4900 Rt. 33W • Suite 100
Wall Twp., NJ 07753
Phone: 732-256-9646
Fax: 732-256-9666
Web: www.njgca.org

July 21, 2016

To: The Honorable Members of the 217th New Jersey Legislature
From: Sal Risalvato, New Jersey Gasoline, C-Store, Automotive Association

Re: Increase in the motor fuel tax rates

As I have said privately and publically for the last eighteen months, this Association does not oppose an increase in the tax rates levied on motor fuels in this state. This is despite the fact that our industry will be more directly affected by such an increase than most others. I understand the need for increased spending on our roads, and I understand that we are being forced to pay for the mistake of over-reliance on debt for the last twenty years.

However, in the last few weeks since the true public debate over the nature of how the TTF should be funded began, much has changed and much is now in the air. It seems that, for better or for worse, neither of the original plans can pass the necessary legislative steps to become law.

Since so many aspects of this issue are being re-examined and reargued, I am writing to ask you to also reconsider the size of the proposed increase. Gas taxes in New York State are almost entirely percentage based. This means that the per gallon rate rises with the price of gas—and falls with the price of gas. Because the average price of fuel is now lower than it was when this debate started, New York's fuel taxes have also declined. While this is bad for their state and county budgets, it is good for NY consumers looking for cheaper gas.

A 23¢ per gallon increase in the cost of gas will put our total state gas tax too close for comfort with the tax rates charged by our neighbor across the border. The tax rates charged by our competitors in Rockland, Orange, and Westchester Counties and Staten Island will be as little as 3¢ a gallon more than what New Jersey's would be after the increase becomes effective.

While statewide around 20%-30% of all fuel is sold to out of state motorists, we must remember it is not an evenly distributed 20%-30%, it is more concentrated in certain areas of the state. Out of state motor fuels tax payers are heavy on roadways such as the NJ Turnpike, but another area is the northern part of the state, as motorists living in New York go out of their way to purchase their gas at strategically located stations in New Jersey.

At some of these stations, New York purchasers are a majority of all customers. Several members along the NY border say that more than 90% of their customers are New Yorkers, mainly individuals commuting from upstate New York into New York City for work, but also including NY residents that simply have made a habit of driving to NJ to make their gasoline purchase in order to take advantage of the large price difference. Major corridors in North Jersey such as those running through Bergen, Passaic, and Hudson Counties have large volumes of product that may never be sold at their locations once a competitive advantage no longer exists. This loss of volume affects the badly needed revenues expected for the TTF.

If our state's tax advantage over New York is completely decimated, it will have a meaningful and severe effect on dozens of small businesses like this.

Bear in mind also that motorists in New York are not legally banned from pumping their own gas, as they are in New Jersey. Not only do they have the option to save time and pump their own gas, they are not forced to pay a higher price for someone else to do it, giving NY stations a further competitive advantage in pricing. That advantage has never been recognized by NJ motorists, nor was it necessary due to the huge gap in taxes our state has enjoyed over the last 30 years, but it would be significant if the tax were raised 23¢ a gallon or more. It is conceivable that NJ's full serve price will be higher than NY's self serve price.

It is not just about the pain this will cause the small businesses that I represent, it is also about a hit to NJ TTF revenues. I have a real fear that the TTF will never realize the actual revenue that has been projected from this increase in motor fuels taxes because fuel volume will be lost to New York that would otherwise have been purchased in New Jersey. Every gallon purchased in New York instead of in New Jersey is a gallon in which no taxes are paid to the state of New Jersey. Instead of these motorists paying 37.5¢ a gallon, they will be paying 0¢, even though commuters' usage of the roads will remain the same.

I originally was expecting a tax delta between NY and NJ to be in the vicinity of 10-12 cents after a 23 cent increase. However, recent retail price reductions make the delta closer to 3-5 cents. The delta between NJ and Pennsylvania will be about 13 cents after the proposed increase which is enough to maintain a competitive advantage between the two states.

We also have to be honest about the political situation we find ourselves in. If there were no meaningful public opposition to the 23¢ a gallon hike, it would almost certainly be law already. Lowering the proposed increase below twenty cents, in the range of 18¢ a gallon, would show the public that their opinions can have an effect on public policy, and become a suitable compromise.

I am requesting that as a means of demonstrating compromise between differing legislators and the Governor, and blunting the resistance from the motoring public, as well as blunting the effect of the reduced competitive advantage we presently enjoy over NY, that a lower tax increase be offered.

NJGCA still understands and is agreeable to the idea that the tax be increased and increased immediately. I urge you to read the attached editorial I have written which was published in the *Burlington County Times*, and reprinted yesterday in the *Asbury Park Press*.

One thing we absolutely should not do is nothing. This problem is too big to continue to kick the can down the road as we have for the last quarter century. I ask that you consider a lesser amount that will enable New Jersey retailers to maintain enough of a competitive advantage over New York so that they can maintain their sales; to the benefit of the State, themselves, and their customers.

Sincerely,

Sal Risalvato
Executive Director