

Tubby Tariff: Considering a Junk Food and Soda “Sin Tax”¹

This IPRO report examines the numerous issues relating to the implementation of a junk food and soda sin tax.

Definitions

Sin Tax: A tax on certain items, such as cigarettes and alcohol, which are regarded as neither necessities nor luxuries.²

Junk Food: Any of various snack foods high in calories but low in nutritional value.³ This often includes prepackaged candy bars, fast food fries, and other similar foodstuffs.

Soda: A nonalcoholic, flavored, carbonated beverage, usually commercially prepared and sold in bottles or cans.⁴

Overview

There are numerous variations among states’ legislation. A junk food or soda sin tax can be defined as taxing those food and drink items deemed to be unhealthy in the hope of discouraging individuals from purchasing such items. Tax legislation for junk food and soda is similar to the sin taxes on items such as cigarettes or alcohol.

Facing budget deficits, numerous states have turned to alternative methods in order to balance their budgets. A junk food and soda “sin tax” is one alternative method. Legislation to expand soda taxation was filed in 17 states from 2009 through 2010 according to the Rudd Center for Food Policy and Obesity at Yale University.⁵ Legislation to tax junk food has not been as prevalent, but several states have also attempted to enact such legislation.

Benefits and Costs of a Junk Food and Soda Sin Tax

Benefits to a Tax

Increased Revenue

Enacting a junk food and soda sin tax in Iowa would result in increased state revenue. According to Oregon’s Public Health Division, their proposed tax would generate over \$160 million.⁶ Similarly, the state of Washington’s beer, soda, and bottled water tax gave the state \$122 million in revenue. Colorado’s tax on sweets is expected to raise \$18 million annually.⁷ Including sugary sports drinks or

¹ This IPRO report was prepared by University of Iowa undergraduate student Jordan Talsma (jordan-talsma@uiowa.edu).

² Ibid.

³ The Free Dictionary.com, March 2010, <<http://medical-dictionary.thefreedictionary.com/junk+food>>.

⁴ Ibid.

⁵ Dave Dewitt, “Fed study: Taxing Soda could Hit Low-income Households Hardest,” March 2011, <<http://easterniowabusiness.com/2011/02/21/fed-study-taxing-soda-could-hit-low-income-households-hardest/>>.

⁶ Oregon Tax News, “Soda tax comes to Oregon,” March 2011, <<http://oregonbusinessreport.com/2010/08/soda-tax-comes-to-oregon/>>.

⁷ “Actions and Proposals to Balance FY 2011 Budgets: Sales, Corporate Income and Personal Income Taxes,” March 2011, <<http://www.ncsl.org/default.aspx?tabid=19654>>.

candy bars would increase this revenue. Nineteen other states specifically tax soda pop and other snack foods, producing a total of one billion dollars a year in tax revenue.

Healthier Citizenry

A child's risk for obesity increases an average of 60 percent with every additional daily serving of soda.⁸ Moreover, a new report on American eating habits reveals that almost a quarter of the calories we consume come from nutrient-poor selections – better known as “junk food.”⁹ For Iowa, the percentage of adults who were overweight or obese in 2009 was 64 percent.¹⁰

According to numerous studies, junk foods and sodas contribute to poor health among the population. A decrease in obesity and a healthier population in general leads to fewer health problems and hospital visits. Because many diseases, such as heart disease and diabetes, are caused by obesity and poor eating habits, limiting an individual's intake of junk food or soda is financially beneficial and leads to a better quality of life.

Costs to a Tax

Farmers

Iowa has an economic stake in the outcome of the tax debate as a major producer of high fructose corn syrup, which has largely replaced sugar as the leading non-diet sweetener in soft drinks. High fructose corn syrup production in the United States uses 460 million bushels of corn, according to the Iowa Corn Growers Association. A 100 million bushel reduction in demand for corn to make the sweetener would cost U.S. corn farmers an estimated four cents on every bushel they sell, according to the Iowa Corn Growers Association.¹¹

The Poor

According to a study conducted by the Iowa Corn Growers Association, Americans living below poverty level obtain nine percent of their daily calorie intake from “sugar sweetened beverages,” compared to six percent for all Americans.¹² Because healthier foods and drinks cost more than junk foods and sodas, poorer populations often purchase the latter.¹³ However, due to this tax, junk food and soda prices will rise, making it harder for the poor to afford them.¹⁴

Food Manufacturing Companies

Soft drinks are the number one source of calories. They accounted for seven percent of the calories consumed in 1999–2000.¹⁵ Enacting a tax of junk food and sodas would more than likely lead to a decrease in the consumption of them, subsequently resulting in a decrease in sales. As these large

⁸ “Sugar-Sweetened Beverages: Extra Sugar, Extra Calories, and Extra Weight,” March 2011 <http://www.publichealthadvocacy.org/PDFs/Soda_Fact_Sheet.pdf>.

⁹ Karen Collins, “Junk Food Makes Up Quarter of U.S. Diet,” March 2011, <http://www.msnbc.msn.com/id/5444256/ns/health-diet_and_nutrition/>.

¹⁰ <<http://www.statehealthfacts.org/profileind.jsp?ind=89&cat=2&rgn=17>>.

