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Research Informing Policies & Practices
for Healthy Youth

State Approaches to Taxation of Sugar-Sweetened Beverages

Jamie F. Chriqui, PhD
312-996-6410
jchriqui@uic.edu

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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

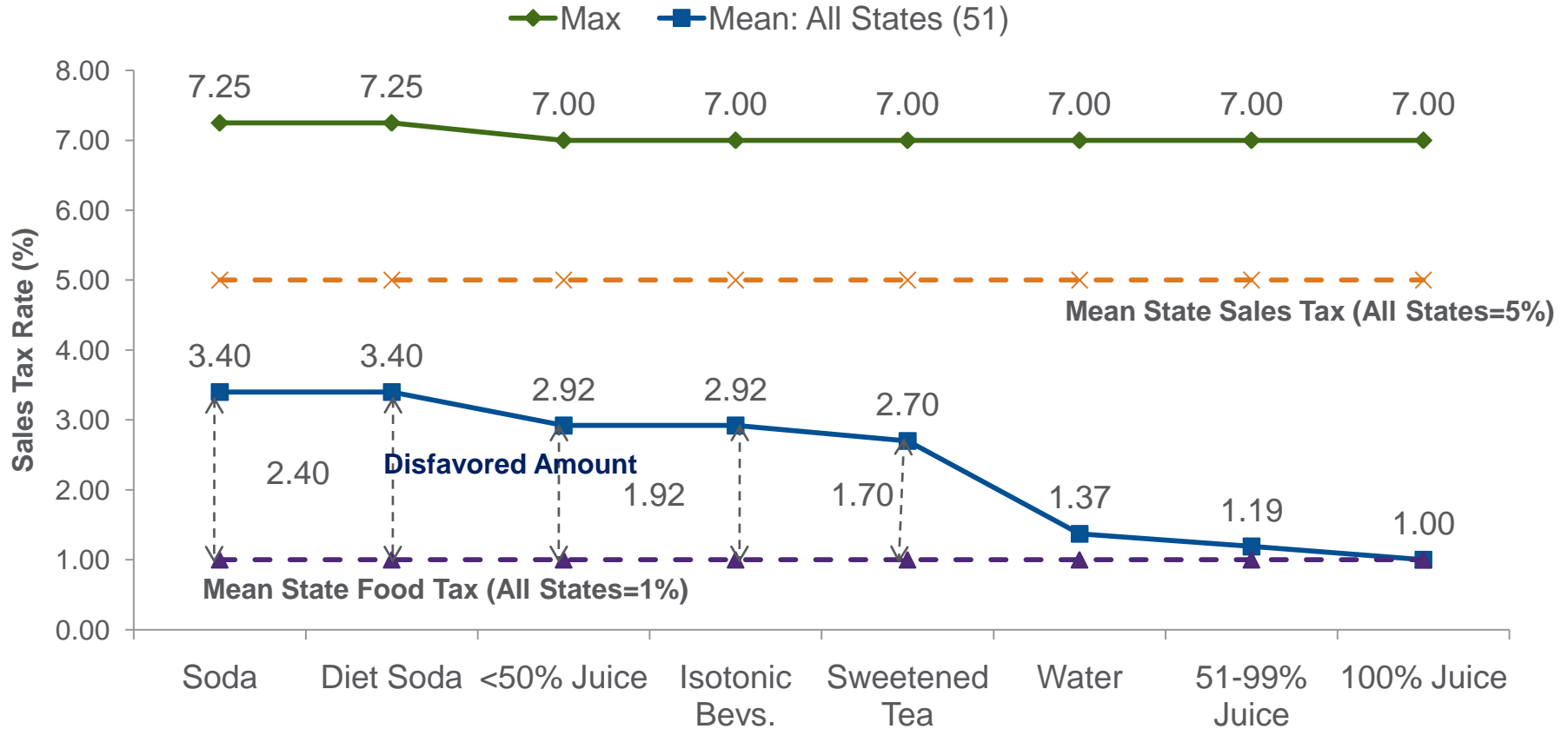
Approach	Specific Tax/ Fee on Quantity of Sugar or Bev. Volume	Ad Valorem (% of price)	Upon Whom Tax Imposed	Where Tax Presented to Consumer
Non-Sales Taxes				
Tax all SSBs	X	X	Manufacturer Distributor Wholesaler Retailer	Shelf-price
Tax all Beverages (or selected including non-SSBs)	X	X	Manufacturer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

