



# **New Jersey's gas tax goes up Monday (and so do other taxes). Here's what you need to know.**

**Samantha Marcus, September 30, 2018**

They'll be a bit more pain at the pump beginning Monday, New Jersey.

Taxes on gasoline sold in New Jersey will rise 4.3 cents per gallon on Monday, a hike triggered by a slowdown in how much gas we're buying.

The increase was met with anger from taxpayers still reeling from the 23-cent-per-gallon increase in 2016. But tax collections have fallen short the past two years, precipitating the Murphy administration's announcement last month that it was raising the tax again.

And that's not all. A few other taxes are also on the rise.

**Here's all you need to know about Jersey's gas tax, and what else is going up.**

**If the gas tax just increased in 2016, why is it going up again?**

In the fall of 2016, Gov. Chris Christie and the Democratic-controlled Legislature agreed to raise the motor fuels tax 23 cents a gallon to fund road and rail projects in New Jersey.

But because that revenue is dependent on how much gas people buy, they also wanted assurances that they would have enough money to pay for those projects.

They agreed that a three-person committee should review the tax's performance each year to determine if it's bringing in enough, too much, or not enough money to pay the bills.

If gas sales are booming and gas tax dollars are flowing into state coffers, then the treasurer could reduce the tax. If sales are slowing and it's not generating enough money, the treasurer could raise the tax.

That's what has happened here.

Revenues fell \$125 million short of the \$2 billion target in the fiscal year that ended in June and \$43 million short the year before.

Murphy's administration announced it needed another 4.3 cents per gallon for the gasoline and diesel fuel taxes to hit their target.

The two tax hikes come after New Jersey enjoyed a long period without any increases. Prior to the 2016 increase, the gas tax had not been increased since 1988.

### **Is it still cheaper than New York and Pennsylvania?**

Indeed.

At 58.7 cents per gallon, Pennsylvania has the highest state taxes on gasoline in the U.S.

New York isn't far behind, clocking in with the fifth-highest gas tax at 45.76 cents per gallon.

After this latest increase, New Jersey's will be 41.4 cents per gallon.

### **How will New Jersey rank nationally?**

While New Jersey's gas tax will still be lower than New York and Pennsylvania, it will be higher than 41 other states.

Besides those neighbors, the gas tax here would be lower only than Indiana, Connecticut, Michigan, Hawaii, Washington and California.

You can read more on that here.

### **Is this the end of increases?**

That depends a lot on trends in driving habits and in gasoline consumption.

The law was written in a way to ensure the tax generates a consistent amount of revenue. The past two fiscal years, it hasn't hit the target, which Gov. Phil Murphy's administration says necessitates an increase.

That target is \$2 billion, which is based on 2016 consumptions levels. But state treasury spokeswoman Jennifer Sciortino said that "through the benefit of hindsight" we now know the 2016 levels were "an anomaly in that it saw a significantly high one-year spike in gas consumption compared to historical averages."

A state treasury analyst has said that consumption levels seem to be returning to pre-2016 norms, and as long as they remain stable gas tax increases shouldn't be continuous.

Sal Risalvato, executive director of the New Jersey Gasoline, C-Store, Automotive Association, however, said he fears the state is caught in a vicious tax loop, wherein higher gas taxes are depressing consumption, which then forces state officials to levy fresh gas taxes each fall.

"The (customer) pool is going to get smaller every year, so that means the rate is going to have to get higher every year, which is going to cause the pool to get smaller," Risalvato said.

### **There is opposition to this process**

Some Republicans in the state Legislature aren't happy that the administration can adjust the gas tax without lawmakers having a say.

Assemblyman Jay Webber, R-Morris, and state Sen. Christopher "Kip" Bateman, R-Somerset, have said separately they plan to introduce legislation that brings the Legislature back into that process.

"We're just getting into this vicious taxing cycle, Bateman told NJ Advance Media "What's the limit? That's the problem. There's no ceiling."



### **Where does your money go?**

Voters in 2016 approved an amendment to the state Constitution requiring all money generated by new taxes on gasoline and diesel fuels be dedicated to the Transportation Trust Fund.

That money is helping to power an eight-year, \$16 billion Transportation Trust Fund, the pot of money that pays for road and rail projects across the state. It was running out of money before Christie and the Democrats agreed to raise the tax in 2016.

The dedication prevents lawmakers and governors from diverting the revenue to other items and, lawmakers hoped, give taxpayers some confidence in how their tax dollars will be spent.

### **So what other tax increases are coming?**

Here are the other tax increases:

#### **AIRBNB**

As part of this year's budget negotiations, Murphy and Democrats in the Legislature voted to impose sales and hotel occupancy taxes on short-term rentals booked on such online marketplaces as Airbnb and VRBO.

#### **E-CIGARETTES**

On Saturday, the state began collecting a 10-cent-per-milliliter tax on nicotine liquid.

#### **ONLINE SALES**

Beginning Monday, the state will begin collecting sales tax from retailers for online sales, thanks to a recent U.S. Supreme Court decision. You've already been taxed for your Amazon online purchases for several years because the law had allowed a sales tax on companies that have a substantial presence in the state.