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Research Informing Policies & Practices
for Healthy Youth

State Approaches to Taxation of Sugar-Sweetened Beverages

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Presentation Objectives

- Explain how taxes applied to sugar- and artificially-sweetened beverages are different than taxes applied to tobacco products
- Describe applicability of state tax definitions of “food” for understanding tax applicability for SSBs and/or ASBs
- Describe four main approaches to taxing SSBs and ASBs
- Review data on SSB and ASB taxes at the state level
- Provide new, preliminary data on local taxes applied to regular, sugar-sweetened sodas
- Provide information on where to access the state tax data

SSBs and ASBs are currently taxed differently than tobacco products

Category	Tobacco Taxes	SSB/ASB Taxes
Predominant tax vehicle	Excise taxes	Sales taxes (with exception in 7 states)
Type of tax	Specific tax— \$/pack	Ad valorem – % of price
Highest state tax	\$3.46/pack (Rhode Island)	7.25% (equivalent to \$0.0725 for \$1.00 bottle of soda) (California)

Understanding Food/Beverage Tax Definitions-1

- Depending on the state definitions, taxes on sodas and other beverages are based on either the general sales tax or the food sales tax
- General sales tax applies when “food” is defined to explicitly exclude items of interest
 - *E.g., KY Rev Stat Ann 139.485: “Food and food ingredients” are not taxable items; however, “food and food ingredients” shall not include...soft drinks.*
 - *In this example, food generally is not taxed but soft drinks are taxed at a rate of 6% (same as state sales tax)*

Understanding Food/Beverage Tax Definitions-2

- Food sales tax applies when “food” is defined to explicitly include items of interest
 - *E.g., AZ Admin Code R15-5-1860: “The following are examples of items which the Department consider as tax exempt food...soft drinks and soda”*
 - *In this example, food generally is not taxed so soft drinks and soda also are not taxed*
- States that tax items higher than the state food tax rate are considered to have **disfavored** the item relative to food products generally – **disfavored tax**
 - *E.g. State tax on sodas is 6% while food tax is 1% → Disfavored amount is 5%*
- Taxes applied to vending machine sales are higher than those applied to grocery sales

State Approaches to SSB Taxation

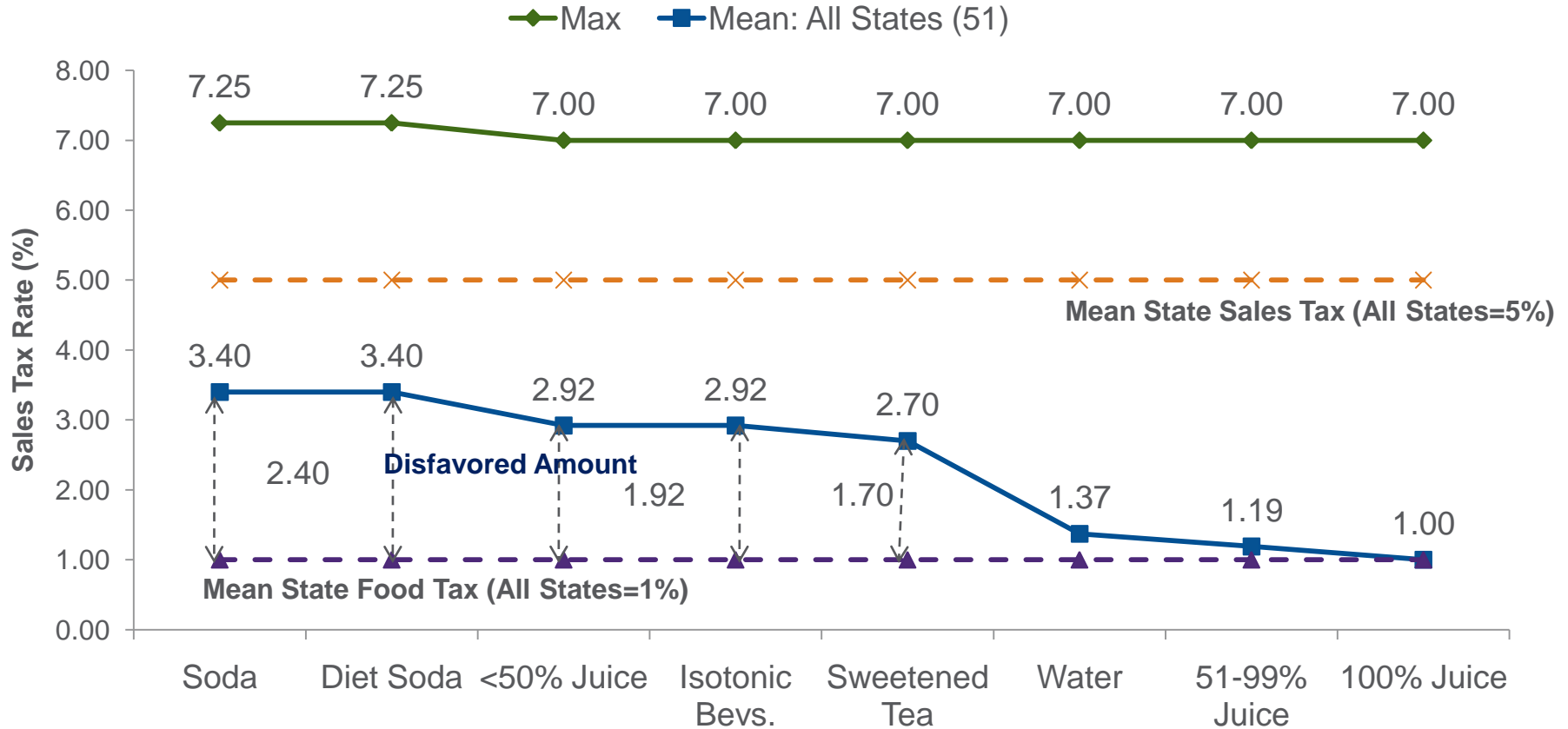
Approach	Specific Tax/ Fee on Quantity of Sugar or Bev. Volume	Ad Valorem (% of price)	Upon Whom Tax Imposed	Where Tax Presented to Consumer
Non-Sales Taxes				
Tax all SSBs	X	X	Manufacturer Distributor Wholesaler Retailer	Shelf-price
Tax all Beverages (or selected including non-SSBs)	X	X	Manufacturer Distributor Wholesaler Retailer	Shelf-price
Sales Taxes				
Tax all SSBs		X	Consumer	Point of purchase
Tax all/selected Beverages		X	Consumer	Point of purchase