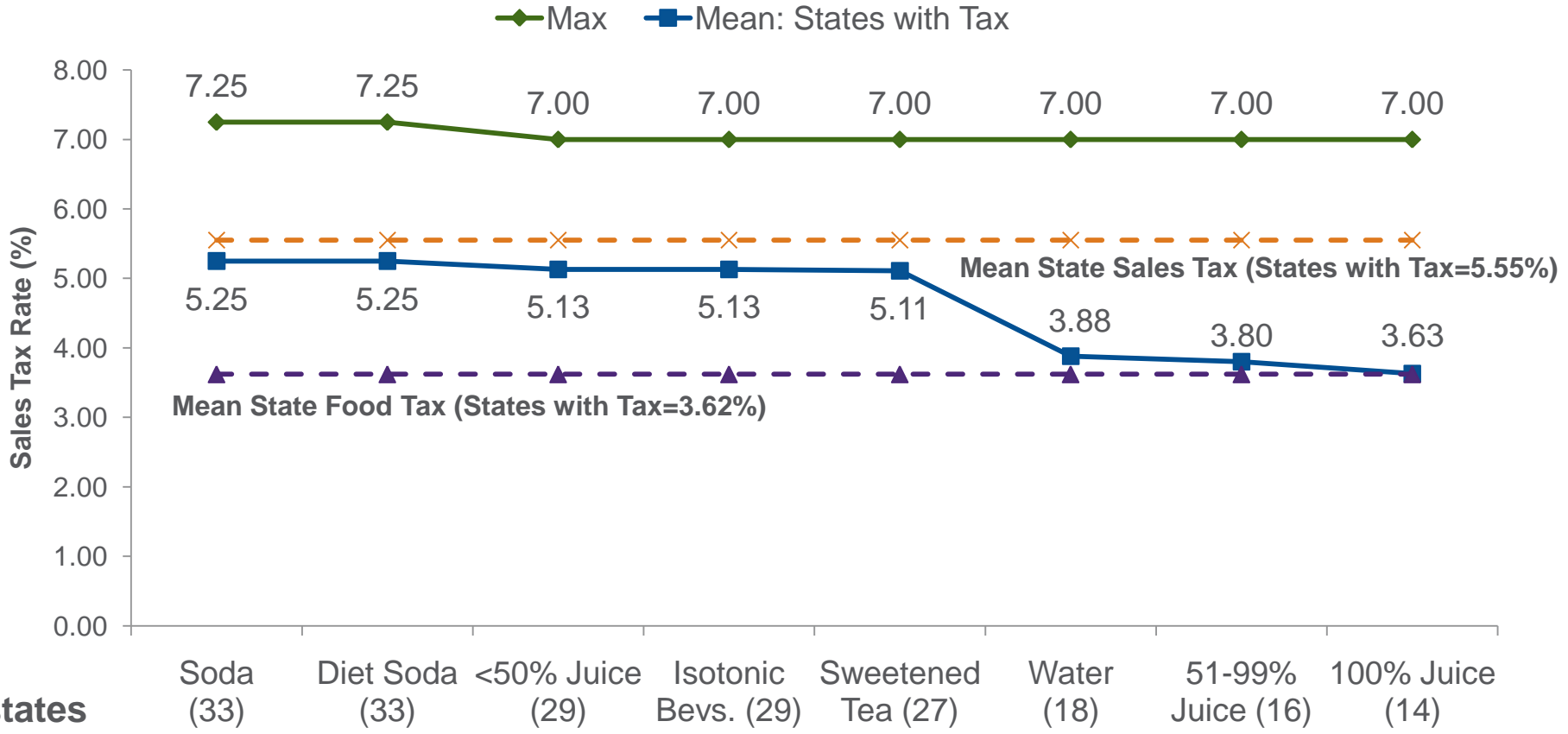
Sales Taxes on Selected Beverages, All States (as of January 1, 2010)



