

# Opinion: Imposing sales tax on gasoline is very bad public policy



*(The Star-Ledger file photo)*

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By **Sal Risalvato**

I lead an association that represents hundreds of small-business owners who operate gas stations. I have been involved in the debate over the gas tax for 30 years and have always been a strident opponent of any increase in our state's gas tax. It is a position that has been shared not only by businesses, but by the public, most legislators and governors, too.

But the more I analyze the desperate shape our Transportation Trust Fund is in, the more I realize that all these years I have railed against increasing the gas tax have meant that I have been part of the problem.

Inflation has eaten away the value of our current gas tax. The situation has been made worse as politicians from both parties increased TTF spending by borrowing additional revenues. Now that the bill for that debt is due, there is no solution that does not include more revenue from somewhere. The TTF now spends every penny it receives to pay interest on the money it has borrowed. In fact, we will now have to borrow additional funds in order to pay the interest on what we already borrowed!

I am prepared to work with our elected leaders to determine the best way to fix the problem with the TTF and fix it in a way that settles the issue for the long term. What is most important is not that we do *something* but that we do the *right* thing.

It goes without saying that any new revenue must be constitutionally dedicated to the TTF and include a provision that the TTF only spend the revenue it receives and not expand spending beyond that level, as politicians are always tempted to do. The public must be assured that their money is spent on worthwhile projects that have tangible benefits. We cannot allow future legislatures to fall victim to the same temptations of previous legislatures by increasing spending without knowing how to pay for it.

A safeguard mechanism must be included that triggers future revenues to keep pace with inflation and stop folks like me from creating another 25-year debate and crisis.

Real action must be taken to drive down the sky-high costs we pay to build and maintain every mile of road in the state. We also need to give serious consideration to trimming back the cost of highway administration, which is among the highest in the nation.

If there must be new revenue collected from motor fuel, then the best way to do it is to simply increase the rate per gallon we are taxed. Ideally, another tax could be lowered or eliminated as part of a compromise.

By far the worst option would be to extend the sales tax to purchases of gasoline. Such a move would cause the tax revenues to yo-yo throughout the year. At current prices, it would amount to a 15-cent increase, but when prices are \$3 a gallon, that tax would shoot up to 21 cents a gallon and to 25 cents when prices are over \$3.50 a gallon. When prices fall, the state will be left with a huge shortfall.

Currently, all gas taxes are collected at the terminal where the tanker trucks are filled and charged to retailers, who then pass the tax on to motorists. In contrast, a sales tax collected at the pump would be an administrative nightmare for these small businesses. The amount of taxes paid by the motorist will be different for every grade of gas and will be different at every gas station, since prices vary from station to station. The tax will change every time any retail price changes, which can be daily.

The state's administrative costs will also increase as it collects and audits hundreds of millions of dollars from more than 2,300 small-business taxpayers rather than the 15 or so large companies that currently remit the motor fuels tax to the treasury.

There will be exponentially more tax revenue to track than these businesses deal with at present, greatly increasing the likelihood of fraud. States that do have taxes collected at the pump have already been defrauded of hundreds of millions of dollars and are returning their method of collecting gas taxes to a cents-per-gallon motor fuels tax.

Simply raising the gas tax is much better public policy. Under the circumstances, no one should have a quarrel with the Legislature or Gov. Christie if they choose this option, if, of course, all of the safeguards mentioned above are enacted, too.

Extending the sales tax to gasoline is bad public policy. The only reason to choose this option is political — that it would be easier for legislators and the governor to say they didn't raise a tax, only that they closed a "loophole." When the motoring public sees the pump price shoot up 20 cents from one day to the next, they won't be fooled.

Besides, good public policy IS good politics.

*Sal Risalvato is executive director of the New Jersey Gasoline, C-Store, Automotive Association (NJGCA).*