Viewpoint

Viewpoint: Can U.S. local soda taxes continue to spread?

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ABSTRACT

Taxes to reduce the consumption of sugar-sweetened beverages (SSBs) such as soda drinks have been endorsed by the World Health Organization and are now in place in France, Hungary, and Mexico, and scheduled for Portugal, South Africa, and Great Britain. Such taxes have so far been impossible to enact in the United States at the state or federal level, but since 2014 seven local jurisdictions have put them in place. Three necessary conditions for local political enactment emerge from this recent experience: Democratic Party dominance, external financial support for pro-tax advocates, and a political message appropriate to the process (public health for ballot issues; budget revenue for city council votes). Roughly 40 percent of Americans live within local jurisdictions where the Democratic Party dominates, so room exists for local SSB taxes to continue spreading, even without state or federal action.

1. Introduction

As obesity trends worsen globally, taxes designed to reduce the consumption of sugar-sweetened beverages (SSBs) emerge as a widely endorsed policy option. The World Health Organization reported in October 2016 that global obesity prevalence had doubled since 1980, and suggested SSB taxes as one policy response. As of May 2017, France, Hungary, Catalonia in Spain, and Mexico already had SSB taxes in place, Portugal and South Africa had plans to begin such taxes, and Britain had approved a tax to begin in 2018 (AHAN, 2016). There is strong evidence supporting the potential for SSB taxes to reduce consumption and improve human health (Afshin et al., 2017; Powell et al., 2013; Andreyeva et al., 2010; Escobar et al., 2013). Our purpose here is to evaluate the political feasibility of enacting such taxes within the American political context.

SSB taxes are unlikely to be enacted at the federal level in the United States any time soon given the results of the 2016 election, but at the local level prospects have recently improved. In 2014 the city of Berkeley, California, enacted a penny-per-ounce SSB tax. Then in 2016 six more local jurisdictions followed suit: Philadelphia, San Francisco, Oakland, Albany (CA), Boulder, and Cook County in Illinois, which incorporates the city of Chicago with 5.2 million residents. In May 2017 a ballot issue for SSB taxes failed in Santa Fe, but other municipalities such as Seattle were poised to try. How far can this new locally led policy movement spread?

As recently as March 2016, the American Beverage Association (ABA) was continuing to dismiss the tax threat, bragging that more than 40 sweetened beverage tax proposals at the city level had been defeated since 2008 (ABA, 2016). But later that year, after six new proposals were all successful despite intense ABA opposition, the ABA no longer seemed so invincible. Speaker Tip O’Neill once reminded us that “All politics is local,” but can locally adopted soda taxes continue to spread in the face of what appears to be a substantial pro-business, anti-tax political tide at both the state and federal level?

The present manuscript examines the evidence for this question based on a comparative review of the SSB tax efforts made so far, with a focus on city characteristics, process characteristics, and issue framing. It concludes that a further horizontal diffusion SSB taxes is indeed possible, particularly to jurisdictions heavily dominated by the Democratic Party. Vertical diffusion to the state level can be more difficult even in Democratic-dominated states, and vertical diffusion to the federal level more difficult still, given the current party composition of Congress. A limited spread of local taxes only might seem less than ideal for public health, but a surprisingly large share of the United States population lives in Democratic-dominated local jurisdictions, creating an opportunity for substantial tax diffusion. Calculations based on patterns of party control suggest that local SSB taxes have potential to spread into multiple local jurisdictions holding as much as 40 percent of the nation’s population.

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In the work that follows, we begin by reviewing the health-boosting potential of excise taxes on sugar-sweetened beverages. We then consider past failures to promote such taxes at either the state or federal level. Then we turn to eleven separate efforts to enact SSB taxes at the local level made since 2012, to identify the factors either necessary for political success or sufficient to bring failure. We learn that two different procedural pathways can be taken to secure a soda tax victory at the municipal level, and that each has a different success profile.

2. The health-boosting potential of excise taxes on SSBs

SSBs include soft drinks, sodas, fruit drinks, pre-sweetened coffees and teas, energy drinks, sports drinks, and sweetened waters. Together, they are the single largest source of added sugars in the American diet (Huth et al., 2013). According to the American Heart Association, SSB consumption is linked to increased risks for type 2 diabetes, obesity, hypertension, coronary heart disease, and tooth decay, with low-income and racial or ethnic subgroups being at greatest risk (AHA, 2016; Mozaffarian, 2016; Moynihan and Kelly, 2014; Micha et al., 2017a,b). Many of these adverse medical outcomes have recently been on the rise in the United States. From 1980 through 2014, the number of Americans diagnosed with diabetes increased from 5.5 million to 22 million. According to a 2015 Centers for Disease Control and Prevention report, 38 percent of American adults are now obese, up from 32 percent as recently as 2004 (Stobbe, 2015). A dedicated tax on SSBs, if calibrated at one penny per ounce (enough to raise the price to consumers by roughly 17 percent), would be likely to reduce consumption among adults by about 15 percent. Based on modeling estimates, this, in turn, could prevent 2.4 million diabetes person-years, 95,000 coronary heart events, 8000 strokes, and 26,000 premature deaths, reducing direct medical costs by $17 billion (Wang et al., 2012).

