

bridging the gap

Research Informing Policies & Practices
for Healthy Youth

Soda Taxes, Consumption and Weight Outcomes

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Presentation Outline

- Objectives
- Individual-level and Tax Data
- Models
- Empirical Results
- Policy Implications

Taxation: Overview of Empirical Studies

Objectives, Data and Models

Objectives

- Empirical findings on association of state-level soda taxes with consumption and weight outcomes, using national data sets including:
 - A.C. Nielsen Homescan Data
 - Early Childhood Longitudinal Study-Kindergarten Cohort (ECLS-K)
 - Monitoring the Future (MTF)
 - National Longitudinal Survey of Youth 1997 (NLSY97)

Tax Data

- State level soda taxes from Bridging the Gap (BTG)
- Linked by state FIPS codes and year
- Measures used:
 - State-level soda tax rate
 - Categorical indicators for state-level soda tax rates:
 - a. Zero tax
 - b. $0 < \text{soda tax rate} \leq 4\%$
 - c. $4\% < \text{soda tax rate} \leq 5\%$
 - d. $5\% < \text{soda tax rate} \leq 6\%$
 - e. Soda tax rate $> 6\%$
 - Disfavored tax rate (soda tax rate – general food tax rate)
 - Disfavored dichotomous indicator (indicator if disfavored tax rate > 0)

Models

Cross-Sectional Model:

$$\text{Consumption/Weight}_{ist} = \beta_0 + \beta_1 \text{Tax}_{st} + \beta_2 \text{OC}_{st} + \beta_3 X_{it} + \beta_4 D_{it} + \varepsilon_{ist}$$

Longitudinal Model:

$$\text{Consumption/Weight}_{ist} = \beta_0 + \beta_1 \text{Tax}_{st} + \beta_2 \text{OC}_{st} + \beta_3 X_{it} + \beta_4 D_{it} + v_i + w_{ist}$$

❖ Random Effects Models: Assumes v_i and independent variables are not correlated

❖ Fixed Effects Models: Difference out the constant individual-specific residual v_i and provide within person effects

Soda Taxes and Consumption

A.C. Nielsen Homescan Data

Objective

- To examine the association of soda taxes with household soda purchases

Data Description

- Cross-section of household purchase information based on scanner data from a variety of stores, 2nd Q 2007
- Household demographic data
- Final sample includes 66,211 non-military households
- Outcome variable: soda volume in ounces of carbonated beverages purchased per household over the sample period (m=566 ounces ~ 2 cases of 12 oz cans)
- Control variables: household income, size, race, educational attainment, presence of children/age, female head of household employment status, and census regions

Preliminary Results

OLS Regression Results: Soda Volume

	All Households	Households with Children	Households without Children
Disfavored Soda Tax Amount	-9.352**	-10.983**	-8.417**
Disfavored Soda Tax Status	-42.247	-49.247	-38.417

Source: Loudermilk, Powell, Chriqui, and Chaloupka, *in progress*, 2010

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Policy Simulation Example: Household Soda Purchases

- Study results imply very small tax elasticities for purchases of -0.06.
- If tax rate went up 1 percentage point from its current average, soda purchases would be expected to fall by about 9.4 liquid ounces per household per quarter.
- Consider a large tax increase such as the one recently proposed in NY (soda tax of 18%) then rates would increase 14 points from the mean with an implied decrease in soda volume of 132 liquid ounces, 23% of mean purchases, for the average household.
- Consider the imposition of an excise or other, non-sales tax of 1 cent per liquid ounce (~25% tax depending on the quantity and unit size purchased), the implied reduction in household consumption would be 197 liquid ounces or 35% of quarterly regular soda purchases.