State Approaches to SSB Taxation— Examples Assuming 20 oz. bottle of soda at \$1/bottle

Type of Tax	Taxable Beverage(s)	Tax Approach	Where Tax Presented to Consumer	Tax Amount	Total Price
Non-sales	SSB bottles/ syrops/powd ers	Excise tax -- \$0.01 per gram* of sugar	Shelf price	\$0.55	\$1.55
Non-sales	All SSB and ASB bottles/ syrops/ powders	Ad valorem – 5% of price	Shelf price	\$.05	\$1.05
Sales	All SSBs	Excise tax -- \$0.01/ounce	Check out	\$0.20	\$1.20
Sales	All SSBs and ASBs	Ad valorem – 6% of price	Check out	\$0.06	\$1.06

*According to the USDA National Nutrient database, there are 55.08 grams of sugar per 20 oz. bottle of sugar-sweetened soda

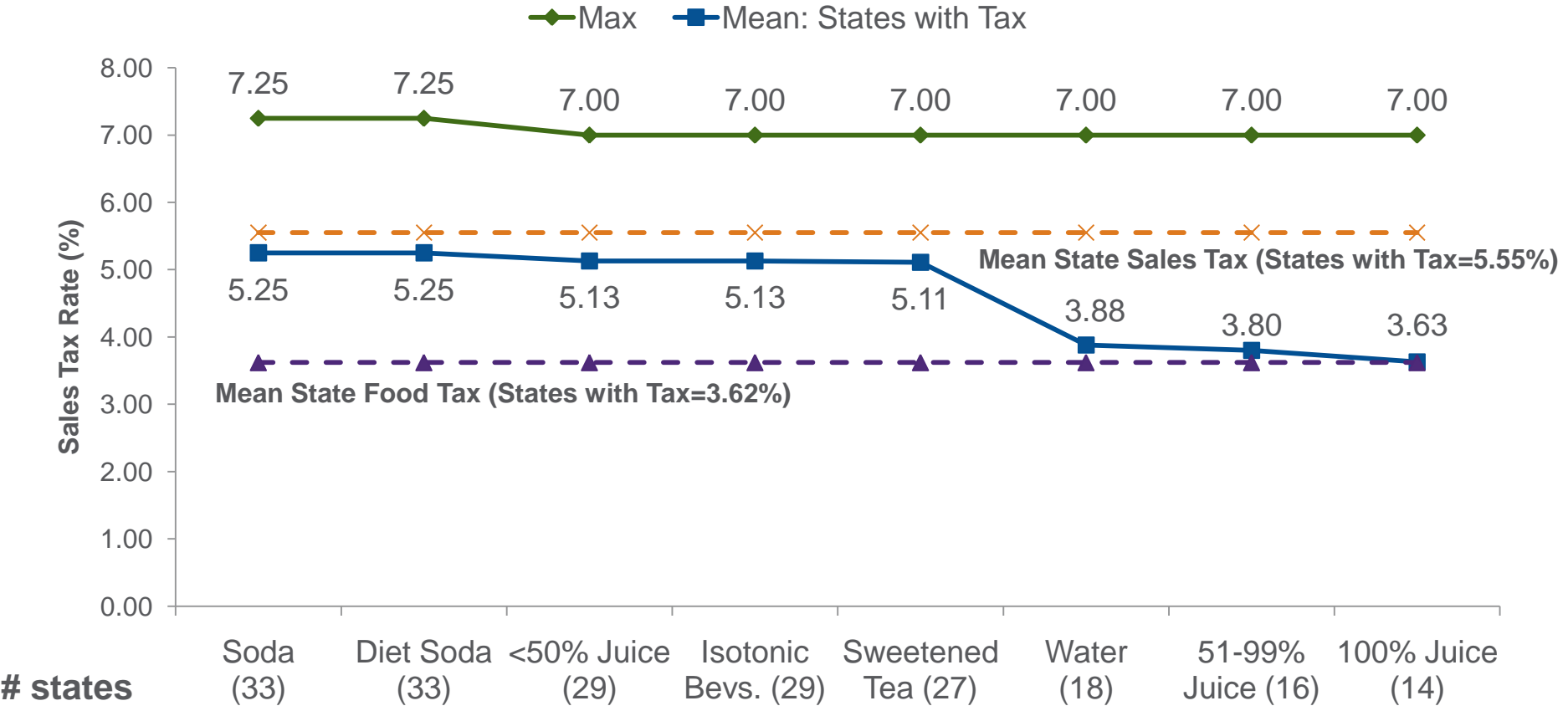
Sales Taxes on Selected Beverages, All States (as of January 1, 2010)



Note: Three states also impose a mandatory statewide local tax that is not reflected in the above data: CA (1%), UT (1.25%), VA (1%).

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Sales Taxes on Selected Beverages, Taxing States (as of January 1, 2010)



