



NJ Gas Tax Will Change Starting In October As Result Of Economic Recovery

By Michael Symons, August 24, 2021

TRENTON – New Jersey’s gas tax will decrease by 8.3 cents a gallon starting Oct. 1, the state Treasury Department announced Tuesday.

The swifter-than-expected recovery for the economy means most of the 9.3 cent per gallon increase imposed a year ago is being reversed.

Under the 2016 law that raised the gas tax for the first time in a quarter-century, state officials each summer assess revenue collections and projections and adjust the rate so that the portion of the tax that’s levied at the wholesale level generates around \$2 billion a year.

After increasing 22.6 cents a gallon in 2016, the gas tax increased in 2018 and 2020 and stayed level in 2017 and 2019. But it can also go down, which is what’s happening now.

“Because actual consumption in fiscal year 2021 was so closely in line with our projections made last August, coupled with the fact that consumption in the current fiscal year is projected to be above last fiscal year’s levels, our analysis of the formula dictates an 8.3 cent decrease this coming October,” said state Treasurer Elizabeth Maher Muoio.

The state’s gas tax starting Oct. 1 will be 42.4 cents a gallon, down from the current 50.7 cents. The tax on diesel fuel is 7 cents higher per gallon, or 49.4 cents.

New Jersey will move from having the nation’s fourth-highest gas tax to its 11th highest, according to data from the Tax Foundation.

Sal Risalvato, executive director of the New Jersey Gasoline-Convenience-Automotive Association, said he didn't expect an increase because it was hiked last year more than was necessary.

"Any time we lower any tax, it's a good thing," Risalvato said. "We predicted something similar to this last year when they increased it more than 9 cents. We thought then that they increased it way too much based on our analysis of revenues, and we predicted then that that was done in order to keep from having an increase this year in an election year. I will say that I am surprised that there was not just a reduction but this much of a reduction."

Risalvato said there should have been "a giant increase" in the tax in 2017, the first recalculation after the nearly 23-cent hike in 2016, but it was skipped because of the prospect of "serious blowback" from motorists before the last gubernatorial election.

"This decrease is because of the election, but I predict it will increase next year," Risalvato said.

The Treasury Department said highway fuels revenues exceeded the revenue target by nearly \$59 million over the past year, though the final shortfall for a year earlier – pandemic-wracked fiscal 2020 – wound up \$8 million higher than the \$156 million shortfall that had been projected.

Last August, the Treasury Department projected that gas and diesel fuel consumption in the year ahead would be 15.6% below pre-pandemic levels from fiscal 2019. It wound up declining 13.6% -- less than expected, though still 18.3% below the level from 2016, when the current formula was established.

The formula for the year ahead presumes that gas consumption will remain 14.3% below its 2016 level, a reflection of both people working from home and increases in fuel efficiency and electric vehicles.

The Treasury Department determines the gas tax rate each August in consultation with the budget and finance officer for the nonpartisan Office of Legislative Services.

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