Soda Taxes, Children's Consumption, and Weight

Early Childhood Longitudinal Study-Kindergarten Cohort

Objective

- To examine association between soda taxes, consumption and weight of children

Data Description

- Nationally representative panel of elementary school students.
- Food consumption 5th grade; measured height and weight
- Final sample: 7,414 children who reported their food consumption and 7,300 children for which height and weight information exists
- Outcome variables: soda consumption in last week (m=6), soda purchases at school (m=0.4), and weight change 3rd to 5th grade (m=1.9)
- Control variables: age in months, race/ethnicity, family income, mother's education level, physical activity, TV watching, parent-child interactions.

Associations by Sub-populations

Outcome Variable	Total Consumption		School Consumption		BMI Change	
	Higher Soda Tax Amount	Higher Soda Tax Indicator	Higher Soda Tax Amount	Higher Soda Tax Indicator	Higher Soda Tax Amount	Higher Soda Tax Indicator
Full Sample	-0.004	-0.006	-0.010	-0.064*	-0.013*	-0.085**
At Risk of Overweight	-0.026	-0.078	-0.011	-0.067	-0.033**	-0.222**
Low-Income	-0.142*	-0.811	-0.039**	-0.239**	-0.000	-0.005
African American	-0.125	-0.767	-0.103**	-0.585**	0.029	0.086
9+ Hrs TV	-0.073	-0.376	-0.029**	-0.178**	-0.014	-0.091

Source: Sturm, Powell, Chriqui, and Chaloupka, *Health Affairs*, 2010

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Policy Simulation Example: Children's BMI

- Assuming a linear extrapolation, an 18% differential soda tax would correspond to a -0.23 BMI units in the change in BMI between 3rd and 5th grade, or a 20% reduction in the excess BMI gain.

Soda Taxes and Adolescents' Weight

Monitoring the Future

Objective

- To examine association of soda taxes with youths' BMI

Data Description

- Cross-section individual-level data for 8th, 10th, and 12th grade students, 1997-2006
- Estimation sample includes 153,673 observations
- Outcome variable: body mass index (BMI)
- Control variables: gender, age, grade, race, ethnicity, student's hours work and income, parents' education, work, marital status
- Neighborhood controls: Food store and restaurant availability and per capita income

Associations between Taxes and BMI: Full Sample and by Sub-populations

	Grocery Store Soda Tax Rate	Presence of Grocery Store Tax	Disfavored Grocery Soda Tax Status	Disfavored Grocery Soda Tax Amount	Vending Machine Soda Tax Rate	Presence of Soda Vending Machine Tax
Full Model	0.0131	0.0638	0.0735	0.0124	0.0110	0.0514
By Weight Status						
At Risk of Overweight	-0.0058	-0.0252	-0.0337	-0.0054	-0.0060*	-0.0210
Not at Risk	0.0165	0.0809	0.0993	0.0166	0.0142	0.0665
By Grade						
8th Grade	0.0031	0.0429	0.0373	0.0043	0.0070	0.0590
10th Grade	0.0241	0.0997	0.1117	0.0212	0.0216	0.0873
12th Grade	0.0075	0.0400	0.0342	0.0043	-0.0101	-0.0478
By Parents' Education						
Some College	0.0160	0.0948	0.0985	0.0156	0.0146	0.0845
Less than College	0.0067	-0.0134	0.0003	0.0033	0.0017	-0.0354

Source: Powell, Chiqui, and Chaloupka, *Journal of Adolescent Health*, 2009

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Soda Taxes and Adolescents' Weight

National Longitudinal Survey of Youth 97

Objective

- To examine association of soda taxes with youths' BMI using cross-sectional *and* longitudinal models

Data Description

- Nationally representative longitudinal data on youth aged 12 to 17 in 1997; 4 waves of including 1997, 1998, 1999 and 2000
- Estimation sample includes 11,900 person-year observations living at home
- Information on parental characteristics available from parental questionnaire and annual household roster data
- Outcome variable: weight status: BMI and overweight prevalence
- Control variables: age, gender, race, ethnicity, income, mother's education, mother's employment status
- Neighborhood controls: median household income