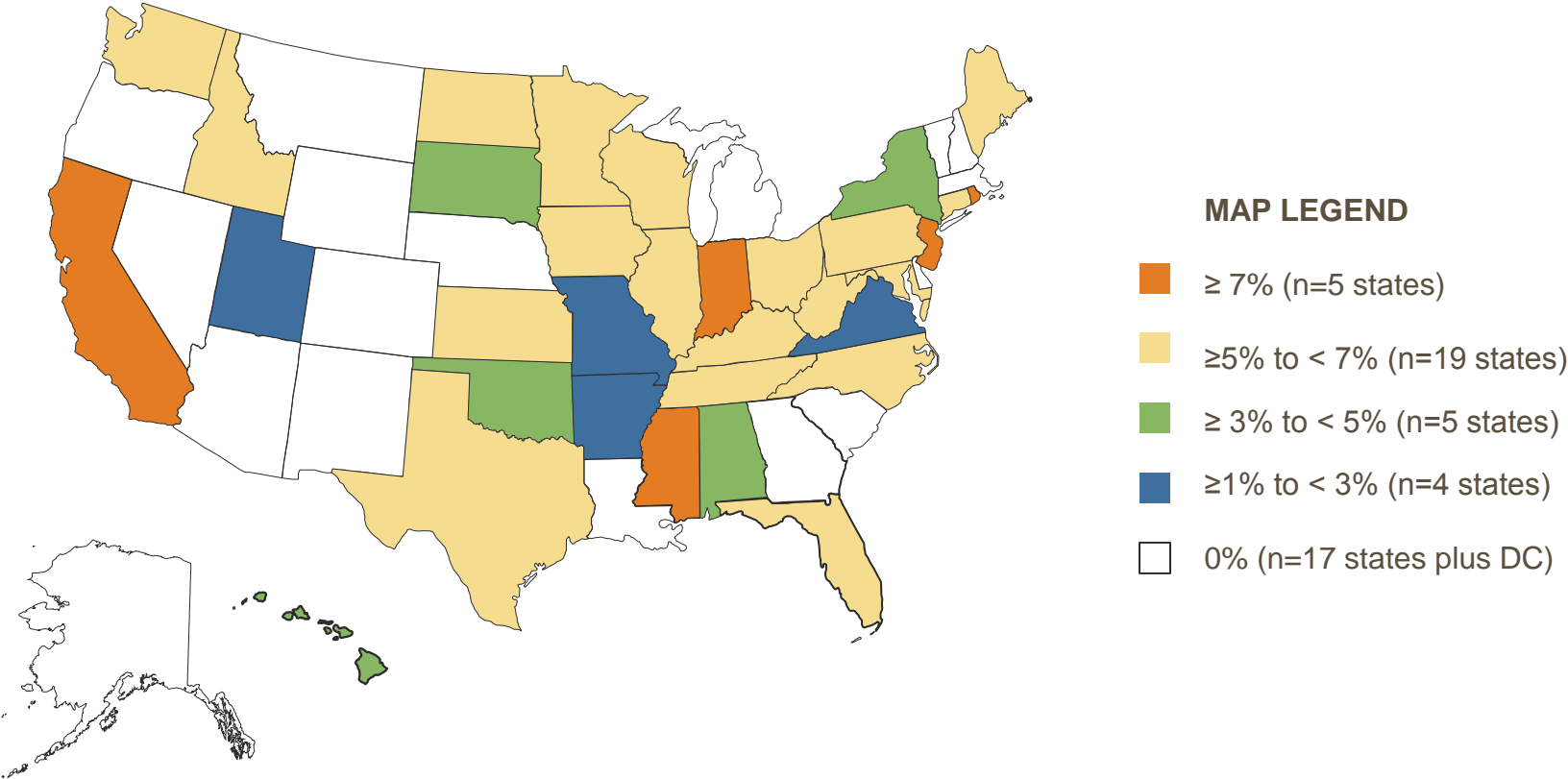
Note: Three states also impose a mandatory statewide local tax that is not reflected in the above data: CA (1%), UT (1.25%), VA (1%).

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Sales taxes applied to vending machines sales, selected beverages (as of January 1, 2010)

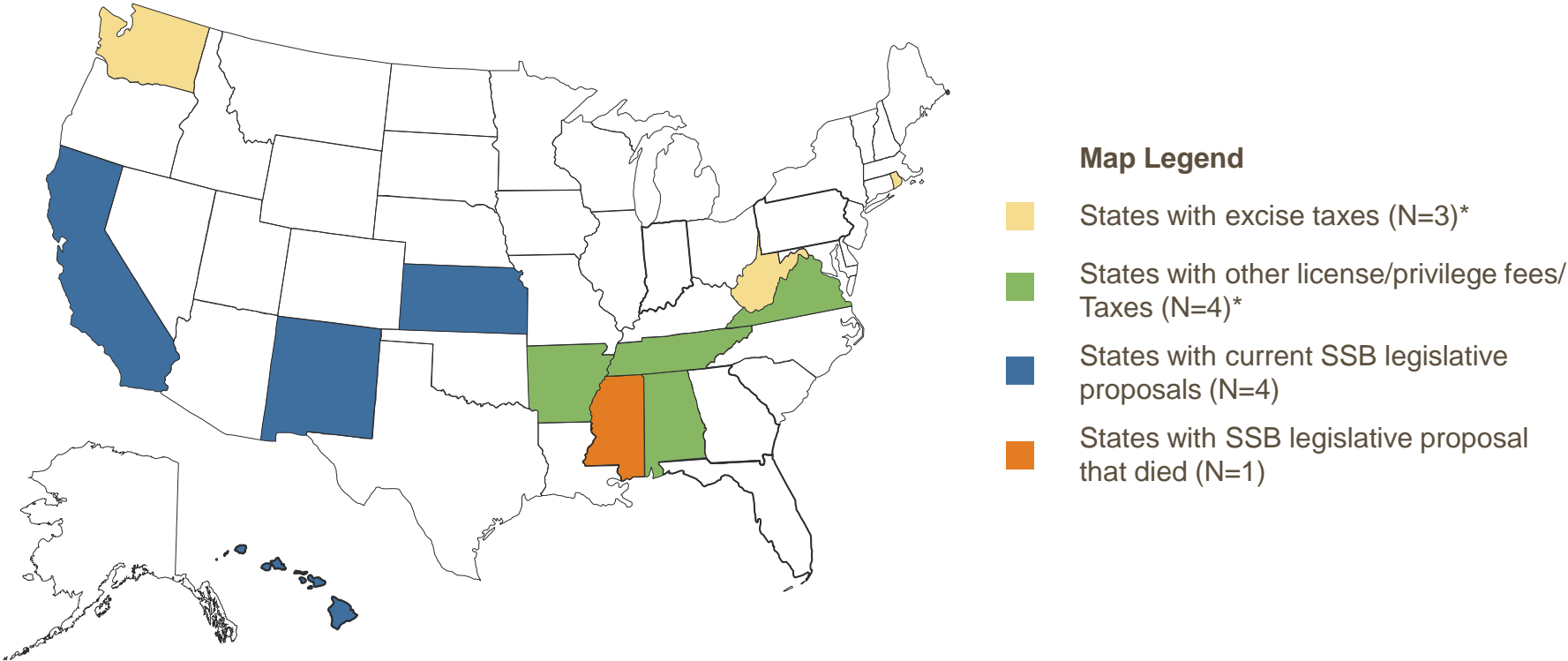
	Mean all states (%)	Max (%)	N	Mean taxing states (%)
Soda	4.06	8.00	39	5.31
Diet Soda	4.06	8.00	39	5.31
≤ 50% fruit juice	3.94	8.00	38	5.29
Isotonic beverages	3.94	8.00	38	5.29
Sweetened teas (bottle/can)	3.83	8.00	37	5.27
Bottled water	3.36	8.00	34	5.04
>51% fruit juice, but < 100% fruit juice	3.28	8.00	33	5.07
100% fruit juice	3.28	8.00	33	5.07