The actual changes observed following the recent enactment of soda taxes in two diverse jurisdictions confirm the potential of such policies to reduce beverage consumption. In 2013, Mexico passed an excise tax of one peso-per-ounce, or roughly 10 percent. After one year, a 10 percent decline in purchases of these taxed beverages was seen overall, and households with lower socioeconomic status experienced a larger 17 percent decline in purchases. At the same time, plain water purchases increased by 13 percent (Colchero et al., 2016). A subsequent study based on store purchase data for 6645 households in Mexico found that average declines were sustained at a 9.7 percent level during the second year of the tax (Colchero et al., 2017). The city of Berkeley had a parallel experience after its penny-per-ounce SSB tax went into effect in March 2015. Supermarkets in Berkeley passed virtually all of the excise tax through to consumers, so in the first year SSB sales declined by 10 percent. Sales of untaxed beverages increased (Silver et al., 2017).

SSB taxes such as these would gain wide favor in the United States if the sole concerns were public health and health care costs. Yet taxing this popular consumption item has long met political resistance not only from the beverage industry but also from elected politicians, anti-hunger advocacy groups, and ordinary citizens on both the left (because the tax is regressive) and the right (among opponents of a “nanny state”) (Paarlberg, 2015). Accordingly, efforts to enact soda taxes until recently had a history failure at both the federal and state level.

3. Failed soda tax efforts at the federal and state level

Many state governments impose retail sales taxes on groceries, often including SSBs. As of 2014, 34 states plus the District of Columbia taxed soda, but at an average level of only 5 percent. These sales taxes are not easily visible to consumers, since they are only charged at checkout, which diminishes the impact on consumption (Chriqui et al., 2014). The highest tax rates have been 7 percent in Mississippi, New Jersey, and Rhode Island, but this is still short of the 10 percent level seen as a minimum required to cause an appreciable drop in consumption. Public health advocates in the United States tend to favor a penny-per-ounce rate, which would raise the cost of the average sugary drink by 15–20 percent (Friedman, 2017). In addition to state retail sales taxes, state excise taxes have been employed on SSBs, just as they are against cigarettes (overall averaging $1.69 per pack). Currently four states impose excise taxes on SSBs (Arkansas, Tennessee, Virginia, and West Virginia), but not enough to reduce consumption. West Virginia, for example, imposes an excise tax on bottled soft drinks at a rate only 1/17th as high as a penny an ounce (Pinho, 2015).

Rising obesity rates have recently propelled several states to consider enacting dedicated SSB taxes steep enough to reduce beverage consumption. In 2008, New York Governor David A. Paterson included a 12-cent per can soda tax in his initial 2009 budget proposal. He soon dropped the idea because it met broad resistance not only from the American Beverage Association (ABA), which spent $9.4 million on a public campaign to oppose the tax, but also from private grocers in New York, the Teamsters union, state legislators with soda distribution centers and bottling companies in their districts, and also from organizations claiming to speak for low-income and minority New Yorkers (Hartocollis, 2010). Also in 2008, the Maine Legislature actually passed a small alcohol and soda tax (only one third of a penny an ounce), but the beverage industry fought back immediately with a $4 million “Fed up with Taxes” ballot initiative campaign, which persuaded voters to repeal the tax two years later (Peters, 2010). The beverage industry also campaigned successfully to reverse an even smaller state SSB tax in Washington, where the legislature in 2010 had imposed a new tax on soft drinks (and candy) of only 1/6 cent per ounce. The ABA spent $16.5 million on a ballot initiative campaign that overturned even this tax.

At the federal level, SSB taxes have so far been rejected as well. In 2009, newly elected President Barack Obama enjoyed wide Democratic Party voting margins in both the House (256–178) and Senate (59–41), and had placed health insurance reform at the top of his agenda. Public health advocates proposed a federal tax on sugary beverages as one way to help pay for the reform. Yet the Obama Administration never endorsed this approach. The President decided instead to honor his 2008 campaign promise not to raise “any form” of taxes on families making less than $250,000 a year. Taking no chances, 21 different beverage companies and organizations lobbied the Senate against the tax idea during the first 9 months of 2009, spending $24 million in the process. The American Beverage Association by itself spent a total of $7.3 million to oppose the tax, and the National Corn Growers Association (with an interest in corn based sweeteners) spent an added $200,000. By November 2009, nobody in Congress was talking about a federal soda tax, and in May 2010, a White House task force on childhood obesity explicitly handed the idea back to the states, inviting them to experiment with SSB taxes should they wish to do so (Paarlberg, 2015).

Up until 2014, SSB tax proposals had also met failure at the local level. Whenever municipal tax efforts were mounted, they were always defeated, no fewer than 40 times according to the ABA. But then came Berkeley’s breakthrough success in 2014, followed by six local enactments in 2016 (Philadelphia, San Francisco, Oakland, Albany, Boulder, Cook County). A tax effort failed in Santa Fe in May 2017, but advocates for SSB taxes had nonetheless opened a local enactment path. In the future, how far might that path lead?
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