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)



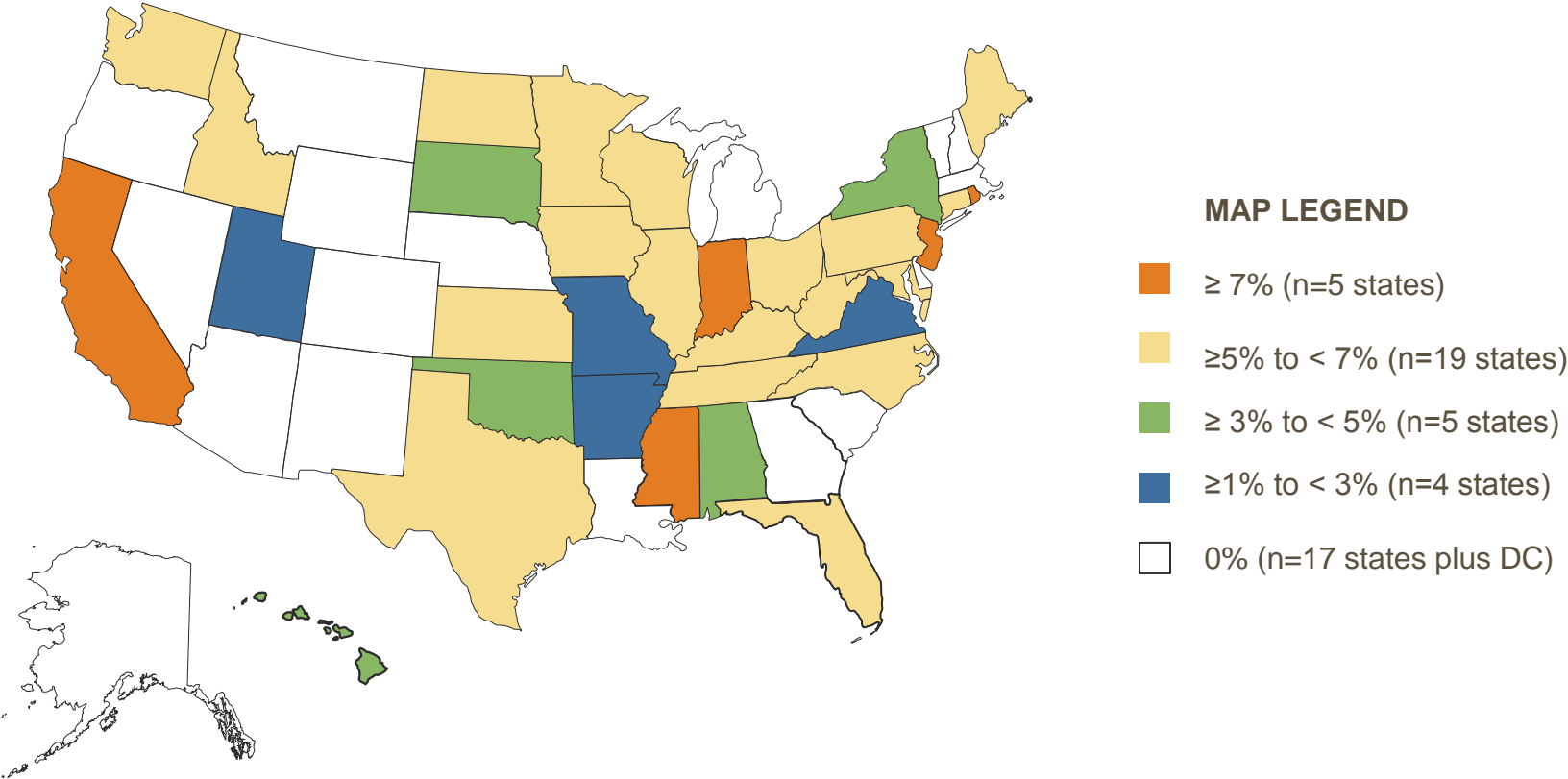
Note: Three states also impose a mandatory statewide local tax that is not reflected in the above data: CA (1%), UT (1.25%), VA (1%).

