Position Statement on Beverage Taxes and Obesity Prevention

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. 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. 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. Conceivably, this research could happen in a few states or localities on a pilot basis with comprehensive surveillance to discern real-world impact on consumption trends and dietary behavior. The AHA also believes there should be careful consideration of unforeseen, unintended consequences of these types of policies.

This particular paper focuses on the issue of taxing beverages that contain added sugars and caloric sweeteners. The Association has not yet 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. Children and adolescents today derive 10% to 15% of their total calories from sugar-sweetened beverages and 100% fruit juice. In 2005, children between the ages of 12 and 19 spent an estimated $159 billion on food, candy and soft drinks. Because youth are more responsive to price change than adults, the potential exists for an even greater impact on consumption by youth.

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.” Soft drink consumption is associated with lower intakes of milk, calcium, and other nutrients and an increased risk of several medical problems including diabetes.

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. 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 strong economic and public health evidence on the impact in the areas of tobacco and alcohol excises taxes.\(^{14}\) For food and beverages, 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. As of February 3, 2009, states were addressing a collective budget shortfall of $87.7 billion for fiscal year 2009.\(^ {15}\) This problem is compounded by the projected collective shortfall of $84.3 billion for fiscal year 2010.\(^ {5}\) 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.

One of the states in which such a tax has been proposed is in New York. There, Governor David Paterson proposed an 18% tax on non-diet sodas and fruit beverages containing less than 70% natural juice. He expected the tax to raise more than $400 million annually and he proposed most of that money be spent on public health measures designed to curb obesity. The tax would not apply to water, milk, coffee, tea or diet sodas.\(^ {16}\) As a leading public health organization focusing on public policies to reduce and end the obesity epidemic the American Heart Association came under significant pressure in New York to endorse the proposal. Although proposal was rescinded in 2009, there is discussion that it might be reintroduced in next year’s budget proposal.

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 have not been in place long enough to discern an effect nor is it clear that comprehensive evaluation is being done. CBO estimates that a tax of 3¢ per 12 oz. drink would raise just under $5 billion per year.\(^ {17}\)

The federal government is considering beverage taxes to help subsidize health care reform. However, there is not a lot of available “real-time” research on the impact of beverage taxes on consumption trends.\(^ {18}\) 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. Preliminary data, as yet unpublished, has led researchers to believe that significant price increases, like the one proposed in New York, will have an impact on
consumer behavior, especially with younger and lower income consumers. There is some evidence, when looking at the entire soft drink market that price has a strong effect on consumer behavior.\textsuperscript{19} Price elasticities are estimated at around -1.00 which means that a 10\% increase in price results in a 10\% decrease in demand. 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.\textsuperscript{20}

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 2008, the American Beverage Association reported that 58\% fewer beverage calories had been shipped to schools across the United States.\textsuperscript{21}

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.\textsuperscript{22} 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.\textsuperscript{23,24} The 2005 Dietary Guidelines for Americans also recommends limiting added sugars in the diet.\textsuperscript{25}

**Conclusion**

The American Heart Association supports additional research to determine the efficacy of taxation policy on consumption trends, public health, the alternative choices consumers would make if they move away from sugar-sweetened beverages, the impact of these policies on disparate populations, and whether there are any unforeseen unintended consequences. The AHA also feels that robust evaluation should be part of any tax measures that are passed. Additionally, 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.


8 Flood JE. Roe LS. Rolls BJ. The effect of increased beverage portion size on energy intake at a meal. JADA. 106(12): 1984-1990.