Preliminary Regressions Results-Cross Sectional Analysis

	Female		Male	
	BMI	Overweight	BMI	Overweight
Full Sample				
0<tax≤4%	0.0552	0.0019	-0.0337	-0.0055
4%<tax≤5%	0.1339	0.0017	-0.1457	-0.0160
5%<tax≤6%	-0.0797	-0.0105	0.2203	0.1010
tax>6%	-0.0548	-0.0053	0.5410*	0.0257
Low Income				
0<tax≤4%	-0.5963	-0.0371*	-0.5030	-0.0556**
4%<tax≤5%	0.2401	-0.0094	-0.2245	-0.0073
5%<tax≤6%	-0.3359	-0.0436**	-0.1683	-0.0470**
tax>6%	-0.4483	-0.0369*	-0.4099	-0.0435**

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tax>6%	-0.4483	-0.0369*	-0.4099	-0.0435**

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Preliminary Regressions Results-Longitudinal Analysis (FE)

	Female		Male	
	BMI	Overweight	BMI	Overweight
Full Sample				
0<tax≤4%	-0.7805**	-0.0078	-0.4054***	-0.0503
4%<tax≤5%	-0.7938**	-0.0153	-0.0942	-0.0369
5%<tax≤6%	-0.2033	0.0308*	-0.2297	-0.0591
tax>6%	-0.5647	0.0667*	0.4693	-0.0212
Low Income				
0<tax≤4%	-2.1950***	-0.0628***	-1.0196***	-0.0922***
4%<tax≤5%	-2.3600***	-0.0737**	-0.5907*	-0.0732***
5%<tax≤6%	-1.1818	-0.0162	-1.5229***	-0.0879***
tax>6%	-0.2139	0.0847	0.5069	-0.0969**

Source: Powell et al., *in progress*, 2010

Preliminary Regressions Results-Longitudinal Analysis (FE)

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	BMI	Overweight	BMI	Overweight
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0<tax≤4%	-0.7805**	-0.0078	-0.4054***	-0.0503
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tax>6%	-0.2139	0.0847	0.5069	-0.0969**

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Summary: Policy Implications of Empirical Results

- Generally very small associations between soda taxes and consumption or weight outcomes based on the existing low tax rates which range up to just 7%. Consistent with previous findings by others researchers such as Fletcher, Frisvold and Tefft.
- Larger associations for populations at greater risk for obesity.
- *Substantial* increases in soda tax rates may have some measureable effects on outcomes and even greater effects at the population level.

