

# SUGAR-SWEETENED BEVERAGE TAX: AN OVERVIEW

California faces an emerging crisis as the prevalence of obesity, type 2 diabetes, and the associated costs of treatment increases. While other policy interventions can help to combat this epidemic, evidence suggests that taxes on sugar-sweetened beverages (SSBs) can significantly affect consumption patterns and provide considerable public health benefit. In California, four cities have adopted a SSB tax: Berkeley (2014), San Francisco (2016), Albany (2016), and Oakland (2016). All local SSB tax ordinances in California were passed as ballot initiatives voted on by constituents. State legislation has also been proposed, but all have failed to date.

## What is a SSB tax?

SSB taxes are typically levied as an excise tax on distributors--those entities that receive, store, manufacture, bottle, or distribute SSBs for sale to retailers prior to reaching consumers. The tax is intended to have a "pass-through rate," where the cost increase to the distributor will result in higher shelf prices, and curb consumption. Proposals have varied on their definition of taxable SSBs. The City of Oakland taxes SSBs that contain 25 calories or more per fluid ounce, while Berkeley has set their threshold at 2 calories per fluid ounce. SSB tax proposals have also allowed for certain products to be exempt, including beverages that only contain natural fruit and vegetable juice, infant formula, milk from animal or vegetable sources, and beverages for medical use.

SSB taxes can also vary on the rate and method of taxation. Local and state efforts have structured the tax at a standard rate per fluid ounce. All four California cities currently tax SSBs at a rate of \$0.01 per fluid ounce. However, proposed state legislation has sought to tax at twice that rate. SSB tax policy can also allow for the tax rate to adjust with inflation.

**Following Berkeley's SSB tax, consumption of SSBs decreased by 21%, while consumption of water rose by 63%.**

(Falbe et al., 2016, Am. Journal of Pub. Health)

## Revenue & Health Investments

Revenue generated from an SSB tax will depend on the geographic scope, tax rate, and consumption patterns of a community. Advocates should consider the appropriate tax rate to balance generating revenue, effectively reducing consumption, and discouraging tax avoidance. Estimates of a statewide SSB tax at \$0.02 per ounce could yield a projected revenue of \$1.71 billion in 2018. Berkeley's SSB tax yielded approximately \$2 million in 2015-2016, while San Francisco's SSB tax is anticipated to generate \$7.5 million in 2017-2018.

## The Provider's Role

As local and statewide leaders, providers can play a powerful role in the passage and implementation of a SSB tax. As health experts, health care providers can serve as educators to communicate the impact of SSBs on our communities' health. Health care providers are able to share their practice and patient experiences to offer the personal impact of SSBs on a local or state leader's constituency. SSB tax proposals have also established advisory boards or an expert panel that include clinician participation to issue recommendations on the use of SSB revenue. Berkeley, for example, mandates that all seats on their panel of experts are a licensed medical practitioner, while Oakland's community advisory board requires two seats to be filled by medical and/or dental professionals. In either case, health care providers have a powerful voice in this fight.