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February 27, 2020

**To:** Transportation and Climate Initiative

**From:** Sal Risalvato, Executive Director, New Jersey Gasoline, Convenience Store, Automotive Association

**Re:** Input on Draft Memorandum of Understanding (MOU) of the Transportation and Climate Initiative (TCI)

The New Jersey Gasoline, C-Store, Automotive Association (NJGCA) is a nonprofit trade association representing hundreds of independently-owned motor fuel retailers across the state of New Jersey.

NJGCA is not inherently opposed to the concept of a region-wide increase in fuel prices to address climate change. The threat of climate change is a serious one and the only way to effectively address it is on a large scale. If all other states from Virginia to Maine were to increase the price of gasoline and diesel fuel by a flat amount, then we would not oppose the state of New Jersey doing the same. However, we are opposed to any program which would increase the price of motor fuel more in New Jersey than in other states, particularly our neighbors Pennsylvania, New York, and Delaware.

After a lengthy debate, in November 2016 the State of New Jersey increased its per-gallon tax rate on gasoline by 22.6¢ and its tax on diesel by 26.6¢. In October 2018 the rate was increased a further 4.3¢ per gallon for each, and is required to be further increased every October through 2024 in order to ensure the State continues to collect nearly \$2 billion in taxes from motor fuel. In the years since that sharp increase, we have seen considerable leakage of fuel purchases into other states. Both New York and Delaware have seen notable increases in their motor fuel excise tax collections, despite not altering their tax rates. In New York the increase equates to an extra 350 million gallons of fuel, in Delaware it is over 110 million gallons. Our members located near Pennsylvania have also seen significant drops in sales, although the fact that PA was phasing in its own significant fuel tax increase at the same time makes it difficult to discern exactly how many fuel sales it picked up from NJ.

New York's total gas taxes are now less than 4¢ a gallon higher than New Jersey's and the taxes on diesel are actually higher in NJ than NY now. Delaware's advantage for gasoline is 18.4¢ a gallon and 26.5¢ a gallon for diesel. Stations in New Jersey also have higher operating expenses than stations virtually anywhere else in the country because they are mandated by state law to pay

(an increasing minimum wage) to someone to pump all gasoline sold to motorists, a cost which is passed on to the motorist, further undermining our competitive position with neighboring states.

Theoretically, the greatest advantage of the TCI program is that it brings multiple states over a huge area together to act in concert for a common goal. That advantage is undermined if it requires or allows individual states to place different burdens on their businesses and citizens than are placed by other states in the region.

Whatever the per-gallon fee works out to be, it must be the same in New Jersey, New York, Pennsylvania, and Delaware. If any of those three states choose not to join the initiative then we must oppose New Jersey joining. Every gallon of motor fuel currently sold in New Jersey that winds up instead being sold in a neighboring state hurts NJ small businesses, hurts the NJ state government and its ability to fund road repairs, and is to no benefit to the climate.

Our other main concern is the point of implementation. We are grateful to see that the point of collection is not being placed upon individual retailers. Such system would be a large burden for hundreds of small businesses in New Jersey, and would certainly lead to significant compliance issues. This is why in NJ none of the fuel taxes are collected or remitted by retailers; the taxes are collected higher up the supply chain and passed on to retailers who pass them on to motorists. It is important that whatever changes are made to the implementation of this program, the collection and accounting burdens not fall on retailers.

I thank you for the opportunity to provide input on this program as it is being developed and look forward to continuing the discussion as it unfolds in the state of New Jersey.

Sincerely,



Sal Risalvato  
Executive Director  
NJ Gasoline, C-Store, Automotive Association