

Chicago Tribune: New Jersey gas tax unchanged as transportation costs rise

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New Jersey's gasoline tax was designed to fund roads and bridges but, with it unchanged after more than 20 years, it now cannot fully cover interest payments on past loans to fix them.

Like many states, New Jersey faces a chronic underfunding of transportation through gasoline taxes that have remained low despite inflation, said Carl Davis, senior policy analyst at the Institute on Taxation and Economic Policy in Washington, D.C.

Adjusting for Consumer Price Index inflation, the state tax of 2 cents per gallon in effect in 1927 would be nearly double the current gasoline tax of 14.5 cents.

"This is a long-term, inevitable trend where construction costs grow and state gas taxes aren't designed to grow," said Davis, who authored a nationwide study of gasoline taxes in December.

Those who want to raise these taxes in New Jersey face obstacles that make change unlikely in the short term, said Carl Golden, a senior contributing analyst with the William J. Hughes Center for Public Policy at The Richard Stockton College of New Jersey.

State taxpayers face one of the greatest overall tax burdens in the country, but the gasoline tax is the third-cheapest nationally.

"It's a very sensitive issue in this state. We are a heavy commuting state, and the idea that commuting is going to be more expensive via a gasoline tax arouses some very significant opposition. It hits people regardless of their income level," said Golden, a former press secretary to Govs. Tom Kean and Christie Whitman.

Funds other than from transportation fees can be diverted to fix potholes and repair cracked asphalt, Davis said.

Deficient roads and bridges are common sights in New Jersey. An April 2011 state Department of Transportation report found nearly half of 8,400 miles of lane pavement in bad shape, including parts of Routes 9 and 47 in Cape May County, Routes 30, 322 and 40 in Atlantic County, and Routes 55 and 47 in Cumberland County.

Several legislative efforts to raise the gasoline tax for the first time since 1988 have fizzled in the past five years, even as tolls on the Garden State Parkway increased 50 percent in January.

One of the most recent proposals was sponsored by Assemblyman Albert Coutinho, D-Essex, who in January proposed bolstering the Transportation Trust Fund by increasing motor-fuels taxes 8 cents for three consecutive years, and afterward tying increases to inflation.

Another, sponsored by Sen. Raymond Lesniak, D-Union, in 2010 proposed adding 2 cents a year to the gasoline tax for six years.

All states collect gasoline taxes at least partially dedicated to such transportation infrastructure work as fixing potholes, maintaining bridges and building roads.

In New Jersey, the Office of Legislative Service released a report in April saying the \$895 million fuel, sales and other taxes earmarked for the Transportation Trust Fund did not cover the debt payments on loans previously taken out for transportation

projects, requiring money from the general fund to cover the difference, The Associated Press reported.

New Jersey's tax for regular gasoline is 14.5 cents, behind that of Alaska (8 cents) and Wyoming (14 cents), according to the American Petroleum Institute, an industry group based in Washington, D.C.

Twenty years ago, the state's taxes represented 13 percent of a gallon of gasoline costing \$1.09, according to the U.S. Energy Information Association. With today's gasoline prices, it represents less than 4 percent.

The state's petroleum is a long-known bargain for out-of-state drivers. Including federal tax of 18.4 cents, New Jersey regular fuel costs motorists 33 cents a gallon in taxes overall.

In Pennsylvania, it's about 60 cents, and in New York nearly 70 cents, the group says. The U.S. average was 49.5 cents in April.

Sal Risalvato, executive director of the Springfield-based New Jersey Gasoline-Convenience-Automotive Association, an advocate for gas stations, said raising the gasoline taxes would be a mistake that would end up hurting New Jersey revenue.

Raising the tax would risk New Jersey gas stations losing those Pennsylvania and New York-based customers and making the state less attractive to businesses, he said.

"It's the only thing that New Jersey beats everyone else in -- in terms of taxes," Risalvato said.

Although New Jersey's gasoline taxes are cheap, the state's gasoline is actually of a more expensive variety.

New Jersey sells reformulated gasoline, a costlier form of gasoline designed to reduce emissions and sold along much of the East Coast, said John Felmy, chief economist at the American Petroleum Institute.

This makes New Jersey gasoline cost about 20 cents more per gallon than in rural areas of the country, including some parts of Pennsylvania that sell cheaper conventional gasoline, he said.

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