THE SIN-TAX FIX

It works with tobacco. Could taxing sugar help us break the habit?

BY RYAN HATCH

In the fall of 2016, the city of Boulder, Colo., passed, with 55% of the vote, a two-cent-per-ounce tax on nonalcoholic sugar-sweetened beverages, to date the highest such rate in the country. Two years later, with revenue from the tax exceeding expectations by more than $1 million (total revenue: around $5 million), Boulder voted on what to do with the surplus—either return the funds to distributors (where the tax was levied and subsequently passed on to consumers) or continue funneling the money to its original destination: health and wellness programs designed for kids and families in low-income households. With two thirds support, the vote passed to continue funding the wellness programs.

"[The tax] has been a big success," says Sam Weaver, a former Boulder city council member who was elected mayor in November 2019. "It's not only been good for our community in discouraging people from drinking highly sugary drinks. It also puts pressure on the [beverage] industry: if you don't want this to happen in other communities, you will need to be a little proactive."

In the past several years, Boulder has been among several U.S. cities to pass such laws on sugar-

Soda tax supporters cheered as the Philadelphia City Council passed the law.

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sweetened refreshments like soda, energy drinks and sports drinks. Others include Berkeley (one cent per ounce), Philadelphia (1.5 cents), San Francisco (one cent) and Seattle (1.75 cents). Notably, New York City's attempt to ban sodas of over 16 ounces, an effort led by former mayor Mike Bloomberg, failed in 2014.

The taxes that passed appear to be having an impact. Since 2010, Americans have consumed less soda each year. For a country in which 2 in every 5 people are obese and that consumes half of its added sugar from beverages, reducing intake is a step in the right direction. But the issue remains complicated. Why is added sugar taxed when dumped into soda but not on crackers or cereal? Yogurt can contain 22 grams of added sugar in just over five ounces. Popular energy bars count 21 grams. Meals out are a different beast. Many seemingly healthy dinner plates are loaded with sugar. The Caribbean Salad with Grilled Chicken at Chili's packs 70 grams of added sugar, or almost three days' worth for women. (The American Heart Association recommends that men consume no more than 37 grams of added sugar per day; women, 25.)

The numbers can be stark, yet foods with added sugar face less public scrutiny than sugar-sweetened drinks because, at some level, nutrition can be found. Sweetened drinks, conversely, offer zero nutrition. One 12-ounce can of soda holds around 40 grams of added sugar and contains no vitamins or minerals. Put another way: you need to eat to survive. Sugary drinks don't factor into the equation. They are also strongly linked to diabetes and heart disease, further straining an American health-care economy that reaches $3.5 trillion annually.

These facts are becoming common knowledge, yet sugary drinks remain everywhere: at family cookouts and in office break rooms, and their namesake logos proudly rest atop stadiums and arenas. But as indicated in part by the recent push for tax hikes and drops in sales, fuzzy feelings for sugar-sweetened-beverage companies appear to be fading. By many accounts, we're headed for a world where we will sing from the hilltops that we want to buy the world a seltzer.

Questions, though, remain. Some wonder if taxing sugar-sweetened drinks is an overreach, another example of a government meddling in people's private affairs. Others question whether the taxes are doing more harm than good, especially to certain communities and small-business owners and their employees. And where sales are down thanks to new taxes, they're often up in neighboring counties. If sugar-sweetened-drink laws continue to pass, might smarter implementation serve us better? Indeed, as with many new ideas, uncertainty reigns. But one thing is certain: the issue isn't fizzling out anytime soon.

THE RESISTANCE

No surprise, the beverage industry does not enjoy being singled out for new taxes. Its supporters don't like it either, and together they fight. Millions are spent each year on marketing, and communities considering any such tax are often bombarded with messaging. In Philadelphia alone, the American Beverage Association (ABA) has spent $10.6 million on lobbying efforts. From 2009 to 2016, a study showed, the industry devoted $67 million to attempts to defeat sugary-drink taxes, 10 times as much as it shelled out a decade prior. Chief among the arguments for opposing the taxes is that price hikes will hurt working-class families and infringe on civil liberties. The industry's not wrong in saying that the tax can be quite a percentage hike. A 12-ounce can of soda in Philly is now up 18 cents.

