

Berkeley's Tax on Sugar-Sweetened Beverages: A Big Win For Untaxed Smoothies



By *Chuck Dinerstein, MD, MBA* — April 19, 2017



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The push to change consumers' dietary habits, taking a page from changing our use of tobacco, has seen a surge in the special taxation of sugar sweetened beverages [1], like soda. So far these initiatives have seen indifferent success. In Mexico, sales went down and then went up again, in Philadelphia, sales went down for retailers impacted but not buying among the public.

In [PLOS Medicine](#) [1], Silver et al. discuss the impact of Berkeley, California's tax one year after implementation.

The key points were what you would expect, that consumers paid the higher tax fully on sodas and energy drinks (retailers did not absorb it for competitive reasons) and, in the 26-store survey, the tax was more than fully passed on in Berkeley large and small chain groceries and gas stations, but not in small independent gas stations and corner stores.

Why does that matter? The purpose of the tax was to shape dietary behavior by increasing the consumer's cost. The thinking goes people will choose less expensive alternative beverages. That the tax was not passed on at independent gas stations and corner stores may mean that the owner felt that a lower price made them more competitive against large chains and so they did not pass the tax on to consumers.

So what happened? Sales in ounces of taxed sugar-sweetened beverages fell by 9.6% of what they believed sales would have been in the absence of the tax, but sales of untaxed beverages rose 3.5% and total beverage sales rose in Berkeley. Revenue did not fall and average grocery bill did not increase.

That's a win, right? No. Higher-priced sugar-sweetened beverages were replaced, but they were replaced by untaxed beverages, which hurt government coffers. And the replacements were most frequently, at least based on sales data, bottled water by 15.6 percent, fruit, vegetable, and tea drinks by 4.37 percent and milk by 0.63 percent.

Meanwhile, soda sales outside Berkeley [increased 7 percent](#) [2], similar to what happened in Philadelphia.

- Dietary intake surveys found shifts of ?19.8% in mean daily SSB intake (grams) and ?13.3% in mean calories from SSBs that were not statistically significant... [3]

There was no significant reduction in caloric intake, even using self-reports and their known limitations. So consumers paid a bit more and saw no benefit at least in calorie reduction, who did benefit? The authors claim the city did...

- ... the city's tax revenue over the first year of the SSB tax was \$1,416,973 (approximately \$12 per capita) ... Proceeds are being used for child nutrition and community health programs.

...except that isn't true either, outside a closed system where they want it to be true. As the American Beverage Association noted, there were only 6.4 fewer calories from *taxed* drinks per person per day, while calories from *untaxed* drinks, like milkshakes and yogurt-based smoothies, [went up 31 calories per person per day](#) [3]. That is not replacing sodas with "healthier alternatives" [as some groups are claiming](#) [4].

So they claim they increased government revenue by almost \$1.5 million, not trivial in a city with a \$300 million budget, but they don't count the whole economic ecosystem, they just count that one line and note that \$637,500 went to the school district's nutrition program while most of the rest was for subsidies to do awareness campaigns to reduce consumption of the taxed sugary drinks they are happy about getting increased revenue from. Fifteen percent went to fund administrative oversight. And, get this, [\\$500,000 was prepaid to the Sugar Sweetened Beverage Commission](#) [5] which is being paid back from Measure D revenues. They managed to spend almost \$2 million to get \$1.4 million in revenue which was actually a decline of 7 percent.

By any metric, it seems like a drop in the bucket in a return for penalizing poor people who just want to enjoy a soda as a treat. Well, that's not a problem because there are few poor people there and soda sales in Berkeley were not all that strong - that is why the initiative passed. It is a high-income enclave of the San Francisco metropolitan area. A yogurt smoothie costs five times as much as a soda and has 2-3 times the calories but those smoothies are untaxed. Essentially, rich people who didn't buy much soda continued to not buy soda but bought more bottled water and milkshakes. How is that a good thing?

There is evidence that taxes can change behavior, but taxes alone didn't cause smoking to decline. Alternatives and smoking cessation techniques, coupled with awareness about the perils of smoking, did. There is no similar weight of evidence against soda. There is no known minimum or maximum amount of sugar that can be turned into government policy because metabolism is unique. The fact is, taxing one component of a food type will not prevent obesity or Type 2

diabetes. Calories are the problem, and buying smoothies and milkshakes that have no special taxes are a much bigger issue than targeting specific companies.

Bottom Line: The mean calories 'saved' by unsuspecting consumers by the tax was just over 6 calories per day and that was offset by far more increases in untaxed high-calorie products. [2]

While this study did not look at health outcomes at all, there continues to be no evidence that taxing sugar-sweetened beverages improves health. Yet the study ends with, "This suggests that SSB taxes can provide significant revenue for prevention or other societal goals."

So tax something to make government programs more reliant on the thing you are then giving advertising agencies money to eliminate should be the goal?

Let us call it what it is: government has determined that drinking soda is a sin and they are instituting sin taxes on it.

You don't need government to keep you healthy, here is a simple rule: Don't drink all your calories, not even holistic organic smoothies or single malt Scotch. When you do ingest delicious drinks, make sure it is a treat.

NOTES:

[1] Philadelphia, Oakland and Cook County have all instituted similar, 1 to 2 ¢/oz taxes in 2016.

[2] Using the old idea of calories in resulting in weight gain and calories out resulting in weight loss, at six calories a day it would take a little more than a year and a half to lose pounds. But it didn't do that. Regarding overall calories, the increase in non-taxed drinks other than water resulted in an additional 30 calories/day. So net, the SSB tax resulted in a 24 calorie/day *increase* for each individual.

[3] Berkeley has a higher median income than other sites and had lower soda sales before the tax.

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Links

[1] <https://doi.org/10.1371/journal.pmed.1002283>

[2] <http://time.com/4743286/berkeley-soda-tax/>

[3] <http://www.politico.com/tipsheets/morning-agriculture/2017/04/study-suggests-berkeleys-soda-tax-is-working-219852>

[4] <http://khn.org/news/as-california-weighs-soda-warning-labels-tax-in-berkeley-shown-to-dilute-sales/>

[5] <http://www.ci.berkeley.ca.us/budgetdocuments/>