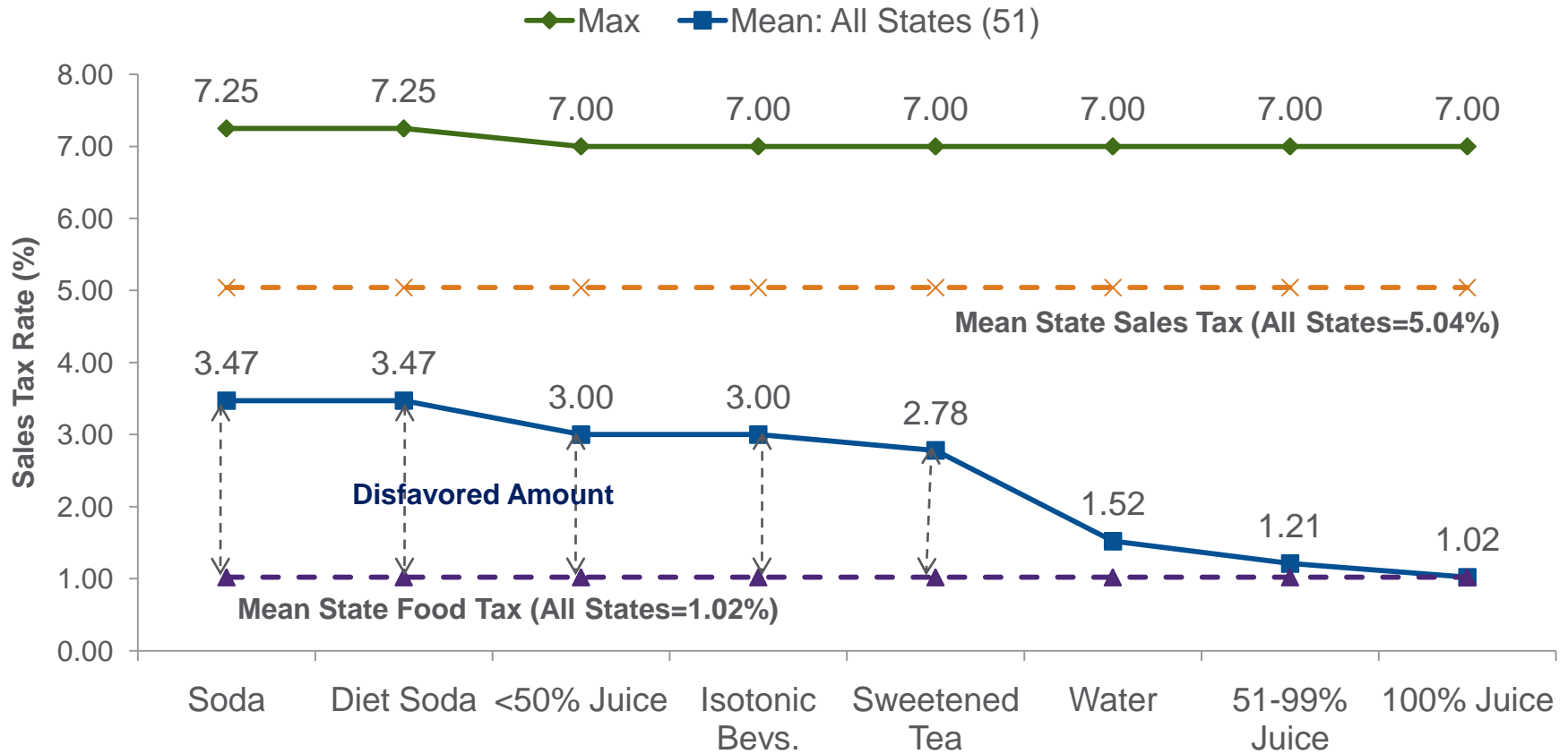
Policy Implications

Policy Landscape - Taxes

Food taxes have not generally been introduced with the aim of modifying consumption behavior as they have been used in other public health areas such as tobacco.

Food taxes are currently imposed on selected categories of food such as soft drinks, candy and snacks in grocery stores and vending machines but at quite **low tax rates**.

