

## Past Efforts to Tax Soda Pop Have Fizzled

by Chuck O'Toole and Nicola M. White

Full Text Published by taxanalysts®

Before federal lawmakers consider taxing soda or sugary drinks to help pay for healthcare reform, they may want to look at the idea's checkered history at the state level.

Media reports the week of May 11 suggested that some Senate staffers were batting the idea around as they searched to offset the hundreds of billions of dollars that a healthcare overhaul would cost. At a May 12 Senate Finance Committee roundtable discussion on healthcare financing, both Robert Greenstein of the Center on Budget and Policy Priorities and Michael F. Jacobson of the Center for Science in the Public Interest included an excise tax on sweet drinks among their recommended revenue raisers. (For Greenstein's testimony, see *Doc 2009-10788* or *2009 TNT 90-34*. For Jacobson's testimony, see *Doc 2009-10790* or *2009 TNT 90-36*.)

But while there have been rumblings in several states to put a special tax on sugary soft drinks to raise money for healthcare or childhood obesity programs, no state has successfully passed and kept a soda tax.

"When I heard the federal idea, my first thought was, 'Good luck,' and the second was, 'Did they even think to look at the experience the states have had?'" said Verenda Smith of the Federation of Tax Administrators.

In a nutshell, the experience has not been positive.

New York Gov. David Paterson (D) sparked outrage in December when he proposed an 18 percent tax on nondiet soda to help fund state health programs. Calling it an obesity tax, Paterson got lambasted in the media and eventually abandoned the idea. (For prior coverage, see *Doc 2008-26501*.)

Paterson proposed a host of other tax and fee increases, but critics zeroed in on the soda tax. Although many agreed that obesity is a problem in New York, many more pointed out that plenty of overweight individuals drink diet soda.

Still, many health advocacy groups sided with Paterson and other lawmakers who have proposed similar ideas in the past. In 2002 a California legislator pushed for a 4-cent-per-can tax on sodas in an attempt to promote healthier lifestyles for children. The American Diabetes Association, the California Dental Association, and the California Medical Association all backed the proposal. Strong opposition crippled the plan, which eventually was scaled down to a ban on sales of soda in schools -- a measure that also ultimately failed. (For prior coverage, see *Doc 2002-10924*.)

Only Maine has come close to having a specific soda tax. In April 2008 lawmakers imposed a tax on the syrup used to make soft drinks, a move that raised the price of

soda by four cents a can. Money raised from the tax was to go to the Dirigo Health Choices Fund, the state's health insurance program. But the new tax caused such an outrage that voters issued a so-called citizens veto at the ballot in November and overturned the tax. (For prior coverage, see *Doc 2008-23488*.)

"It does seem to offend people's sense of what it feels like to be an American," Smith said of soda tax proposals.

Most recently, Massachusetts Gov. Deval Patrick (D) has been pushing for the elimination of the 5 percent sales tax exemption on candy, alcohol, and any sweetened drink that has more than 50 percent sugar, hoping the extra tax revenue will go toward healthcare.

But several state lawmakers prefer an across-the-board sales tax hike to such a hodgepodge approach to taxes. Lawmakers in Maine continue to wrangle over the budget and a deal is expected soon. (For prior coverage, see *Doc 2009-9559*.)

The prospects for a soda tax at the federal level hardly look any better. Finance Committee ranking minority member Chuck Grassley, R-Iowa, who is working closely with committee Chair Max Baucus, D-Mont., on a bipartisan health bill, dismissed outright any notion that a soda tax might be part of the legislation. Grassley is an outspoken advocate for corn interests, which could be hurt by a tax on drinks sweetened with high-fructose corn syrup.

"I think quite frankly the only reason it's been brought up is to get it shot down early so it doesn't become part of the debate," Grassley said at a May 12 press conference. "I don't think its going to have any legs at all."

*Meg Shreve contributed to this article.*