

## POSITION STATEMENT:

# Enact Taxes on Sugary Drinks to Prevent Chronic Disease

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The Society of Behavioral Medicine supports sugary drink taxes to reduce excessive sugar consumption, prevent chronic disease, and reduce health disparities. The taxes should apply to beverages that contain added caloric sweeteners, not including artificial sweeteners.

## BACKGROUND

Consumption of sugary drinks has a detrimental effect on public health by increasing risk of chronic diseases such as obesity,<sup>1</sup> type 2 diabetes,<sup>2</sup> coronary heart disease,<sup>3</sup> and fatty liver disease.<sup>4</sup> Sugary drinks are the largest single source of added sugars in the United States, and account for almost half of all added sugars consumed in the United States.<sup>5</sup> Average sugar intake has increased substantially over time<sup>6</sup> and, despite a recent decline, still exceeds federal recommendations to limit added sugars to less than 10% of daily calories.<sup>5</sup>

Excessive sugary drink consumption and associated health risks are of even greater concern among low-income communities and some racial/ethnic minority groups. Industry data indicate that Black, Hispanic, and low-income populations tend to drink more soft drinks than White and high-income populations.<sup>7</sup> Research demonstrates that beverage companies target Black and Hispanic communities with intensive sugary drink marketing.

- \* In 2013, Black children and teens saw more than twice as many TV ads for sugary drinks compared to White children and teens.<sup>8</sup>
- \* Sugary drink advertising on Spanish-language TV increased by 44% from 2010-13.<sup>8</sup>
- \* Sugary drink brands spent \$62 million on Spanish-language TV advertising in 2013.<sup>8</sup>

Sugary drink taxes are a method of reducing consumption and associated chronic diseases, similar to how tobacco taxes reduced smoking rates in the United States.<sup>9</sup> Excise taxes can be effective by:

- \* increasing the price of sugary drinks to encourage consumption of untaxed, healthier alternatives such as water;
- \* incentivizing companies to create and promote healthier products; and
- \* providing local governments with a source of revenue that can fund health and education programs.



## EVIDENCE OF SHORT-TERM EFFECTIVENESS

Studies in Mexico and Berkeley, CA, have demonstrated that sugary drink taxes can have a positive impact on diet.

Mexico's 1-peso-per-liter sugary drink excise tax reduced purchases of taxed beverages by 6% and increased purchases of untaxed beverages (e.g., bottled water) by 4% in 2014, its first year of implementation.<sup>10</sup>

- \* The effect of Mexico's tax increased during the first year, reaching a 12% decline in purchases by December 2014.<sup>10</sup>
- \* Importantly, Mexico's decline in purchases of taxed beverages was greater in low-income households, which experienced a 17% decline by December 2014.

Berkeley's penny-per-ounce sugary drink tax led to a 21% decline in self-reported consumption among residents of low-income neighborhoods.<sup>11</sup>

Berkeley raised \$1.5 million through tax revenue in the first year. This revenue has been used to fund community groups that provide health and nutrition education, and to make fruit and vegetables more available in low-income communities.

## EVIDENCE OF LONG-TERM EFFECTIVENESS

Changes in consumption, as reflected by the data in Mexico and Berkeley, can have a substantial impact on public health if sustained. Several studies have projected that national sugary drink taxes would reduce disease rates, mortality rates, and health care costs, while improving quality of life.<sup>12-16</sup>

In the United States, for example, a national penny-per-ounce tax would prevent 576,000 cases of childhood obesity<sup>16</sup>, and save \$23.6 billion in health care costs<sup>12</sup> over 10 years.

The long-term impact of sugary drink taxes may be even greater if tax revenue is invested in effective disease prevention programs.

## BEVERAGE INDUSTRY COUNTERARGUMENTS

Beverage companies, armed with substantial funds, employ many tactics to defeat tax proposals. Many of these tactics mimic strategies used by tobacco companies in the past.

Two of the most common counterarguments are claiming that sugary drink taxes will cost jobs and are regressive (i.e., low-income people will pay more tax). However, several studies have contradicted these claims.

- \* The effect of sugary drink taxes in Illinois and California was projected to have a small net positive impact on jobs.<sup>17</sup>
- \* Mexico's sugary drink tax had a bigger impact among low-income households, who reduced their purchases more than high-income households.<sup>10</sup>
- \* The financial cost of sugary drink taxes is approximately equal in high- and low-income households: a difference of less than \$5 per person per year.<sup>18</sup>

## HOW TO IMPLEMENT A TAX

Experts recommend implementing an excise tax because it is imposed directly on businesses and is designed to increase the shelf price.<sup>19</sup> At minimum, the tax should include the following sugary drinks: carbonated soft drinks, sports drinks, fruit drinks, energy drinks, sweetened teas and coffees, and the syrups and powders used by businesses to make sweetened beverages. There is no consensus on the best rate, but experts agree a tax equivalent to at least 20% is necessary to meaningfully affect consumption patterns.<sup>19</sup>

Beyond these basic principles, there is no one-size-fits-all approach. Policymakers should consider local circumstances when designing a tax (e.g., how to use tax revenue). Policymakers may consider taxing beverages based on the amount of sugar, as the United Kingdom proposed in 2016, instead of purely volume-based taxes that have been used in the United States and Mexico.

To avoid unintended consequences, it is important to monitor industry and consumer behavior in response to the tax. Businesses may respond with aggressive in-store marketing of sugary drinks or may not pass the full tax through to customers. Consumers may compensate with other unhealthy food purchases.

## SUMMARY AND RECOMMENDATIONS

1. Sugary drink taxes should be utilized to reduce sugar consumption, which is currently one of the biggest public health problems in the United States.
2. Evidence from Mexico and Berkeley, combined with modelling studies worldwide, suggest such taxes can have a positive impact on public health and raise significant tax revenue.
3. Arguments against sugary drink taxes come largely from beverage companies, which clearly have a conflict of interest because they risk losing revenue if sales go down.

4. Based on the available evidence, the Society of Behavioral Medicine commends local jurisdictions that have already implemented sugary drink taxes. The society recommends additional local and state policymakers pursue sugary drink taxes.

## ENDORSEMENTS



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