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

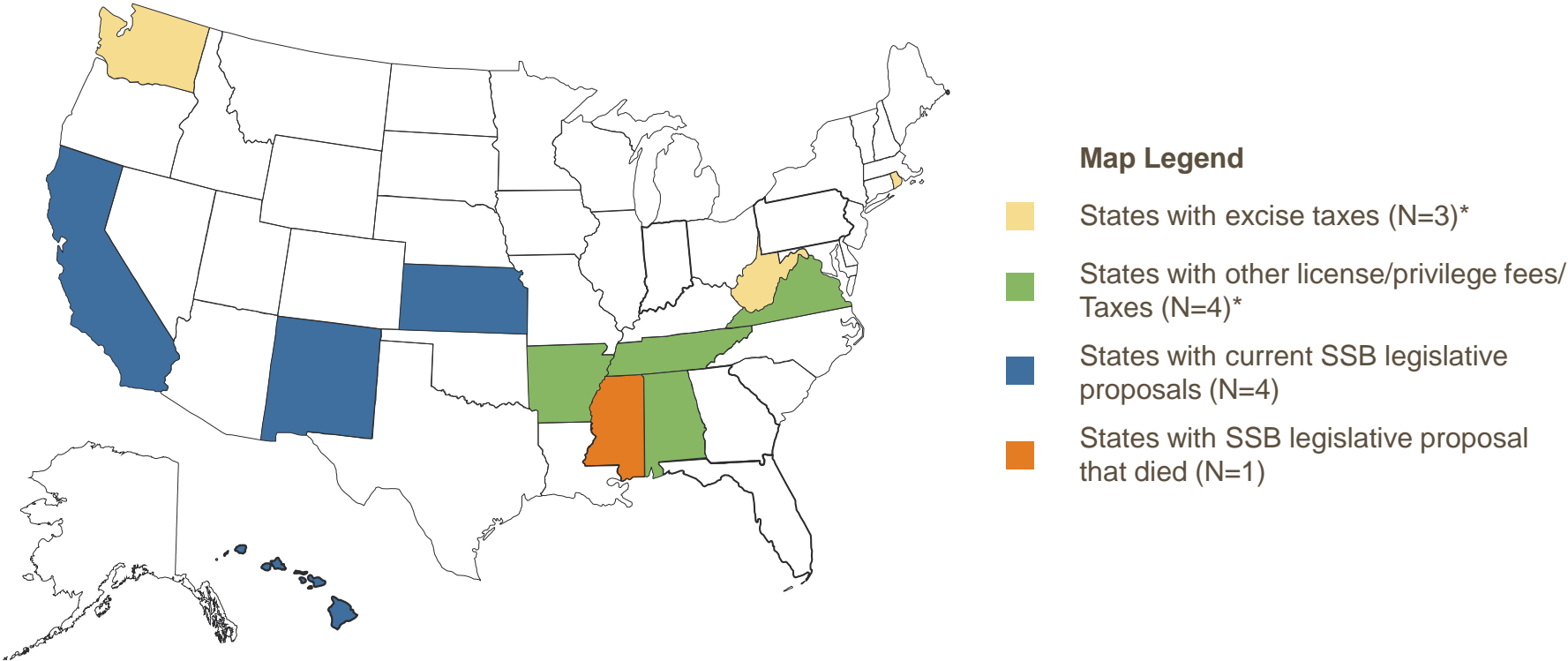
	Mean all states (%)	Max (%)	N	Mean taxing states (%)
Soda	4.06	8.00	39	5.31
Diet Soda	4.06	8.00	39	5.31
≤ 50% fruit juice	3.94	8.00	38	5.29
Isotonic beverages	3.94	8.00	38	5.29
Sweetened teas (bottle/can)	3.83	8.00	37	5.27
Bottled water	3.36	8.00	34	5.04
>51% fruit juice, but < 100% fruit juice	3.28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

