



Sugar-Sweetened Beverage Taxes and Obesity Prevention June 2011

Position

The United States is addressing an obesity epidemic of historical proportion. More than 72 million adults have become obese, tipping the scales too high, and another one third are overweight.¹ Unfortunately, these numbers are spreading to our nation's children where 32 percent are overweight, 16 percent are obese, and 11 percent are extremely obese.² The American Heart Association supports a multi-pronged approach to address the nation's obesity epidemic which includes creating policies that improve access and affordability of healthy foods to all people. The AHA also considers the concept of pricing less healthy foods and beverages higher to discourage consumption as a possible policy alternative to bring food and beverage pricing in line with the AHA's Diet and Lifestyle Recommendations and federal dietary guidelines where possible. However, the AHA believes additional research is necessary to determine the impact of these types of sales taxes or excise taxes on consumption rates, and shifts in consumer choice with special consideration for disparate populations. The AHA supports initiatives in certain states to pilot this policy strategy with comprehensive surveillance to discern real-world impact on consumption trends and dietary behavior. To determine if the AHA might support a sugar-sweetened beverage tax proposal to assess/evaluate efficacy, the following criteria were developed as a baseline for support: At least a portion of the money is dedicated for heart disease and stroke prevention and/or obesity prevention, the tax is structured so as to result in an increase in price for sugar sweetened beverages (e.g., imposed at the time of sale as opposed to the manufacturer that can spread the cost of the tax among all products), the amount of tax is anticipated to be sufficient to result in a reduction in consumption of sugar sweetened beverages (at least 1 cent/oz), there is money dedicated for evaluation with guidance that assures rigorous evaluation including health outcomes, there is a standard definition of "sugar sweetened beverage," and there is no sunset. The AHA also believes there should be careful consideration of unforeseen, unintended consequences of these types of policies and prioritizes evaluation as the most important component to determine impact on consumer behavior.

The AHA has focused on the issue of taxing beverages that contain added sugars and caloric sweetener and has not addressed taxing less healthy foods, as the food environment is more complex and requires greater nuance.

Background

Sugar-sweetened beverages are the largest single source of added sugars in the US diet.³ Children and adolescents today derive 10% to 15% of their total calories from sugar-sweetened beverages and 100% fruit juice.⁴ In 2005, children between the ages of 12 and 19 spent an estimated \$159 billion on food, candy and soft drinks.⁵ Because youth are more responsive to price change than adults, the potential exists for an even greater impact on consumption by youth.⁶

Indications are that beverage consumption rates are increasing in all ages and as consumption of these drinks increases, there is a concomitant rise in energy intake or “empty calories.”^{7,8} Soft drink consumption is associated with lower intakes of milk, calcium, and other nutrients and an increased risk of several medical problems including diabetes.^{9,10,11,12}

Research demonstrates that beverage consumption varies across age, sex, and race/ethnicity. A 2006 study published in the *Journal of the American Dietetic Association* revealed that in general, males consume more beverages than females, African Americans consume more fruit drinks and Caucasians drink more carbonated soft drinks than other race/ethnic groups.¹³ These results underscore the point that taxation policy should cover all beverages with added sugars to reach diverse segments of the population.

Although there is limited research on the impact of these taxes in the area of food and beverages, there is certainly strong economic and public health evidence on the impact in the areas of tobacco and alcohol excises taxes.¹⁴ Additionally, a recent comprehensive, systematic review of 160 studies looked at the effect of price on food demand and consumption behavior in the United States and focused on the price elasticity of demand for major food categories. Food eaten away from home, soft drinks, juice and meats were the most responsive to price changes (0.7-0.8).¹⁵ All of these were cross-sectional studies and only a very few examined direct and cross-elasticities and the total effect on diet. The only study which has done this and examined net effect on caloric intake is a recently published longitudinal study that followed price changes [both increases and decreased] for 20 years in a sample of young adults. This CARDIA study showed that a rise in price in away-from-home foods and soda was associated with lower energy intake, lower weight, and lower insulin resistance.¹⁶ All other studies are cross sectional but support the notion that sugar-sweetened beverages are price elastic and a price increase would considerably reduce their consumption and in turn, reduce weight gain.¹⁷ The systematic review of this cross sectional literature suggests that a 10% price increase would conceivably decrease consumption by about 8-10%.¹⁵ There is an assumption inherent in these results that consumers will not substitute other caloric beverages for full-calorie beverages. Vulnerable populations, especially those who are low-income, and less educated, as well as children and adolescents, are especially price-sensitive.^{18,19,20}

