NJ Gasoline, C-Store, Automotive Association
615 Hope Road, Bldg. 2, 1st Floor
Eatontown, NJ 07724
Phone: 732-256-9646
Web: www.njgca.org

June 26, 2025

To: Assembly Budget Committee
From: Eric Blomgren, Executive Director
New Jersey Gasoline, Convenience Store, Automotive Association

Re: Oppose S-4666/A-XXXX "Modifies fees and taxes imposed on property transfers valued over $2,000,000"

NJGCA represents a large portion of the motor fuel retail, convenience store, and automotive repair industries, which total more than 6,000 locations statewide and employ over 40,000 people.

While sometimes referred to as a "mansion tax", this tax affects most forms of commercial real estate, including retail locations like gas stations, auto repair shops, and convenience stores (many locations feature two of these business types, which are located on commercially zoned properties in high traffic areas).

While this bill appears to be generally be an improvement over the Governor's original proposal, it still represents a sharp increase for property sales over $2 million, and sales over $3.5 million will see a higher rate than the Governor proposed.

Doubling and tripling this tax will hurt businesses throughout the state. The average price to buy a small business like a gas station in this state is now over $2 million. At the high end, locations go for $4 million.

Some of our members are multi-site owners who are buying and selling locations on a somewhat regular basis as they seek their pursuit of the American Dream and to expand their business, employ more people, and offer more goods and services to communities. The greater the burdens to transfer these businesses, the more likely we are to see them closed down and abandoned, becoming a source of blight in our downtowns and on our highways.

Our biggest concern with the impact of this tax increase though are the independent small business owners who do not actively buy or sell property, but instead build up their single location for decades—and then sell it off as the cornerstone of their retirement plan. This tax increase will force the average buyer to spend another $25,000-$50,000+ on the purchase, which affects the economics of the whole transaction and forces them to offer less to the seller.

These problems are exacerbated by the current economic environment, one with high interest rates that are not falling, inflation, and a sharp increase in economic uncertainty which discourages investments. The purchasers are not always other gas station operators, but investors looking to build a different business and increasingly developers looking to construct a small apartment building (which is another way this tax increases hurts housing affordability).

<u>As these small business owners look to cash in on a lifetime of hard work, the State should not be making it any harder for them.</u>

Because of the sharp increases in property values since Covid-19, the current tax already hits a dramatically expanded number of households and small businesses. At the end of FY 2019 (June 30, 2019), the State had collected $143.24 million from this assessment. In the current fiscal year it projects to collect $232 million, <u>a 62% increase</u>, nearly triple the overall CPI inflation increase. <u>Without any increase</u> in tax rate this assessment would no doubt continue to <u>bring increased revenue in FY 2026</u> as it hits yet more aspiring home and small business owners.

This dramatic rate of increase, likely to continue for years to come, should already be a concern calling out for reform, not something to double (and triple) down on.

We believe the State should not move forward at all with the proposed increase, and simply leave in place the current 1% surtax on commercial property.

I ask that you not move forward with this bill. Thank you for your consideration.