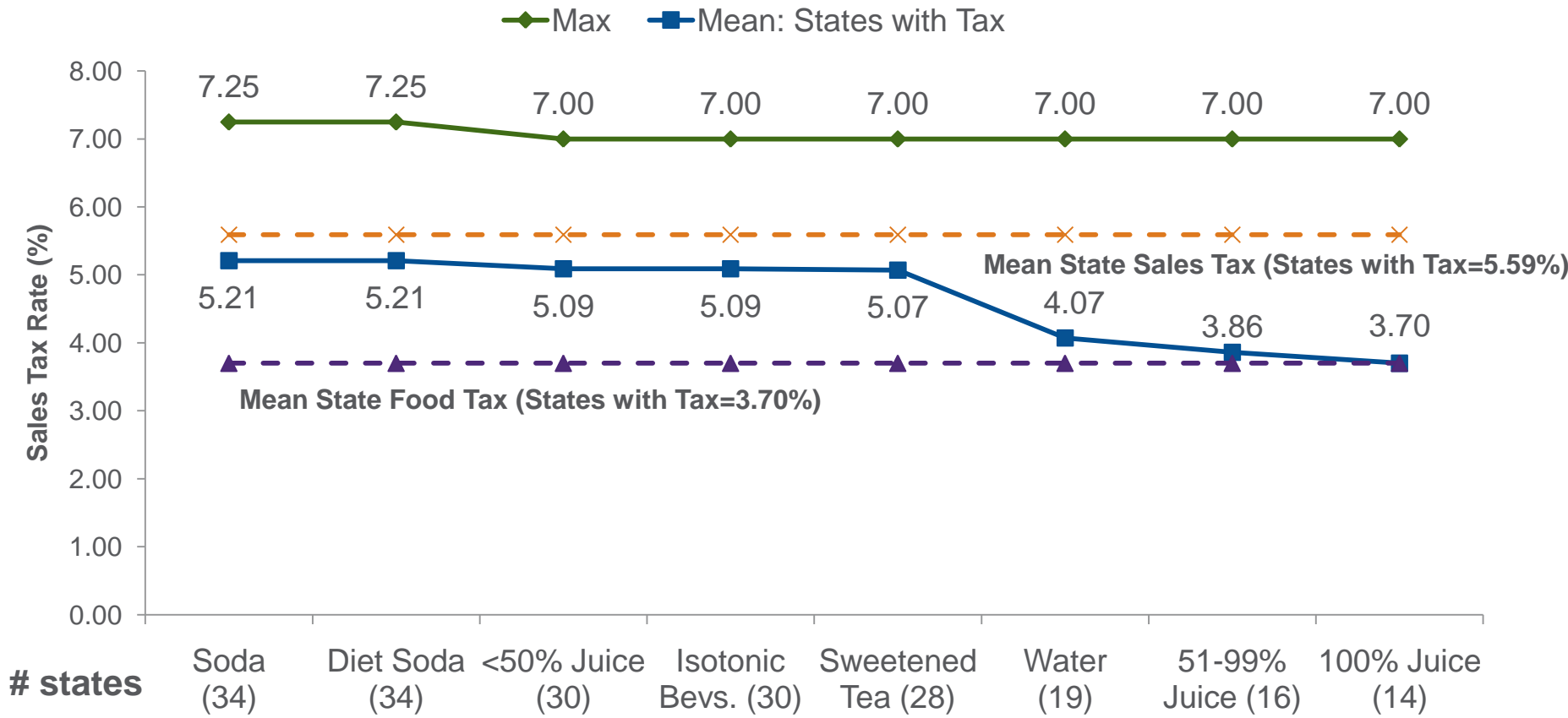
Sales Taxes on Selected Beverages, All States (as of July 1, 2010)



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 July 1, 2010)



