

# CAPITOL RESEARCH

## ● ● ● HEALTH

### Soda Taxes: 2014

Most states have levied taxes on soda purchases, whether as part of the general sales tax or as a separate tax specifically for soda. These taxes are meant to influence consumer choices, promote public health or generate revenue and come in many forms, including taxes on syrup and taxes on manufacturers, distributors and retailers.<sup>1,2</sup>

- Thirty-four states and the District of Columbia tax soda sold in stores; 39 states and the District of Columbia tax soda sold in vending machines.
- Five states tax soda sold in vending machines but do not tax soda sold in stores, while two states tax soda sold in vending machines at a higher rate than soda sold in stores.
- Twenty-nine states and the District of Columbia tax soda at the prevailing general sales tax rate and 12 states tax soda at the food sales tax rate.
- Eleven states have a general sales tax but do not tax soda sold in retail locations.
- Four states—Arkansas, Missouri, Utah and Virginia—tax retail soda at a higher rate than the general sales tax.
- Of the 13 states that apply a tax to food, only Illinois taxes soda at a higher rate than food.
- In states that tax soda sold in stores, tax rates range from 1.225 percent in Missouri to 7 percent in Indiana, Mississippi, New Jersey and Rhode Island. The average tax rate is 5.2 percent.
- Some states impose additional excise taxes on manufacturers, distributors, wholesalers and retailers.
  - Four states—Arkansas, Tennessee, Virginia and West Virginia—tax distributors;
  - Five states—Alabama, Arkansas, Rhode Island, Virginia and West Virginia—tax wholesalers; and
  - Four states—Alabama, Arkansas, Tennessee and West Virginia—tax retailers and manufacturers.
  - Only two states—Arkansas and West Virginia—impose taxes at all four levels of production.

Generally, states adopt soda taxes to try to reduce health risks associated with consuming sugary drinks—such as obesity, diabetes and dental problems—and



to raise funds. Some cities also have considered or enacted legislation intended to influence constituents' consumption of soda and to bring in revenue.

- **California Senate Bill 1000**, passed by the Senate, would have required warning labels for sodas and sugary drinks cautioning that consumption of beverages with added sugars contributes to obesity, diabetes and tooth decay. These warning labels would have been required on beverages with added sweeteners and 75 calories or more per 12 ounces.<sup>3</sup>
- California legislators also considered **Senate Bill 622**, which would have taxed sugary drinks with more than 25 calories of added sweetener per 12 ounces at 1 cent per ounce.<sup>4</sup> The bill died in committee.



- Introduced in February 2014, Illinois **House Bill 5690** would have taxed bottled sugar-sweetened beverages at 1 cent per ounce, totaling an added expense of \$2.88 per case of soda. That legislation failed to pass in May 2014.<sup>5</sup>
- New York City’s so-called soda ban was a highly publicized city regulation on soda. Created by the New York City Board of Health, the “Portion Cap Rule” limited sugary beverages sold in fast food restaurants, movie theaters and sports stadiums to 16-ounce cups. In June 2014, the New York Court of Appeals overturned the soda ban regulation, arguing the board had effectively engaged in policymaking, which is reserved for the legislative branch and is a violation of separation of powers.<sup>6</sup>

Beyond attempting to influence consumers and improve public health, soda taxes are also a source of revenue. A few states use funds generated by soda taxes for specific purposes.

- If the California legislature had passed **Senate Bill 622**, revenues from the soda tax would have fueled the Children’s Health Promotion Fund. This program focuses on childhood obesity prevention programs, children’s dental health care, parks and recreation programs and nutrition education programs among other topics concerning children’s health.<sup>7</sup>
- Funds raised from West Virginia’s excise tax on bottled soft drinks, syrups and dry mixtures goes to the state’s four-year medical, dentistry and nursing schools at West Virginia University.<sup>8</sup> In 2011, the tax generated \$16.2 million.<sup>9</sup>
- Revenues from Virginia’s excise taxes on soda are sent to the Litter Control and Recycling Fund,<sup>10</sup> totaling almost \$192,000 in fiscal year 2013.<sup>11</sup>