State Sales Taxes on Regular and Diet Soda as of January 1, 2010



Note: Three states also impose a mandatory statewide local tax that is not reflected in the above data: CA (1%), UT (1.25%), VA (1%).

States with Non-Sales* Taxes on Selected Beverages (as of 1/1/10) or SSB-related Legislative Proposals in 2010



*Additional excise/ad valorem (non-sales) taxes may be applied at the manufacturer, distributor, wholesaler, and/or retailer levels and are applied to bottles, syrup, powders and/or mixes. Taxes apply to regular and diet soda, isotonic, and sweetened tea in AL, AR, RI, TN, and WV. Taxes only apply to regular and diet soda in VA and WA.

State SSB-related Legislative Activity, 2010 Legislative Session (includes carryover)

5 states have introduced SSB-specific excise/ privilege tax bills during the current legislative session:

California and Kansas (tax upon sweetened beverage manufacturers at a rate of \$0.01/teaspoon sugar in SSB/concentrate)

Hawaii (1% gross proceeds on sale of SSBs)

Mississippi (\$0.02/ounce or \$2.56/gallon produced from syrup)—**Died in Committee**

New Mexico (\$0.005/ounce imposed on distributors)

City-level tax proposals

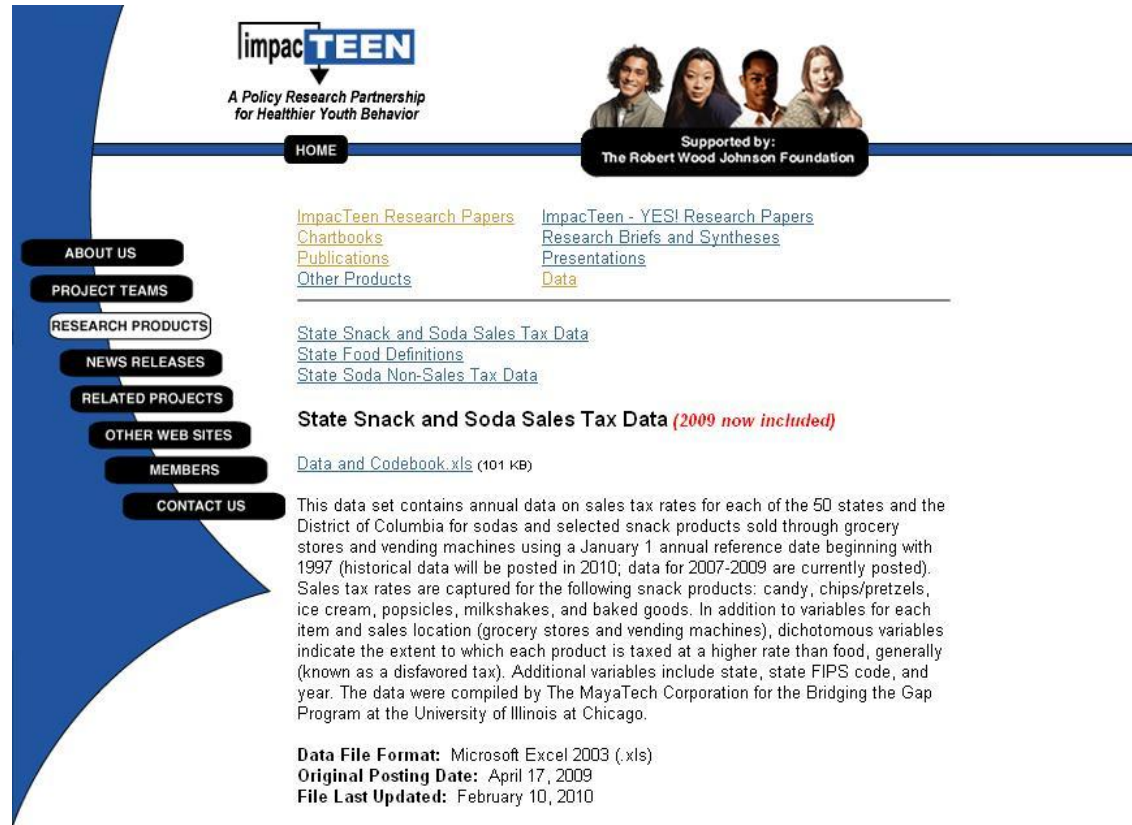
Philadelphia - \$0.02/ounce – **Died in City Council**

Washington DC - \$0.01/ounce – **Died in DC Council (but did extend sales tax base to include SSBs)**

Local governments also tax SSBs and ASBs

- Collecting local taxes applied to regular, sugar-sweetened soda and candy for communities nationwide surrounding the University of Michigan's 2010 Monitoring the Future schools
- Preliminary data compiled from 42 communities located in 10 states indicate that local taxes are definitely being added **on top of the state tax**:
 - **Local Tax Range:** 0-5.87%
 - **Mean:** 1.53%
 - **Standard Deviation:** 1.30%
 - Example: State soda tax (2%) + local tax (5.87%) = 7.87%
state + local tax

For more information—state tax data: www.impactteen.org/data/obesitydata.htm