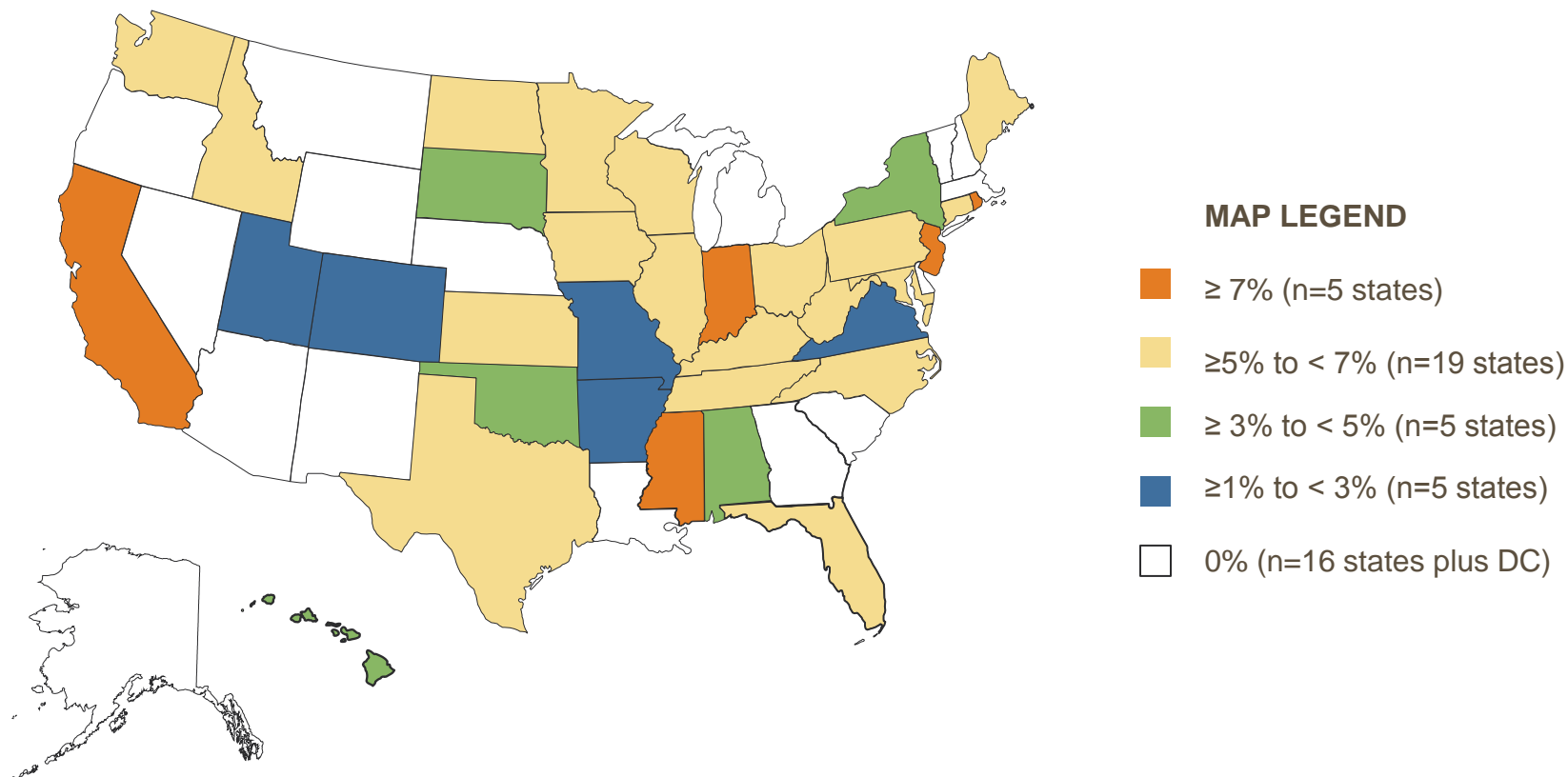
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Sales taxes applied to vending machines sales, selected beverages (as of July 1, 2010)

	Mean all states (%)	Max (%)	N	Mean taxing states (%)
Soda	4.14	8.00	40	5.28
Diet Soda	4.14	8.00	40	5.28
≤ 50% fruit juice	4.02	8.00	39	5.26
Isotonic beverages	4.02	8.00	39	5.26
Sweetened teas (bottle/can)	3.90	8.00	38	5.24
Bottled water	3.38	8.00	34	5.07
>51% fruit juice, but < 100% fruit juice	3.30	8.00	33	5.10
100% fruit juice	3.30	8.00	33	5.10

