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May 3, 2019

From: Eric Blomgren, NJ Gasoline, C-Store, Automotive Association (NJGCA)

Re: Impact of New Jersey's Fuel Tax increase on bordering states

New York state

The New York fiscal year runs from April 1-March 31. In FY 16 (ending March 2016), the state's excise tax on motor fuels (8¢ per gallon) collected $503.1 million. When debating their FY 17 budget, they projected a modest increase in collections to $506 million. Final collections were $519 million. The last five months of that fiscal year were when New Jersey's PPGRT increase were in effect on gasoline purchases, and the final three months included a partial in the tax on diesel sales. In the just completed Fiscal Year 2019, collections were up to $531 million. The difference between FY 19 and FY 16 is $27.9 million, which at 8¢ a gallon translates to just under 350 million gallons of motor fuel.

Delaware

Delaware's fiscal calendar matches New Jersey's. In FY 15 their motor fuels excise tax collections were $117 million. Like New Jersey, they saw an unexpected increase in their FY 16 collections, bringing in $124.6 million. Unlike New Jersey, which the following year saw a large drop in the number of gallons sold (when the PPGRT increase went into effect), Delaware's revenues continued to increase, and in FY 2018 were $131.9 million. That is an increase of $14.9 million in the three years from FY 15-18, which at 23¢ a gallon is the equivalent of just under 65 million gallons of motor fuel.

Pennsylvania

It is difficult to draw any conclusions about how PA revenue was affected by the NJ tax increase as PA phased in a significant increase in their motor fuel tax rate from 2013-2017. Neither New York nor Delaware increased their excise tax rates during this period of time. According to AAA, on May 3, 2019 the average retail prices for gas in Bucks, Northampton, and Monroe counties (PA) ranged between $2.99 and $3.06. Across the river retail prices in Mercer, Hunterdon, and Warren counties (NJ) ranged between $2.88 and $2.99. While gas in NJ is generally cheaper, it is no longer so much cheaper that those who regularly travel between the two states need to make a concerted effort to fill up in New Jersey, and NJGCA members near the PA border have reported declines in fuel sales since our tax increase. Were that spread to increase, there would again be a clear incentive for motorists to purchase as much of their fuel in New Jersey as they can.

Conclusion

In a period when New Jersey has seen a substantial decline in the number of gallons of motor fuel sold, New York and Delaware have seen a combined increase of about 415 million gallons of fuel. If those gallons were sold in New Jersey, under the current tax rate the State would collect over $170 million more in revenue per year, which could allow for a decrease in our tax rate by 3¢ a gallon, while still collecting the approximately $2 billion annually required for the TTF. This is not counting an unknown number of gallons that would return from Pennsylvania, which would increase revenue and allow for a further lowering of the tax rate.

Of course, bringing all of those gallons back would likely require repealing most of the cumulative 26.9¢ a gallon PPGRT increase (30.9¢ for diesel), which would be a major net loss to the State. However, it does mean that there a significant amount of "elastic gallons" which could come back to the state if New Jersey retailers were able to lower their prices in some way by a noticeable amount.

The only real solution in sight would be to allow motorists, at their discretion, to pump their own gasoline for themselves and benefit from the savings that would result. Based on analysis by our members, prices could be lowered by an average of 10¢ a gallon, with a range between 7¢ and 23¢. The motorists now purchasing their gasoline in New York and Pennsylvania are clearly more concerned with price and convenience than they are with full-service, since almost all stations in those states are self-serve. Also note that the recently passed increase in the minimum wage will begin this July 1st, followed by another increase on January 1st and annual increases afterward. Each of these increases will raise the cost of labor, which will be passed onto consumers, which will lead to more of them making their purchases in New York and Pennsylvania when possible, which will lead to declines in tax collections which will lead to fuel tax increases to ensure enough money is collected for the TTF. Allowing self-serve **as an option** will lower costs and break that cycle.