The screenshot shows the ImpactTeen website interface. At the top, the logo reads "ImpactTEEN" with a downward arrow, followed by the tagline "A Policy Research Partnership for Healthier Youth Behavior". To the right, a photo of four diverse young people is shown above the text "Supported by: The Robert Wood Johnson Foundation". A horizontal navigation bar contains a "HOME" button. On the left, a vertical blue sidebar features a series of black buttons with white text: "ABOUT US", "PROJECT TEAMS", "RESEARCH PRODUCTS", "NEWS RELEASES", "RELATED PROJECTS", "OTHER WEB SITES", "MEMBERS", and "CONTACT US". The main content area on the right lists various resources: "ImpactTeen Research Papers", "Chartbooks", "Publications", "Other Products", "ImpacTeen - YES! Research Papers", "Research Briefs and Syntheses", and "Presentations". Below these is a link for "Data". A section titled "State Snack and Soda Sales Tax Data (2009 now included)" is highlighted. Underneath, there is a link for "Data and Codebook.xls (101 KB)" and a detailed paragraph describing the data set, which includes annual sales tax rates for 50 states and the District of Columbia for sodas and selected snack products from 1997 to 2009. Further down, it specifies the "Data File Format" as Microsoft Excel 2003 (.xls), the "Original Posting Date" as April 17, 2009, and the "File Last Updated" as February 10, 2010.

For more information: www.bridgingthegapresearch.org

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Sugar-Sweetened Beverage Taxes

Latest data about the potential effects of sugar-sweetened beverage taxes on behavior and health.

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Beverage tax could help curb obesity



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Bridging the Gap is a nationally recognized research program. Our goal is to improve the understanding of how policies and environmental factors affect diet, physical activity and obesity among youth, as well as youth tobacco use.

What We Do

- Identify the policy and environmental factors that have the greatest impact on diet, physical activity, obesity and tobacco use among youth.
- Track trends and changes in these factors over time at the state, community and school levels.
- Disseminate findings to help advance solutions for reversing the childhood obesity epidemic and preventing young people from smoking.

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