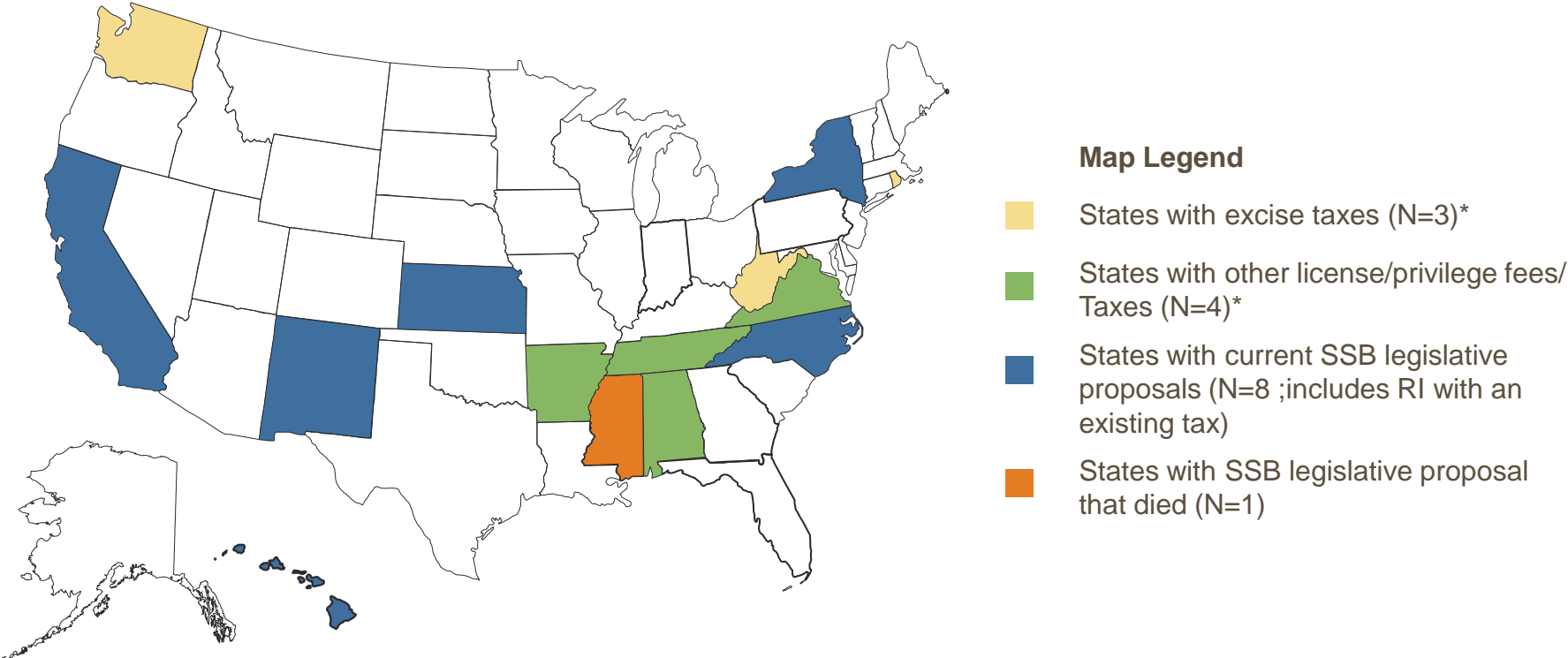
State Sales Taxes on Regular and Diet Soda as of July 1, 2010



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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States with Non-Sales* Taxes on Selected Beverages (as of 7/1/10) 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)—as of 8/27/10

8 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)

New York (\$1.28/gallon bottled soft drinks; \$1.28/gallon soft drink produced from powder/mix; \$7.68/gallon of syrup)

Rhode Island (\$0.05/20 ounces or \$0.10/>20 ounces) – **in addition to existing non-sales taxes**

South Carolina (\$0.01/13.5 grams of concentrate of sugar placed into SSB concentrate imposed on manufacturers)

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 effective 10/1/10)**

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Future Research and Tax Policy Design Implications

- Evidence as we go ... jurisdictions that adopt higher taxes on sugar sweetened beverages will provide natural experiments for researchers to examine the effectiveness of these efforts in promoting healthier dietary intake and curbing the obesity epidemic.
- Tax Policy Design: Implications for Potential Impact on Health Outcomes
 - ❖ Issues of applicability to food stamp purchases
 - ❖ Excise tax rather than a sales tax
 - Incorporated at shelf price
 - Applicable regardless of where items are sold
 - Applied on a per unit basis rather than a function of price so that quantity discounts are still taxed.

ImpacTeen

<http://www.impacteen.org>

Bridging the Gap

<http://www.bridgingthegapresearch.org>

Contact: powelll@uic.edu

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