In 2017, Cook County in Illinois passed a one-cent-per-ounce tax on sugar-sweetened drinks, as Chicago was set to become the next major city to join the ranks. But the backlash was swift, and an ABA-led coalition hounded residents and policymakers for weeks to change their minds. Sharp messaging was placed directly in stores. Read one sign: "Cook County will make shoppers pay a massive new tax on more than 1,000 everyday beverages . . . Every sip will cost a cent."

Websites opposing the tax were created too. It all helped cast doubt on the issue and on whom the taxes would truly benefit. The approach—including funneling cash to lawmakers' campaigns—worked. Just two months after passing the tax, county officials sided with the argument that low-income residents would be disproportionately affected and voted 15–1 to repeal the law.

Other arguments against imposing sugary-drink taxes include raising the specter of the nanny state, another government directive telling people how to behave; after all, even health experts agree that soda in light moderation (unlike, say, tobacco) is fine for most people. Dissenters to the taxes also say they set bad precedents. "What's next—criminalizing pizzas over 18 inches?" asked Republicans of California's General Assembly in February 2019 as lawmakers were considering banning large sodas. Taxes on sugar-sweetened drinks also hurt workers, opponents say. In response to the tax in Philadelphia, soda giant Pepsi laid off nearly a quarter of its 400-some area employees, citing sharp sales declines. The industry undoubtedly has wide influence.

"They have done a good job understanding what's going to get people to vote against the tax," says Anna Grummon, a Harvard Bell Fellow. "[The argument] is framed as 'It's a grocery tax.' That's really effective." A recent industry tactic is to stop measures before they start by imposing bans at the state level. California, for instance, banned all further soda taxes until 2031.

Opponents of sugary-drink taxes can indeed make a case, even some compelling ones. There's just one problem: most people who consume sugary drinks don't do so in light moderation. Instead, consumption is so high that it can become a mortal threat to health.

DO THE TAXES WORK?

Sales of sugar-sweetened drinks in cities that have passed these taxes are, unsurprisingly, down—higher prices, fewer purchases. Two and a half years since the drink tax went into effect in Philadelphia, sales of sugary drinks fell 51% while raising $191.7 million for universal pre-kindergarten and other community programs. Berkeley's tax pushed sales down 52% over a three-year period. Great news for advocates. But on closer inspection, the numbers soften.

Just outside Philly's city borders, purchases jumped, so after adjusting for the displaced sales, the overall decline was actually near 38%. And in Berkeley, a 2017 study said analysis was "consistent with some increased purchasing of [sugary drinks] in neighboring cities." It's what experts call cross-border shopping. In Seattle, not long after a sugary-drink tax became law, Costco put up signs encouraging shoppers to visit nearby locations to avoid paying the tax. "They were guiding people on how to evade [the tax]," says John Cawley, a Cornell University professor and co-director of Cornell's Institute on Health Economics. In some cases, lower prices are just a short air-conditioned stroll away. Cawley says that while he was conducting research inside Philadelphia International Airport, another traveler told him to walk to a different terminal if he wanted to pay less for a soda. Why? Because the airport straddles the city lines of Philadelphia and Tinicum Township, Delaware County, where, in the latter jurisdiction, no sugary-drink tax exists.

Cawley notes that sin taxes of these sorts can affect shopping behavior in other ways, a type of halo effect that isn't always about price. Some consumers can be affected by the frequent drawn-out public saga of sugary-drink-tax debates. "That activity alone could raise people's awareness," says Cawley. "You know, 'How much am I drinking these things? And what might they be doing to me?' Even just the debate, in theory, could have some kind of an impact." And despite Costco's best efforts, in the months after Seattle's law took effect, sugary-drink sales dropped 31%, and a University of Illinois study in 2020 found "no evidence of cross-border shopping and moderate substitution to untaxed beverages." The city also raised $22 million from the tax, $7 million more than expected.