There is a need for much more research elucidating price elasticity and the impact of taxation on consumption trends on beverages, BMI, risk factors for heart disease and stroke and chronic disease incidence. The AHA supports additional research to determine the effects of pricing, taxation, and agricultural subsidies on food and beverage consumption patterns and public health in the United States.

Increasing the tax on sugar-sweetened beverages is a potential source of increased revenue for states that could improve the public health impact of these types of policy interventions by directing those funds for comprehensive public health programs that reduce obesity. If these taxes are put into place, the AHA strongly advocates that state and local governments direct the revenue generated from beverage tax initiatives toward public health and obesity prevention efforts.

The Current Landscape

In the context of the economic downturn and recession, many states are facing significant budgetary shortfalls. Policy makers from around the country have begun proposing new taxes on non-diet beverages to help raise revenue to fund these shortfalls and to pay for new obesity prevention programs.

In 2006, 19 states imposed excise taxes on sodas in excess of the overall sales tax rate in an attempt to cut down on diabetes and obesity but these taxes were not very high and have not been in place long enough to discern an effect nor is it clear that comprehensive evaluation is being done. Several states and municipalities have proposed more significant sugar-sweetened beverage taxes. Due to overwhelming industry pressure and investment in campaigns to oppose the tax proposals, none have passed. The Congressional Budget Office estimates that a tax of 3¢ per 12 oz. drink would raise just under \$5 billion per year.²¹

There is not a lot of available “real-time” research on the impact of beverage taxes on consumption trends.²² The Robert Wood Johnson Foundation and others are currently funding research to specifically look at the impact of price on the choices both children and adults make when purchasing beverages. There is also some evidence that increasing the price of sugar-based foods by 1% results in a 2-3% reduction in the likelihood that a normal-weight person will become obese.²³

The Alliance for a Healthier Generation, a partnership between the American Heart Association and the William J. Clinton Foundation, reached a voluntary agreement with the beverage industry that has been in place for three years, removing sodas from all schools and allowing only mid-calorie drinks and diet soda at the high school level. This agreement has led to reduced full-calorie soda offerings in schools and in 2009, the American Beverage Association reported that 88% fewer beverage calories had been shipped to schools across the United States.²⁴

Policy efforts in this area of taxation should be comprehensive to reach all segments of the population. While there have been significant advances in schools, schools are not the environment where children get most of their sugar-sweetened beverages.²⁵ In order to impact overall consumption rates, initiatives will have to address all environments.

In its adult and pediatric nutrition recommendations, the American Heart Association recommends that low calorie beverages like water, diet soft drinks and fat free or low fat milk are better choices than full calorie soft drinks and Americans should limit the amount of added sugars in the foods they eat.^{26,27} The 2010 Dietary Guidelines for Americans also recommends limiting added sugars in the diet and reducing intake of sugar-sweetened beverages.²⁸

Conclusion

The American Heart Association supports additional research and policy approaches to determine the efficacy of taxation policy on consumption trends, public health, and the alternative choices consumers would make if they move away from sugar-sweetened beverages. The AHA prioritizes robust evaluation as part of any tax measures that are passed. The AHA will continue to advocate for the criteria it has established to determine whether it can support on a pilot basis these tax initiatives. The AHA will continue to be a resource to policy makers with regard to nutrition science and the use of tax revenues to fund under-funded public health programs. Finally, the AHA advocates for broader nutrition policy efforts that make healthy foods more affordable and accessible to all consumers and bring food pricing and subsidies in line with federal dietary guidelines and AHA nutrition recommendations.

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