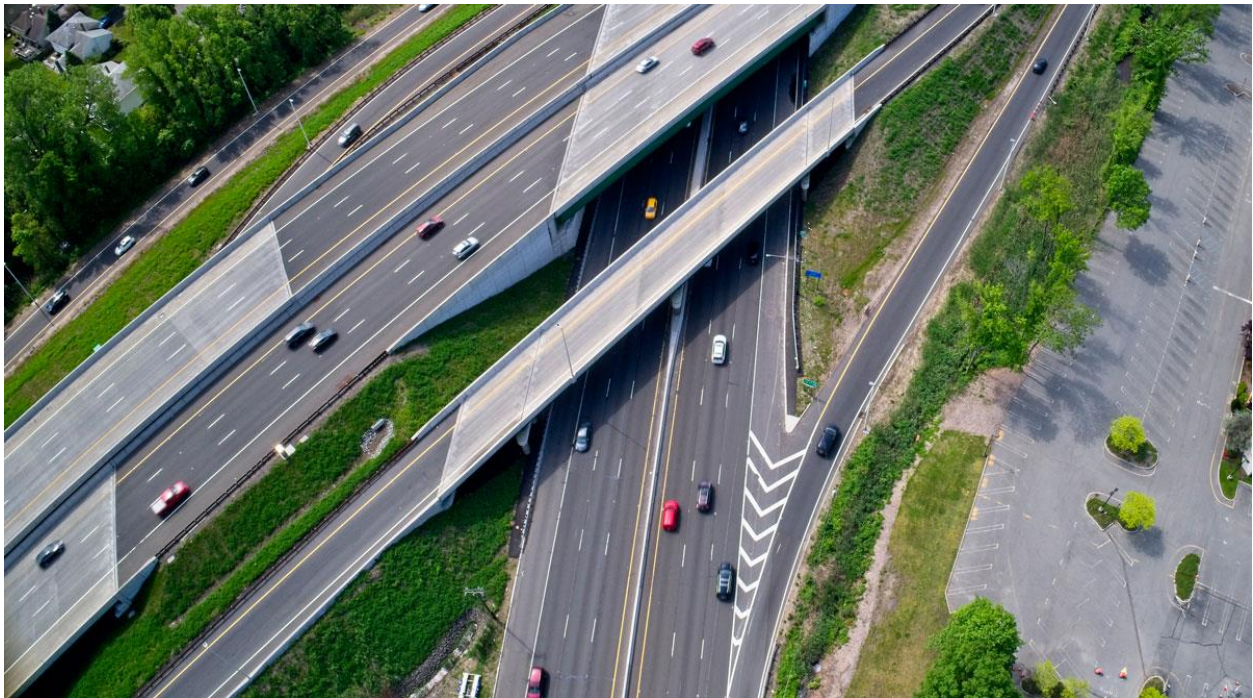


Transport Topics

New Jersey to Hike Gasoline, Diesel Tax to Offset Consumption Drop

By: Eleanor Lamb, August 28, 2020



An aerial view of the Garden State Parkway in Paramus, N.J. The state said it would up diesel and gasoline tax rates on Oct. 1.(John R. Albano/Getty Images)

Tax rates on diesel and gasoline will go up in New Jersey to offset declines in fuel consumption, which have been exacerbated by the coronavirus pandemic.

The New Jersey Department of the Treasury announced the tax increase of 9.3 cents per gallon Aug. 28. The tax hike is a measure to ensure compliance with a 2016 law known as Chapter 57, which dictates that the Petroleum Products Gross Receipts tax rate must be adjusted accordingly to generate about \$2 billion per year.

Those rates will increase to 44.2 cents per gallon for diesel and 40.2 cents for gasoline. On top of these rates will be the existing motor fuels tax rate, which is 13.5 cents per gallon for diesel and 10.5 cents for gasoline. Effective Oct. 1, the total tax rates will be 57.7 cents per gallon for diesel and 50.7 cents per gallon for gasoline.

“The law enacted in 2016 contains a specific formula to ensure that revenue is meeting a certain target,” state Treasurer Elizabeth Maher 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. Highway fuels consumption took a significant hit in [fiscal year] 2020 because of the economic downturn caused by the COVID-19 pandemic.”

Teleworking routines and limited extracurricular activities, both results of the pandemic, have led to a drop in fuel consumption. According to the Department of the Treasury, consumption of gasoline in New Jersey declined by 38.7% from March to May, while diesel fuel consumption declined by 16.5%.

The New Jersey Department of the Treasury indicated highway fuels revenue collections are projected to fall short of the fiscal 2020 highway fuels revenue target by \$154 million. The highway fuels revenue target for fiscal 2021 is \$2.1 billion.

New Jersey is not alone; other states have experienced declines in revenue streams that are linked to fuel tax rates. The American Association of State Highway and Transportation Officials estimates state transportation revenue losses of \$37 billion over five years, with a projected loss of \$16 billion in fiscal 2020.

Signed by then-Gov. Chris Christie, the Chapter 57 law requires a steady stream of revenue to support the Transportation Trust Fund. The fund is required to provide \$16 billion over eight years for critical infrastructure improvements to New Jersey’s roads and bridges.

Sal Risalvato, executive director of the New Jersey Gasoline, Convenience, Automotive Association, said the tax hike is a “huge mistake” that will prompt people to buy fuel in other states and thereby hurt small businesses.

“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. “Most gas stations are owned and operated by small business owners, and they have already been struggling to survive these huge drops in sales. I fear that this increase may prove to be the death knell for several stations near the border.”