## REFERENCES

- <sup>1</sup>“State Sales Taxes on Soda, Bottled Water, and Snack Foods.” Bridging the Gap. Accessed at: [http://www.bridgingthegapresearch.org/research/sodasnack\\_taxes/](http://www.bridgingthegapresearch.org/research/sodasnack_taxes/).
- <sup>2</sup>“State Non-Sales Taxes on Sodas and Bottled Water.” Bridging the Gap. Accessed at: [http://www.bridgingthegapresearch.org/research/sodasnack\\_taxes/](http://www.bridgingthegapresearch.org/research/sodasnack_taxes/).
- <sup>3</sup>Thompson, Don. “California Bill Seeks Warnings On Sugary Drinks.” *NBC Bay Area*. Feb. 14, 2014. Accessed at: <http://www.nbcbayarea.com/news/local/California-Bill-Seeks-Warnings-on-Sugary-Drinks-245470731.html>.
- <sup>4</sup>[http://www.leginfo.ca.gov/pub/13-14/bill/sen/sb\\_0601-0650/sb\\_622\\_bill\\_20130508\\_amended\\_sen\\_v97.html](http://www.leginfo.ca.gov/pub/13-14/bill/sen/sb_0601-0650/sb_622_bill_20130508_amended_sen_v97.html).
- <sup>5</sup>Zurick, Maura. “Soda Tax Defeated at Capitol.” *Chicago Tribune*. May 27, 2014. Accessed at: <http://www.chicagotribune.com/news/politics/clout/chi-soda-tax-defeated-at-capitol-20140527,0,7863125.story>.
- <sup>6</sup>Grynbaum, Michael M. “New York’s Ban on Big Sodas is Rejected by Final Court.” *The New York Times*. June 26, 2014. Accessed at: [http://www.nytimes.com/2014/06/27/nyregion/city-loses-final-appeal-on-limiting-sales-of-large-sodas.html?\\_r=0](http://www.nytimes.com/2014/06/27/nyregion/city-loses-final-appeal-on-limiting-sales-of-large-sodas.html?_r=0).
- <sup>7</sup>California Center for Public Health Advocacy. “Senate Bill 622 (Monning).” 2013. Accessed at: [http://www.publichealthadvocacy.org/\\_PDFs/legislation/SB622\\_SweetenedBeverageTax-FactSheet.pdf](http://www.publichealthadvocacy.org/_PDFs/legislation/SB622_SweetenedBeverageTax-FactSheet.pdf).
- <sup>8</sup>West Virginia Code §11-19-2. <http://www.legis.state.wv.us/wvcode/ChapterEntire.cfm?chap=11&art=19&section=2>.
- <sup>9</sup>Kersey, Lori. “Taxing Sugary Drinks in W.Va. Advised.” *The Charleston Gazette*. May 17, 2013. Accessed at: [http://www.wvgazette.com/News/201305170135?cid=xrs\\_rss-nd%3C](http://www.wvgazette.com/News/201305170135?cid=xrs_rss-nd%3C).
- <sup>10</sup>Virginia Code §58.1-1702 through 1705. <https://leg1.state.va.us/cgi-bin/legp504.exe?000+cod+58.1-1705>.
- <sup>11</sup>“Litter Prevention and Recycling Grant Programs.” Virginia Department of Environmental Quality. Accessed at: <http://www.deq.virginia.gov/Programs/LandProtectionRevitalization/RecyclingandLitterPreventionPrograms/LitterPreventionandRecyclingGrantPrograms.aspx>.



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## State Soda Taxes, 2014

State	General Sales Tax	Food Sales Tax Rate	Sales Tax on Soda Sold at Retail	Sales Tax on Soda in Vending Machines
Alabama			4.0%	
Alaska	No Sales Tax		Food Sales Tax Exempt	
Arizona	5.6%		Food Sales Tax Exempt	
Arkansas	6.5%		1.5%	
California	6.5%	Food Sales Tax Exempt	6.5%	
Colorado	2.91%	Food Sales Tax Exempt	2.91%	
Connecticut	6.35%	Food Sales Tax Exempt	6.35%	
Delaware	No Sales Tax		Food Sales Tax Exempt	
District of Columbia	5.75%	Food Sales Tax Exempt	5.75%	
Florida	6.0%	Food Sales Tax Exempt	6.0%	
Georgia	4.0%	Food Sales Tax Exempt		4.0%
Hawaii			4%	
Idaho			6%	
Illinois	6.25%	1%	6.25%	
Indiana	7.0%	Food Sales Tax Exempt	7.0%	
Iowa	6.0%	Food Sales Tax Exempt	6.0%	
Kansas			6.15%	
Kentucky	6.0%	Food Sales Tax Exempt	6.0%	
Louisiana	4.0%		Food Sales Tax Exempt	
Maine	5.5%	Food Sales Tax Exempt	5.5%	
Maryland	6.0%	Food Sales Tax Exempt	6.0%	
Massachusetts	6.25%		Food Sales Tax Exempt	
Michigan	6.0%		Food Sales Tax Exempt	
Minnesota	6.875%	Food Sales Tax Exempt	6.875%	
Mississippi		7.0%		8.0%
Missouri	4.225%		1.225%	
Montana	No Sales Tax		Food Sales Tax Exempt	
Nebraska	5.5%	Food Sales Tax Exempt		5.5%
Nevada	6.85%		Food Sales Tax Exempt	
New Hampshire	No Sales Tax		Food Sales Tax Exempt	
New Jersey	7.0%	Food Sales Tax Exempt	7.0%	
New Mexico	5.125%	Food Sales Tax Exempt		5.125%
New York	4.0%	Food Sales Tax Exempt	4.0%	
North Carolina	4.75%	Food Sales Tax Exempt	4.75%	
North Dakota	5.0%	Food Sales Tax Exempt	5.0%	
Ohio	5.75%	Food Sales Tax Exempt	5.75%	
Oklahoma			4.5%	
Oregon	No Sales Tax		Food Sales Tax Exempt	
Pennsylvania	6.0%	Food Sales Tax Exempt	6.0%	
Rhode Island	7.0%	Food Sales Tax Exempt	7.0%	
South Carolina	6.0%	Food Sales Tax Exempt		6.0%
South Dakota			4.0%	
Tennessee	7.0%		5.0%	
Texas	6.25%	Food Sales Tax Exempt	6.25%	
Utah	4.7%		1.75%	
Vermont	6.0%		Food Sales Tax Exempt	
Virginia	4.3%		1.5%	5.3%
Washington	6.5%	Food Sales Tax Exempt	6.5%	
West Virginia	6.0%	Food Sales Tax Exempt	6.0%	
Wisconsin	5.0%	Food Sales Tax Exempt	5.0%	
Wyoming	4.0%	Food Sales Tax Exempt		4.0%

SOURCE: "State Sales Taxes on Soda, Bottled Water, and Snack Foods." Bridging the Gap. Accessed at: [http://www.bridgingthegapresearch.org/research/sodasnack\\_taxes/](http://www.bridgingthegapresearch.org/research/sodasnack_taxes/).