



Why Gas Prices Didn't Drop With NJ Gas Tax – And Now Are Rising

By: Michael Symons, October 6, 2021

It wasn't your imagination. Gas prices in New Jersey didn't go down when the gas tax dropped 8.3 cents last Friday.

And if you thought that was disappointing, you won't like what's next. Prices have started inching higher, and a jump of a nickel or more per gallon is anticipated in the days ahead.

It's not a conspiracy to line the pockets of gas stations, insists Sal Risalvato, executive director of the New Jersey Gasoline-Convenience-Automotive Association. He said there are valid reasons why prices were always going to go down slowly and that booming crude oil prices will now swamp the tax cut.

"I'll condemn anybody in this business anytime they need to be condemned. I have zero tolerance for dishonesty and cheating and whatnot," Risalvato said. "But, not lowering the price because the gas tax went down is not one of those things that they have done. It's not ethically wrong, morally wrong, legally wrong in any capacity."

The gas tax went down for fuel delivered starting Oct. 1, but Risalvato said stations still had thousands of gallons of inventory in their underground tanks on which they'd paid the higher rate.

"They had to buy it with the tax, so they can't just go out and drop their price because the tax went down because the gas that they're selling, they paid the tax on," Risalvato said.

The average statewide price in New Jersey didn't budge from \$3.226 for the first three days of October, according to data from the American Automobile Association, AAA. That was much different from a year ago, when the tax was raised 9.3 cents on Oct. 1 and the price at the pump rose 6 cents in three days.

Tracy Noble, manager of public and government affairs for AAA Mid-Atlantic, said the probable causes for the increase are a slight uptick in demand and the high price of crude oil.

"Gas prices throughout New Jersey remain at the highest levels of 2021, despite the recent decrease in the gas tax and seasonal shift to winter-blend fuels," Noble said. "We never see prices decrease as fast as they increase but the fact that they are increasing even with the recent gas tax decrease is certainly an anomaly."

But Risalvato said there's an explanation for why what goes up quickly comes down slowly.

"The state of New Jersey doesn't give them that tax back, which by the way is the exact opposite of what they do when the tax goes up," he said.

When the tax goes up, gas stations are sent a tax return by the state on which they must report how many gallons they have in their tanks and pay the state the new tax rate on that inventory.

"So, they go right out and they raise the price on the pump," Risalvato said. "In this case, the tax has already been paid. It went down. But, they can't just go out and drop the price because they already paid it, and the state of New Jersey ain't giving it back to them."

"The state is not giving anybody their tax money back. They're keeping it," he said. "So, blame the state."

Trucks delivering 8,800 gallons of gasoline arrive at some gas stations once or twice a day, but other stations can go days between deliveries. In time – in theory – that should have led gas prices to start to dropping most places by today or yesterday, Risalvato said.

However, the wholesale price of gas paid by the stations is now spiking.

"So, you're actually going to start seeing increases in the next day or so, probably in the 5-cent area," Risalvato said. "You wouldn't have seen the first 8 to 10 cents because of the tax decrease, but now the wholesale price was literally 15 cents a gallon higher at midnight last night than it was at midnight last Thursday."

Risalvato said he anticipates the price may climb 5 or 6 cents a gallon over the next few days to a week.

"Whatever the price on the pump is today, regardless of price increases or decreases, it is definitely 8 cents lower than it would have been had they not lowered the tax," he said.

The average price of a gallon of regular unleaded in New Jersey rose one-tenth of a cent Monday, another one-tenth Tuesday and three-tenths Wednesday, to \$3.231, according to AAA. Compared to the Sept. 30 price, that's a half-cent in six days – compared with 3.2 cents a gallon nationally, to \$3.221.

Risalvato said the wholesale price of gasoline has nothing to do with New Jersey's tax adjustment. It's the price across the country, reflecting the increase in the price of crude oil. The price of a barrel of oil had reached a three-year high before dipping Wednesday.

“Trust me, OPEC didn't increase prices because New Jersey's gas tax went down,” he said. “... There is no way the people that trade crude oil said, ‘Oh, we can raise the price of crude oil by this much because New Jersey lowered their gas tax by 8 cents.’ I'll bet you they don't even know it.”

Noble said global economic uncertainty and supply chain concerns caused by the COVID-19 pandemic could be playing a role in keeping crude oil prices elevated.