

Thinking about driving for Uber or Lyft?

It gets a little more complicated than you might think because there are potentially licenses, taxes, and insurances you need to consider. We have written this brief guide to help you sort it all out by answering some common questions.

As long as you are **delivering only people** and not any goods or cargo (like food, packages, groceries, etc.) the state of Washington considers **this a ride sharing service** not a vehicle for hire. This means you are not a taxi and are exempt from needing to acquire a “Vehicle for Hire” endorsement.

Unless you are driving a very large vehicle (16+ person van or commercial truck), you will not need a Commercial Driver’s License. Learn more about who needs a Commercial Driver’s License here:

<https://www.dol.wa.gov/driverslicense/cdlrequired.html>

Do I need a business license?

If you expect to make more than \$12,000 per year driving for these services, then yes, most likely you will need several (state/county/city).

As an Uber or Lyft driver, you are considered an independent contractor (not an employee), and **should register for a state business license** with the Department of Revenue **if you meet any of the following conditions:**

- Your business grosses \$12,000 or more per year.
- You’re doing business using a name other than your full legal name.
- You plan to hire employees within the next 90 days.

To find out more about what products or services are taxable, see the Department of Revenue’s [Business tax guide](#), or call them at 1-800-647-7706.

If your business meets any of the above criteria, your next step is to apply for the [Washington State Business License](#) .

In addition to your state business license, you will likely need a separate business license with the cities and counties where you will be operating.

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Each city, and some counties in Washington state may require a separate business license to operate. Review the [city](#) or [county](#) website where your business will be located to determine any additional licensing or permitting requirements, such as, a “For-Hire” Permit and “TNC Vehicle Endorsement” decal.

Am I required to have workers compensation insurance?

No.

Uber and Lyft drivers that transport people (not goods or cargos) are **not required** to have workers’ compensation insurance.

Do I need to set up an unemployment insurance tax account with the state?

Most likely not.

Uber and Lyft drivers, as independent contractors, are not considered an employee, and **may** be exempt from paying unemployment insurance taxes. The Employment Security Department is responsible for regulating unemployment insurance in the state of Washington. For information as to whether or not you qualify for the exemption, contact your [ESD Tax account management center](#).

What are My Self-Employed Tax Obligations?

If you received income from an Uber/Lyft sharing economy activity during the calendar year as a self-employed individual (e.g., independent contractor), you may be required to file a tax return to report that income to the IRS. The IRS is providing additional information to help people, and [many tax professionals can assist](#) with tax issues and questions related to this emerging area.

Uber and Lyft drivers are considered [Self-Employed](#) workers, and as such, are taxed differently from employees. Self-employed individuals (e.g., independent contractors) must pay self-employment tax. Self-employment tax consists of Social Security and Medicare taxes, and with no employer-matching of these taxes, self-employed individuals pay the full amount of Social Security and



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Medicare taxes themselves. However, don't confuse it with income tax or estimated taxes.

For additional information on tax issues relating to shared economy activities visit the IRS, Sharing Economy Tax Center page at:

<https://www.irs.gov/businesses/gig-economy-tax-center>.