



TAXING SUGAR DRINKS: A POLICY OVERVIEW

The “obesity epidemic” is one of the most pressing issues in the United States. This epidemic threatens the health, economy and national security of the United States. Obesity increases the risk for over 20 major chronic diseases; reduces the quality of life and life expectancy of obese individuals; drives up medical costs in the health care system; lowers the productivity of the workforce; and compromises national security.^{1 2 3 4 5 6 7} Children are especially vulnerable to the medical risks associated with an unhealthy weight.^{8 9} In addition, obesity disparately impacts some ethnic and racial groups and low-income populations. Higher rates of obesity in these populations are closely linked to a much greater prevalence of chronic disease.¹⁰

Since 1980, the number of obese adults has doubled. Since 1970, the number of obese adolescents ages 12 to 19 has tripled and the number of obese children ages 6 to 11 has quadrupled.^{11 12} Those classified as obese have increased from approximately 15% of the population in 1995 to over 25% in 2009.¹³ If current trends continue, up to 75% of all U.S. adults will be overweight or obese by 2015.¹⁴

Sugar drinks are responsible for at least 20% of the weight gain in the United States since the 1980’s.¹⁵ Reducing consumption of these beverages is critical to reduce obesity and improve related health outcomes in the United States. Using pricing policies, such as taxes or regulatory fees, to support public health initiatives has been shown to be one of the most powerful tools for reducing the use of other unhealthy products, such as tobacco and alcohol.^{16 17} The Director of the Centers for Disease Control and Prevention, Dr. Thomas Frieden, has stated that taxing sugar drinks at a rate of 1 cent per ounce could be the “single most effective measure to reverse the obesity epidemic.”¹⁸

“Sugar Drinks” includes all beverages that are sweetened with various forms of sugars that add calories. Sugar drinks include, but are not limited to, carbonated sodas, sports and energy drinks, sweetened rice and dairy beverages, lemonade and other fruit-ades, sweetened teas and coffees and other sweetened fruit drinks. They do not include liquids containing only naturally-occurring sugars, such as natural fruit juices.

How do sugar drinks contribute to the obesity epidemic?

Americans consume 300 calories more each day than they did a generation ago. About half of these calories come from sugar drinks. As a result, sugar drinks, alone, are responsible for at least one-fifth of the weight gained in the past three decades.¹⁹ Consuming sugar drinks is strongly associated with weight gain in all age groups.^{20 21 22 23 24 25} ²⁶ Drinking one additional serving of sugar drink per day significantly increases the chance a child will be obese.²⁷ At the same time, reducing consumption of sugar drinks is linked to a reduction in body weight, with heavier individuals experiencing a greater weight loss than those who weigh less.^{28 29}

Drinking sugar drinks contributes to weight gain because liquid calories are not as filling as calories from solid food. Studies show that those drinking excess calories do not reduce the number of calories they consume from other sources. As a result, they consume more total calories than those who do not consume liquid calories.^{30 31 32} The Dietary Guidelines of Americans now recognize reducing sugar drink consumption as key to controlling calorie intake and managing weight.³³

What impact could pricing policies have on the consumption of sugar drinks and obesity?

Increasing the price of sugar drinks could not only reduce the consumption of these beverages, but also improve health issues related to obesity, generate revenue to fund obesity prevention initiatives, and pay for rising health care costs

associated with obesity. The best way to reduce sugar drink consumption is to make these drinks more expensive. With few exceptions, raising the price of a product will decrease the amount of the product purchased by consumers.³⁴ Reducing consumption of these beverages promises to improve many of the negative health impacts associated with them, including reducing obesity and the chronic diseases associated with obesity. At the same time, the money raised could fund obesity prevention or other public health initiatives, including incentives to encourage the purchase of fruits and vegetables by low-income consumers. In Minnesota, a tax on sugar drinks of 1 cent per ounce had the potential of generating over \$309 million in tax revenue in 2010, depending on the structure of the tax.³⁵

What Types of Pricing Policies Could Reduce Consumption of Sugar Drinks?

Four types of pricing policies have been identified to reduce consumption of sugar drinks by increasing the prices of these beverages.

- 1) **Regulatory Fees:** Regulatory fees are charged to the business that manufactures or distributes a product or provides a specific service. Revenue generated through a fee must be used for regulatory activities related to the specific product or activity on which the fee is placed.³⁶
- 2) **Sales Taxes:** A sales tax is a tax assessed on the retail price of goods. Sales taxes are added to the price of an item at the time a consumer pays for the item and are collected by the retailer.³⁷
- 3) **Excise Taxes:** Excise taxes are placed on the production, sale, or consumption of a commodity and are imposed on a specific type of business. With sugar drinks, excise taxes would most likely be placed on the volume or weight of a unit of sweetener, such as per ounce or gram of added sugar or high-fructose corn syrup. An excise tax would be placed on the producer, wholesaler or distributor of taxed beverages.^{38 39}
- 4) **Proportional Pricing Initiatives:** Proportional pricing initiatives would require that the price of sugar drinks be based on the quantity of beverage sold, and would prohibit the common pricing strategy under which larger quantities of a sugar drink can be purchased at a lower price per ounce than a smaller size.⁴⁰

How much support is there for taxing sugar drinks?

Support for taxing sugar drinks depends on how revenue from a tax is used and the political and economic interests at play. The beverage industry is opposed to sugar drink pricing policies and has mounted aggressive campaigns to defeat proposals for state and municipal taxes on sugar drinks. Public support for taxing sugar drinks largely depends on how the tax revenue will be used, and is strongest when the revenue generated from these initiatives is used to fund obesity prevention or other public health initiatives.^{41 42} Political interest in sugar drink taxes continues as evidenced by numerous legislative initiatives in the 2011 legislative session.⁴³ The need to generate funds to bridge state and local budget gaps may provide additional political support for these taxes. In addition, it would create a climate in which there is greater awareness of the issues associated with the increased consumption of sugar drinks and related health and weight outcomes.



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Endnotes

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