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To: Assembly Consumer Affairs Committee
From: Eric Blomgren, Executive Director
New Jersey Gasoline, Convenience Store, Automotive Association (NJGCA)

Re: Oppose A-5922 "Tariff Transparency Act"

On behalf of the members we represent in the motor fuel, convenience store, and auto repair industries, we must regretfully oppose this bill. I say regretfully because the thesis at the heart of this proposal is correct—President Trump's tariff policies are a massive, vast, incredibly complex series of tax increases that are suffocating businesses small and large, retailers, distributors, wholesalers, manufacturers, and ultimately the end consumer. It is exactly because of the complexity and widespread nature of these policies that compliance with the bill would be so difficult.

It would be very complex to track not just every item, but every component of every item, throughout the entire supply chain, of most of the items for sale at our members' locations. I spoke with a member who distributes products to convenience stores, they offer about <u>18,000 different types</u> of products for delivery to stores, the average c-store offers about 6,000 different SKUs for sale. 99% of the distributor's offerings are not imported directly from other nations, they are purchased from either US manufacturers or US importing businesses, but those businesses have been impacted by the tariffs.

There is of course the straightforward price increase that comes from an importing business in the US being taxed when it brings in a product from overseas, a cost that is then passed along to the end purchaser. But each of those 18,000 products is the assemblage of multiple other materials, some of which were imported and tariffed. About half of all the goods ($3.3 trillion worth) imported into this country are then processed into "American-made" goods.

As an example, consider a mocha-flavored cold brew coffee product that might be found in the cooler at a c-store. Officially it was manufactured in Georgia and therefore not subject to a tariff. But it contains coffee that was separately taxed, cocoa that was separately taxed, some kind of sweetener that was likely separately taxed, and it's sold in an aluminum can which was separately taxed, and likely all taxed at different rates.

Part of the problem is that the tariffs are so damaging that simply listing their direct cost does not explain the full pain they cause. For example, our wholesaler member has seen a decline in coffee sales in the aggregate of almost 15% since the tariffs went into effect. With coffee as a major profit generator in a c-store, that has led to an overall decline in store traffic and profits, which makes it harder to cover other costs like labor and utilities, which forces businesses to consider yet further increases in prices.

It all ripples out and adds up, sales are down in part because of the cumulative impact of the tariffs everywhere, leaving consumers with less discretionary spending. Our members who run auto repair shops have seen increased costs for replacement parts which they are forced to pass on. Beyond the impact to them and their customers, the higher cost for auto parts increases the cost of repairs which increases the cost of car insurance for commercial and personal policies. The cost of steel tariffs have driven up the cost of new fuel tanker trucks by around $25,000-$40,000, a cost the fuel distributor will ultimately work into the price of the gasoline and diesel fuel that they deliver to a gas station and therefore is passed on to the consumer.

Sometimes tariffs can be avoided by switching the source of the product to another country or to a domestic source. But why was that not the source to begin with? Because it was more expensive. A canned beverage producer that uses avoid the aluminum tariff by switching to American aluminum instead of another country's was only avoiding the American product because it was more expensive to use versus shipping in from elsewhere. Historically, the domestic industries which benefit from protectionist rigging of the economy go on to increase their price to their customers, knowing that because of the tariffs they will still be selling at a lower cost. Coca-Cola, as another example, publicly stated that they were considering switching some of their products from cans to plastic bottles as a way to avoid the tariffs, a move which would have an environmental impact in the aggregate.

Those are all examples of cost increases driven by tariffs that would not be able to show up in the disclosures required by this bill, which nevertheless exist and are hurting businesses and consumers.

Compliance would also be made tougher because of the whipsaw nature of the President's application of tariffs, taking them on and off, doubling them over perceived slights, and announcing decreases that take months to actually go into effect. So far crude oil and gasoline imports have generally been exempted when tariffs go into effect, but this is often the result of behind-the-scenes advocacy efforts to ensure they are explicitly not covered. That could change at any point in the future, either on all countries or just certain ones. Because of the way our national infrastructure is laid out, the Northeast does not have the capacity to refine all the fuel it needs or supply it all from the Colonial pipeline, and it can be cheaper to import both crude oil and refined products in to New Jersey from other nations. A tariff could easily amount to 25¢ a gallon in increased taxes on those specific gallons. But those gallons would then get pooled into big storage tanks with non-tariffed gallons and so the cost would be spread out, making it more challenging to attribute how much of any given gallon of fuel has exactly how much tariff.

We appreciate the effort to try and exempt smaller businesses from the compliance burden, however if using gross revenue as the metric then $500,000 is too low. Protecting our members would need something like $10 million in gross revenue. A repair shop or an independent convenience store would need $2 million to be safely covered, and fuel sales alone would need $5 million.

We are also concerned about the requirement for periodic audits from the State, and the time it would take for a business to accommodate those inspections. We also wonder whether there would be sufficient state capacity to provide the necessary enforcement and conduct the research necessary to ensure accuracy across the full retail economy. Also, the fine is listed at $500 maximum per violation. But it is not clear to me which act would count as a violation, would a calculation mistake spread over 200 products be 200 different violations at once?

No doubt, every consumer in the state should be aware that they are paying more than they should be because of these tariffs; these tax increases which were enacted without the express consent of our elected representatives in Congress, who could perhaps have taken a more reasonably balanced approach. Generally, I think all businesses would like consumers to be aware that much of the recent price increases they have seen have been because of forces beyond their control—particularly the tariffs. But there is nothing stopping a business from choosing to try and make some of these disclosures currently.

Rather than adding to the regulatory burdens we have been hit with by passing this bill, perhaps a better course would be for the State to undertake a meaningful and objective study and inform both businesses and the public about the scale of the cost increases we are being hit with due to the President's attempt to micromanage trillions of dollars' worth of economic activity.

We ask that you not move forward with this bill at this time, thank you.