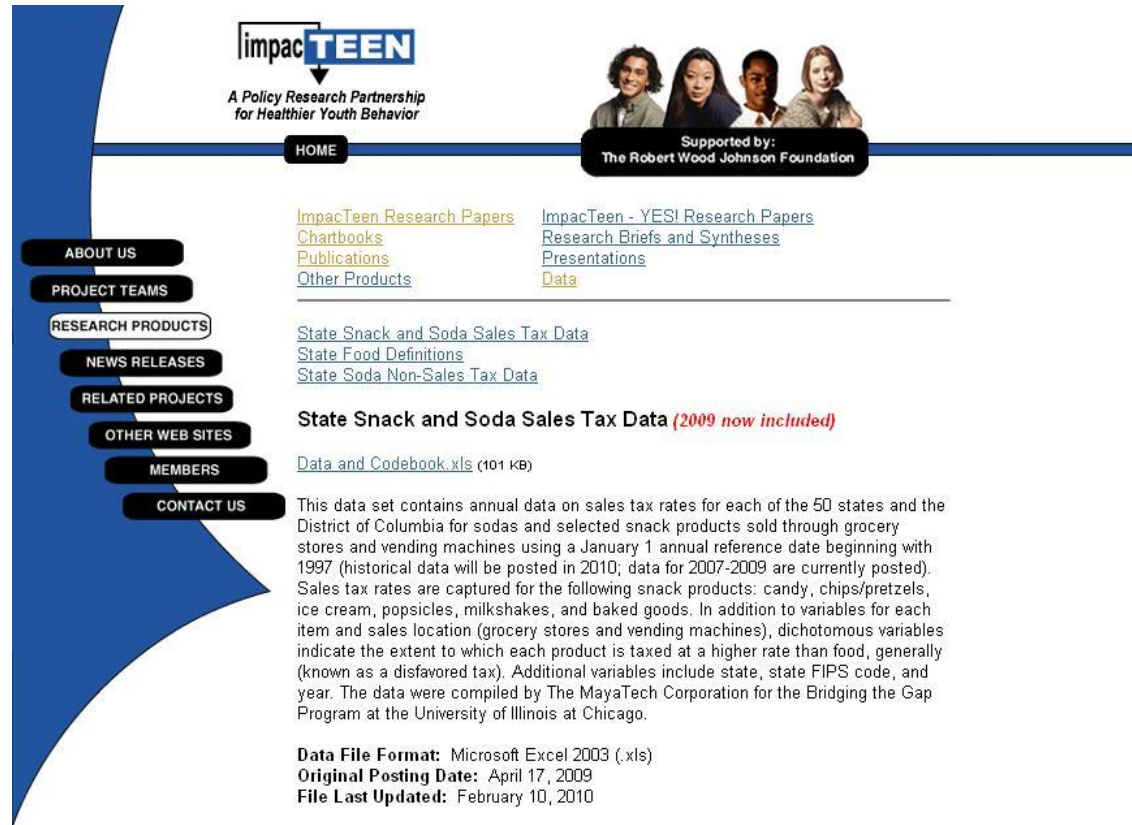
Philadelphia - \$0.02/ounce – **Died in City Council**

