016), http://bit.ly/2CMIMC7. The inclusion of Rent the Runway or Campus Book Rentals, for example, are slightly questionable because the companies own the underlying assets they rent out. They do not fit the "digital matching" criteria based on the report's description in Box 2 on page 6.

12. Bureau of Labor Statistics, "Contingent and Alternative Employment Arrangements," News release no. USDL-18-0942, June 7, 2018, http://bit.ly/2yJGmzA.

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until the cases pending in the U.S. Supreme Court are decided. (2) In Razak v. Uber Technologies Inc., the U.S. District Court for the Eastern District of Pennsylvania (2:16-cv-00573) ruled that Uber drivers are not employees. The plaintiffs planned to appeal to the Third U.S. Circuit Court of Appeals, which would be the first federal appeals court to hear this type of case. Several state courts (California, New Jersey, and Massachusetts) have ruled that gig workers are employees.

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