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**From:** Eric Blomgren, NJ Gasoline, C-Store, Automotive Association (NJGCA)

**Re:** Impact of New Jersey's Fuel Tax increase on bordering states

### **New York state**

The New York fiscal year runs from April 1-March 31. In FY 16 (ending March 2016), the state's excise tax on motor fuels (8¢ per gallon) collected \$503.1 million. Final collections for fiscal year 2017 were \$519 million. The last five months of that fiscal year were when New Jersey's PPGRT increase were in effect on gasoline purchases, and the final three months included a partial increase in the tax on diesel sales. In Fiscal Year 2019, collections were up to \$531 million. The difference between FY 19 and FY 16 is \$27.9 million, which at 8¢ a gallon translates to just under 350 million gallons of motor fuel per year.

### **Delaware**

Delaware's fiscal calendar matches New Jersey's. In FY 16 their motor fuels excise tax collections were \$124.6 million. While New Jersey saw a large drop in gallons sold in the following fiscal year (due to the increase in PPGRT), Delaware's revenues increased, and in FY 2019 were \$142.8 million. That is an increase of \$18.2 million in annual revenue from FY 16-19, which at 23¢ a gallon is the equivalent of just over 79 million gallons of motor fuel.

### **Pennsylvania**

It is difficult to draw any conclusions about how PA revenue was affected by the NJ tax increase as PA phased in a significant increase in their motor fuel tax rate from 2013-2017. Neither New York nor Delaware increased their excise tax rates during this period of time. According to AAA, on May 3, 2019 the average retail prices for gas in Bucks, Northampton, and Monroe counties (PA) ranged between \$2.99 and \$3.06. Across the river retail prices in Mercer, Hunterdon, and Warren counties (NJ) ranged between \$2.88 and \$2.99. In June 2021, the price in those three PA counties had a range between \$3.15 and \$3.20, while the prices in those three NJ counties were between \$3.12 and \$3.19. In November 2021 the price in those three PA counties had a range between \$3.53 and \$3.57, while prices in Mercer and Hunterdon were at \$3.48 and \$3.49. Pennsylvania's gas tax is currently 16.3¢ a gallon higher than New Jersey's.

Even when gas in NJ is a little cheaper, it is no longer so much cheaper that those who regularly travel between the two states need to make a concerted effort to fill up in New Jersey, and NJGCA members near the PA border have reported declines in fuel sales since our tax increase. Were that spread to increase, there would again be a clear incentive for motorists to purchase as much of their fuel in New Jersey as they can.

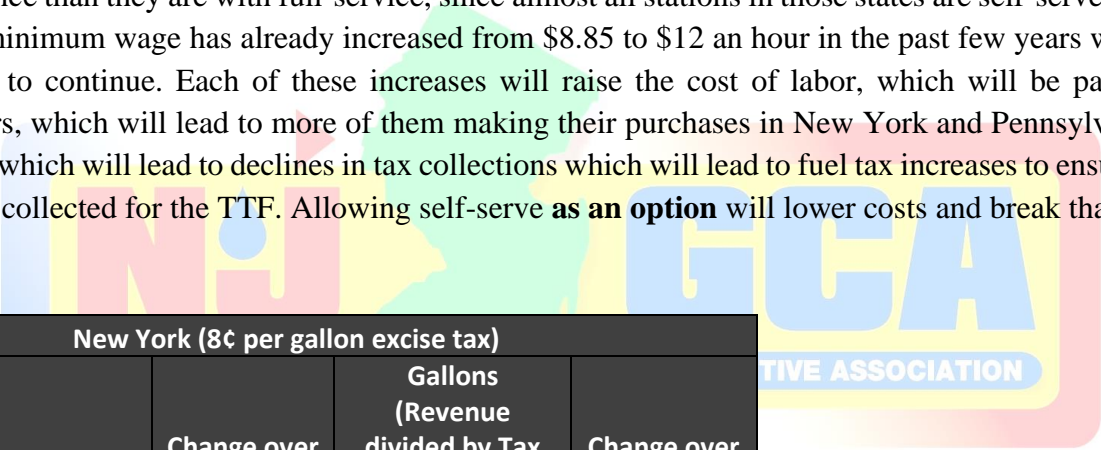
### **Conclusion**

In a period when New Jersey has seen a substantial decline in the number of gallons of motor fuel sold, New York and Delaware have seen a combined increase of about 428 million gallons of fuel per year. If those gallons were sold in New Jersey, under the current tax rate the State would collect over \$181 million

more in revenue per year, which could allow for a decrease in our tax rate of about 4¢ a gallon, while still collecting the approximately \$2 billion annually required for the TTF. This is not counting an unknown number of gallons that would return from Pennsylvania, which would increase revenue and allow for a further lowering of the tax rate.

Of course, bringing all of those gallons back would likely require repealing most of the cumulative 27.9¢ a gallon PPGRT increase on gas, which would be a net loss to the State. However, it does mean that there a significant amount of “elastic gallons” which could come back to the state if New Jersey retailers were able to lower their prices in some way by a noticeable amount.

The only real solution in sight would be to allow motorists, at their discretion, to pump their own gasoline for themselves and benefit from the savings that would result. Based on analysis by our members, prices could be lowered by an average of at least 10¢ a gallon, with a range between 7¢ and 23¢. The motorists now purchasing their gasoline in New York and Pennsylvania are clearly more concerned with price and convenience than they are with full-service, since almost all stations in those states are self-serve. Also note that the minimum wage has already increased from \$8.85 to \$12 an hour in the past few years with annual increases to continue. Each of these increases will raise the cost of labor, which will be passed on to consumers, which will lead to more of them making their purchases in New York and Pennsylvania when possible, which will lead to declines in tax collections which will lead to fuel tax increases to ensure enough money is collected for the TTF. Allowing self-serve **as an option** will lower costs and break that cycle.



New York (8¢ per gallon excise tax)				
Fiscal Year	Revenue	Change over FY16	Gallons (Revenue divided by Tax rate)	Change over FY16
2016	\$503,100,000	-	6,288,750,000	-
2017	\$519,000,000	\$15,900,000	6,487,500,000	198,750,000
2018	\$512,000,000	\$8,900,000	6,400,000,000	111,250,000
2019	\$531,000,000	\$27,900,000	6,637,500,000	348,750,000

Delaware (23¢ per gallon)				
Fiscal Year	Revenue	Change over FY16	Gallons (Revenue divided by Tax rate)	Change over FY16
2016	\$124,573,140	-	541,622,348	-
2017	\$129,645,019	\$5,071,879	563,673,996	22,051,648
2018	\$131,874,692	\$7,301,552	573,368,226	31,745,878
2019	\$142,821,665	\$18,248,525	620,963,761	79,341,413

<b>Total Gallons</b>	428,091,413
<b>Revenue at NJ gas tax rate (42.4¢)</b>	\$181,510,759