¹¹ Dave Dewitt, “Fed study: Taxing Soda could Hit Low-income Households Hardest,” March 2011 <<http://easterniowabusiness.com/2011/02/21/fed-study-taxing-soda-could-hit-low-income-households-hardest/>>.

¹² Ibid.

¹³ <http://www.idph.state.ia.us/iowansfitforlife/common/pdf/impact_obesity.pdf>.

¹⁴ Vaughn, Aubrey. “What Do You Think About the Proposed Soda Tax?” <<http://www.motherearthnews.com/Healthy-People-Healthy-Planet/Soda-Tax-Health-Care.aspx>>.

¹⁵ Karen Collins, “Junk Food Makes Up Quarter of U.S. Diet,” March 2011, <http://www.msnbc.msn.com/id/5444256/ns/health-diet_and_nutrition/>.

companies', such as Coca-Cola or Frito-Lay, sales decrease, so too will their labor force, which could have economic impacts within cities that are home to these large companies.¹⁶

Federal Action

In 2009, the United States Senate considered a federal tax on soda. As of May 2010, neither a national soda nor junk food tax is part of President Barack Obama's obesity plan.¹⁷

State Action (see Table 1)

Iowa

Currently, Iowa has no such legislation pending in the legislature regarding such a tax.

Colorado

In March 2010, the Colorado Legislature enacted House Bill 1191, or the "Twinkie Tax," which eliminates the sales-tax exemption on candy and soda and is expected to generate \$18 million in Fiscal Year 2011.¹⁸ Yet to be seen is if the tax leads to less consumption.

Maine

A law enacted in April 2008 that imposed a tax on syrup used to make soda in restaurants, bottled soft drinks, beer and wine, and on claims paid by insurance companies, and directed the tax revenues to pay for a government-sponsored health insurance program, was overturned by Maine voters in a November 2008 referendum.¹⁹

Massachusetts

Governor proposed repealing sales tax exemption for candy and soda to generate \$51.7 million for Fiscal Year 2011, but failed due to public backlash.²⁰ The measure, had it been adopted, would have added a five percent tax to candy and soda.

New Mexico

Governor proposed tax on junk food failed.²¹ In 2010, the New Mexico Senate introduced Bill 31, which would have put sugar-sweetened soft drinks on the tax table in New Mexico.²²

¹⁶ Elizabeth Harrow, "Coca-Cola CEO speaks out against soda tax in WSJ," October 2009, <<http://www.bloggingstocks.com/2009/10/08/coca-cola-ceo-speaks-out-against-soda-tax-in-wsj/>>.

¹⁷ Margaret Talev, "National Soda Tax, Regulation not Part of Obama Obesity Plan," March 2011 <<http://www.mcclatchydc.com/2010/05/11/93909/obama-plan-calls-for-more-government.html>>.

¹⁸ "Actions and Proposals to Balance FY 2011 Budgets: Sales, Corporate Income and Personal Income Taxes," March 2011, <<http://www.ncsl.org/default.aspx?tabid=19654>>.

¹⁹ Michael F. Jacobson, "Health Care Reform: Prevention is Essential," March 2011 <<http://cspinet.org/new/pdf/mikejacobsontestimony.pdf>>.

²⁰ "Actions and Proposals to Balance FY 2011 Budgets: Sales, Corporate Income and Personal Income Taxes," March 2011, <<http://www.ncsl.org/default.aspx?tabid=19654>>.

²¹ Ibid.

²² Larry Behrens, "Think New Mexico willing to support tax on junk food," April 2011, <<http://newmexicoindependent.com/44745/think-new-mexico-willing-to-support-tax-on-junk-food>>.

Oregon

The Oregon Public Health Division is working on legislation to enact a tax on sweetened beverages. This would include many sodas and other sweetened drinks like Gatorade and ice tea drinks. The cost of a half-cent per ounce would equal to be about 6-cents per soda bottle. This beverage tax would generate over \$160 million for the State of Oregon Government.²³

Washington

A new measure, in 2010, sought to tax bottled water, bottled soda, candy and gum.²⁴ Voter approval of Initiative 1107 allowed the new taxes to expire at the end of 2010.

Table 1
States and Sales Tax

State	Soda Tax	Junk Food Tax	Projected Revenue	Current Legislation
Colorado	X	X	\$18 million	House Bill 1191 in effect
Iowa				None
Maine				Voter Repealed: 2008
Massachusetts			\$51.7 million	Failed: 2011
New Mexico				Failed: 2010
Oregon			\$160 million	In Progress
Washington				Voter Repealed: 2010

This report was prepared in May 2011 by the Iowa Policy Research Organization (IPRO), a non-partisan public policy undergraduate group at the University of Iowa. For additional research on this or other issues, please visit our website at <http://www.uiowa.edu/~ipro/> or contact rene-rocha@uiowa.edu.

23 Oregon Tax News, "Soda tax comes to Oregon," March 2011, <<http://oregonbusinessreport.com/2010/08/soda-tax-comes-to-oregon/>>.

24 "Actions and Proposals to Balance FY 2011 Budgets: Sales, Corporate Income and Personal Income Taxes," March 2011, <<http://www.ncsl.org/default.aspx?tabid=19654>>.