



New Jersey Gas Tax to Rise by Nearly 10 Cents, Will Rank Among Highest In Nation

An industry group warns the increase could be a 'death knell' for stations operated by small business owners

By: Travis Fedschun, August 30, 2020

Motorists in the Garden State will have to fork over more at the pump by October, as New Jersey will hike its gasoline tax to try to recoup for lost revenue from lower demand due to the coronavirus pandemic.

New Jersey's Department of the Treasury announced Friday that a gas tax increase of 9.3 cents a gallon will go into effect on Oct. 1, due to lower fuel consumption trends that have been "exacerbated by the COVID-19 pandemic."

"As we've noted before, any changes in the gas tax rate are dictated by several factors that are beyond the control of the administration," State Treasurer Elizabeth Maher Muoio said in a statement.

Under a 2016 law signed by former Gov. Chris Christie, New Jersey's Transportation Trust Fund (TTF) program requires a steady stream of revenue to provide \$16 billion over eight years to support critical infrastructure improvements to the state's roadways and bridges.



A gas tax increase of 9.3 cents a gallon will go in effect in New Jersey on October 1, due to lower fuel consumption trends that have been "exacerbated by the COVID-19 pandemic. (iStock)

In order to guarantee the state has the funds to support such projects, the 2016 law outlines that the Petroleum Products Gross Receipt (PPGR) tax rate must be adjusted accordingly to generate roughly \$2 billion per year.

"The law enacted in 2016 contains a specific formula to ensure that revenue is meeting a certain target," Muoio said. "When it does not, the gas tax rate has to be adjusted accordingly in order for us to meet our obligation under the law and fully fund the state's many pressing transportation infrastructure needs."

The state's treasury department noted that consumption of gasoline declined by a total of 38.7% from March to May, while diesel fuel consumption declined by 16.5%.

Due to the formula outlined in the law, the PPGR tax rate on gasoline and diesel fuel will increase on Oct. 1, 2020, from 30.9 cents to 40.2 cents for gasoline and from 34.9 cents to 44.2 cents for diesel fuel.

When coupled with the current 10.5 cent Motor Fuels Tax rate on gasoline and the 13.5 cent rate for diesel fuel, the total tax rates for gasoline and diesel fuel in New Jersey will be 50.7 cents and 57.7 cents, according to the state.

According to a study by the American Petroleum Institute, drivers in New Jersey already pay the 10th-highest gasoline tax in the nation and the 7th-highest diesel tax in the nation.

Industry groups, such as the New Jersey Gasoline, Convenience, Automotive Association (NJGCA), said the next gas tax increase will put the Garden State at the 4th highest gas tax in the nation.

NJGCA Executive Director Sal Risalvato said the increase will hurt essential workers and that it may prove a "death knell" for several gas stations near state borders.

"We must consider all options to lower the price motorists pay for gasoline or else we will have paved roads that no one can afford to drive on," Risalvato said in a statement. "Most gas stations are owned and operated by small business owners, and they have already been struggling to survive these huge drops in sales."