



Will NJ Raise the Gas Tax Again This Fall? Here's What We Know So Far

By: Samantha Marcus, May 20, 2021

The coronavirus pandemic already forced New Jersey to raise its tax on gasoline once, and there may be some hope for Garden State drivers that it is not going up again this fall.

Yet hope is not certainty.

Gov. Phil Murphy's administration won't announce until late summer whether gas tax collections over the past year and expectations for next year necessitate any change in the tax rate. But New Jersey Treasurer Elizabeth Muoio told the Assembly Budget Committee this week, with about one month left in the fiscal year, that gas tax collections are sticking close to expectations.

"We'll do that analysis in August when we see the numbers come in on the gas revenue," she said. "The numbers we predicted when we set the rate back in the fall have been holding true."

New Jersey's gasoline tax rose by 9.3 cents to 50.7 cents a gallon on Oct. 1, as the state sought to recoup hundreds of millions of dollars in revenue lost as the pandemic effectively shut down the state and travel plummeted.

Drivers pay 57.7 cents on a gallon of diesel.

Gasoline tax collections fell far short of expectations in the 12 months ending June 30, triggering a 2016 state law that requires the tax rate be adjusted each October to ensure it generates enough cash for New Jersey's Transportation Trust Fund. If it falls short of the \$2 billion target in one year, the treasurer is supposed to increase it in the next.

At 50.7 cents a gallon, New Jersey's gas tax is fourth highest among U.S. states, behind only California, Pennsylvania and Illinois, according to the American Petroleum Institute.

All things considered, Sal Risalvato, executive director of the New Jersey Gasoline-Convenience-Automotive Association, predicted Tuesday drivers will escape without another tax hike.

“If I had to make a prediction, I would say there won’t be an increase this year,” he said. “And the reason I’m making that prediction is because I believe (the administration) anticipated in last year’s increase that there was going to be significant loss of volume, which is then a significant loss of revenue, and they wanted to anticipate that so that they would not have to raise the tax a month before the election.”

Even if revenues don’t quite hit their target and the formula for setting the tax rate would suggest a tax increase is necessary, Risalvato said he thinks the administration would try to push it off another year.

“That’s my honest analysis,” he said.

Station owners reported gas sales plummeted to 20% of their pre-pandemic levels last year, he said, adding they’re back to selling about 80% to 85% of their normal volume this year but are still hurting. He’s not sure if or when they’ll make a full recovery.

“People are still doing a lot of virtual work, where they’re not going into the office,” Risalvato said. “I think it’s an unknown how much travel people will do over the summer. I think that is still an unknown. Could it stay where it is? Could it go up a little bit? Could it go back where it was? I don’t have an accurate way of predicting that.”

The Treasury Department has said there’s no room for politics in the strict statutory formula for setting the tax rate. Changes are dictated by consumption and factors out of the administration’s control, Muoio has said.

“The math is pretty simple — if consumption goes down, law dictates that the rate should go up,” she said in a statement. “We will follow the formula dictated by the law signed by Governor Christie in 2016, as has been done every year. Equally important, a final determination on the rate is made in consultation between the Treasurer and the non-partisan Legislative Budget and Finance Officer (LBFO), as required by law annually.”

Treasury predicted in August 2020 that consumption of gasoline and diesel fuel would decline by approximately 15 percent in FY 2021, Muoio aid. Year-to-date collections for the Motor Fuels Tax through March were 15.0 percent lower year-over-year, validating Treasury’s forecast, she added.

Treasury agrees with Risalvato’s comments that there is uncertainty about when consumption will return to pre-pandemic levels and that uncertainty is reflected in the forecast, she said.

The Oct. 1 gas tax hike brought the increases since 2016 to more than 36 cents a gallon. That fall, 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. Lawmakers said such a big tax hike was needed to fund an eight year, \$16 billion transportation program that could turn around New Jersey's aging and neglected infrastructure.

That deal also laid the groundwork for future changes in the tax rate. Because gas tax revenue is dependent on how much gas people buy, they wanted assurances that they would have enough money to pay for those projects.

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

Before last year, Murphy's administration most recently increased the tax 4.3 cents in 2018. It did not raise the rate again in 2019 despite a slight shortfall.