



GENERATING NEW REVENUES TO FUND HEALTH CARE

Soft Drink Tax

Why Tax Soft Drinks?

More than two-thirds of Americans are overweight or obese, and **soft drinks are the *only* food or beverage that has been shown to increase the risk of overweight and obesity.** Obesity alone racks up \$147 billion a year in medical expenditures, of which half are paid with Medicare and Medicaid dollars. It is entirely appropriate for governments to tax soft drinks. Soft drink taxes could drive down soft drink consumption *and* generate revenue for valuable health programs.

How Much Soft Drinks Are We Consuming?

Beverage companies market more than 14 billion gallons of calorie-laden soft drinks annually. That is equivalent to about 506 12-oz. servings per year, or 1.4 servings per day, for every man, woman, and child. Those figures include non-diet carbonated sodas, energy drinks, sports drinks, fruit drinks, and ready-to-drink teas.

Have Soft Drinks Ever Been Taxed?

Currently, 25 states levy special taxes on soft drinks (typically a sales tax). Some cities also have the authority to tax soft drinks, and Chicago has a tax. Collectively, they raise well over \$1 billion annually. For instance, New York has been raising several hundred million dollars a year from its sales tax on soft drinks, while Arkansas has been raising upwards of \$40 million from its excise tax.

Won't A Soft Drink Tax Hurt The Poor Disproportionately?

Soft drinks are nutritionally worthless, totally discretionary beverages. They provide no nutrients, while adding lots of calories to the diet. Lower-income adults drink more soft drinks

than higher-income adults and thus would be affected disproportionately by a tax. But they would be helped disproportionately by the programs funded by the tax (and, of course, by the health benefits from drinking less soda). And *all* people would save money in the long run by switching from sugar-sweetened beverages to healthier beverages, such as fat-free milk, seltzer water, and plain tap water.

What Should Congress Do?

Congress should impose an excise tax on non-diet soft drinks, both carbonated and non-carbonated. A tax of one cent per 12-ounces would raise about \$1.5 billion annually; a tax of one cent per ounce would raise about \$16 billion per year, reduce consumption, and slow rising rates of obesity. Each one cent tax per 12 ounces would reduce consumption by about 1 percent.