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Not enough time has passed to accurately gauge specific health benefits from less sugary-drink consumption on a wide scale—only now are lung-cancer rates dropping after several decades of antismoking campaigns and downturns in use—but some models suggest that significant dividends could be on the horizon. Consider Mexico. In 2014, the country passed a nationwide tax on sugar-sweetened beverages, and two years later a study published in *PLOS Medicine* projected that, with a continued 10% reduction in sugary-drink consumption, by 2022 Mexico would see nearly 190,000 fewer cases of Type 2 diabetes and a reduction of 20,000 heart attacks, plus upwards of $1 billion in direct health-care savings.

Doctors agree that similar effects will take place in the U.S. In 2019, a study estimated that taxes on sugary drinks would help prevent 575,000 cases of childhood obesity (the CDC estimates that more than 13 million children in the U.S. are obese). And though industry groups claim that sugary-drink taxes are anti-business, a 2014 study in the *American Journal of Public Health* analyzing employment rates in Illinois and California after laws were passed said that "declines in employment within the beverage industry occurred but were offset by new employment in non-beverage industry and government sectors."

Further, the study said, job-loss claims by the interest groups "are overstated and may mislead lawmakers and constituents." In the case of Pepsi's layoffs in Philadelphia, many accused the company of holding the jobs hostage until it got what it wanted. Sam Weaver, the Boulder mayor, said that drink taxes aren't anti-business but rather "pro-health" and that "our job as regulators is to watch out for human health and safety first and foremost." By most measures, taxes on sugar-sweetened drinks curb consumption. And if we continue to drink less, the future of our collective health does look brighter. But the current tax system could still use improvement.

SMARTER TAXES

In Boulder, beverages that contain five or more grams of added sugar fall under the city's two-cents-per-ounce law. So purchasing a 16-ounce Honest Tea results in a 32-cent tax. Buying a 12-ounce soda is 24 extra cents. This tax-by-volume is how all seven U.S. cities enforce sugar-sweetened-drink taxes. Some argue that this parameter isn't fair since Honest Tea has 17 grams of added sugar but in soda there are 39 grams. Instead, experts say, the tax should be applied on a sliding scale based on sugar content, not liquid volume.

"If the tax is meant to reduce harmful nutrients like added sugar consumption, we should tax that thing directly rather than the liquid that happens to accompany the sugar," says Grummon, who was the lead author of a 2019 study titled "Designing Better Sugary Drink Taxes," published in *Science*. Grummon and her co-authors further argue that a sliding scale would improve the national economy and health "by about 30%." So why hasn't this changed happened? There's a perception, Grummon says, that implementing the change would simply be too difficult. "There would be non-zero implementation costs, [but] our research suggests that those would be worth it because the benefits would be so much higher." Indeed, in practice, part of that implementation could mean little more than adding a line to an Excel spreadsheet.

In 2016, soft-drink companies and the American Beverage Association pushed to strike down legislation to tax sugary beverages in cities such as Oakland, Calif.

In keeping with fairness, cross-border shopping remains a pain point for customers and business owners alike, at least at first. To combat the problem, experts suggest a fix: expand the tax statewide to "level the playing field," as Cawley says. (Perhaps one day, local and state laws will also be matched at the federal level.) And while we're leveling the field, experts say it makes ethical and practical sense to level up sugary-drink taxes—literally, to eye level. In a 2019 study titled "The Economics of Taxes on Sugar-Sweetened Beverages," Cawley and three colleagues argue that these taxes should be made apparent to shoppers before checkout so that they're "visible at the point of decision-making." Instead of seeing (or missing) the tax at checkout, consumers can make better choices on what to consume when they have all the information in a single moment.

THE FUTURE

Talk of sugar-sweetened-drink taxes began two decades ago, yet obesity remains a crisis. There is a long way to go. Opponents of the taxes would say the same—more money, more messaging is needed to keep seven cities from turning into 10, or 100. But it seems that the smart money is on drink taxes coming to a town near you. For a product that is so closely associated with disease and premature death, it's difficult to imagine a world in which sales continue unchecked. The good news? Solutions abound. Working together can provide meaningful progress and make everyone happier. We have to try. Future generations depend on it. ◻