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 left is the ImpactTeen logo with the tagline "A Policy Research Partnership for Healthier Youth Behavior". To the right is a photo of four diverse young people and the text "Supported by: The Robert Wood Johnson Foundation". A horizontal navigation bar contains a "HOME" button. On the left side, a vertical blue bar contains several menu items: "ABOUT US", "PROJECT TEAMS", "RESEARCH PRODUCTS", "NEWS RELEASES", "RELATED PROJECTS", "OTHER WEB SITES", "MEMBERS", and "CONTACT US". The "RESEARCH PRODUCTS" menu item is highlighted. The main content area displays two columns of links: "ImpactTeen Research Papers" (with sub-links for Chartbooks, Publications, and Other Products) and "ImpactTeen - YES! Research Papers" (with sub-links for Research Briefs and Syntheses and Presentations). Below these is a link for "Data". The main heading is "State Snack and Soda Sales Tax Data (2009 now included)". Underneath is a link for "Data and Codebook.xls (101 KB)". The main text describes the data set, covering annual sales tax rates for 50 states and the District of Columbia from 1997 to 2009. It lists the types of snack products included and the variables collected. At the bottom of the main text, it provides the data file format, original posting date, and last update date.

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[State Snack and Soda Sales Tax Data](#)
[State Food Definitions](#)
[State Soda Non-Sales Tax Data](#)

State Snack and Soda Sales Tax Data (2009 now included)

[Data and Codebook.xls](#) (101 KB)

This data set contains annual data on sales tax rates for each of the 50 states and the District of Columbia for sodas and selected snack products sold through grocery stores and vending machines using a January 1 annual reference date beginning with 1997 (historical data will be posted in 2010; data for 2007-2009 are currently posted). Sales tax rates are captured for the following snack products: candy, chips/pretzels, ice cream, popsicles, milkshakes, and baked goods. In addition to variables for each item and sales location (grocery stores and vending machines), dichotomous variables indicate the extent to which each product is taxed at a higher rate than food, generally (known as a disfavored tax). Additional variables include state, state FIPS code, and year. The data were compiled by The MayaTech Corporation for the Bridging the Gap Program at the University of Illinois at Chicago.

Data File Format: Microsoft Excel 2003 (.xls)

Original Posting Date: April 17, 2009

File Last Updated: February 10, 2010

Additional information on the sales tax data set may be obtained from:

Chriqui, J.F., Eidson, S.S., Bates, H., Kowalczyk, S., & Chaloupka, F.J. (2008). [State sales tax rates for soft drinks and snacks sold through grocery stores and vending machines, 2007](#). *Journal of Public Health Policy*, 29: 226-249.

State Food Definitions (2009 now included)

[2008Definitions.pdf](#) (118 KB)

[2009Definitions.pdf](#) (122 KB)

These files contain definitions of food and food products for use in conjunction with the snack tax data. These definitions were compiled beginning with the 2008 tax data file year and reflect codified state law as of January 1 of each year. Additional variables include state abbreviation, enacted and effective date (where applicable or if able to be determined), and the statutory/administrative law citations. The data were compiled by The MayaTech Corporation for the Bridging the Gap Program at the University of Illinois at Chicago.

For more information: www.bridgingthegapresearch.org

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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



Bridging the Gap

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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Report

Local Wellness Policies: Assessing School District Strategies for Improving Children's Health: School Years 2006-07 and 2007-08.

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Executive Summary

Major findings from *Local Wellness Policies: Assessing School District Strategies for Improving Children's Health: School Years 2006-07 and 2007-08.* [More information](#)

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Contact for additional information

Jamie F. Chriqui, Ph.D., M.H.S.

Research Associate Professor

Senior Research Scientist

Bridging the Gap Program

Health Policy Center

Institute for Health Research and Policy

(312) 996-6410

jchriqui@uic.edu