

Overview of the Proposed Seattle Bag Tax

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Introduction

On April 2, 2008 Seattle Mayor Greg Nickels and Council President Richard Conlin announced their proposal to adopt a 20-cent fee for each disposable paper or plastic shopping bag used in the city.

The Mayor's proposal was approved by the City Council on July 28, 2008 as Ordinance Number 122752 and was to go into effect on January 1, 2009. The Ordinance refers to the proposed levy as an "advanced recovery fee" or "green fee" rather than a tax.

Implementation of the measure was delayed, however, when opponents gathered enough signatures to put the ordinance to a public vote as Referendum 1. Seattle residents will vote on the proposal at the primary election on August 18, 2009.

How it Would Work

The proposal would add a 20-cent per bag tax to each consumer's total purchase at the check stand. Seventy-five percent of bag tax revenue would go to the Seattle Public Utilities (SPU) budget to fund garbage reduction and recycling programs. Mayor Nickels and Councilmember Conlin estimate the city would receive about \$10 million annually in new revenue. All bag-tax funds would be devoted to new spending; none of the added revenue would be used to reduce residential utility bills.

Twenty-five percent of bag-tax funds would be kept by store owners to cover the cost of administering the tax to their customers. Stores with gross sales of less than one million dollars a year would be allowed to keep all of the bag taxes they collect. This level of annual sales typically includes street vendors, neighborhood grocery stores and small convenience stores.

Stores would receive a business-tax deduction for the fees they collect. For each transaction at the check stand, grocery receipts would list the number of bags a customer received and the total amount of the tax. Stores would not be allowed to pay the fee for their customers or to reimburse customers for part or all of its cost.

The Director of Seattle Public Utilities would make a list of all stores that are required to collect the bag tax. Any store owner who failed to remit bag tax collections to the city on time each quarter would be subject to penalty under Section 5.55.110 of the Municipal Code. Any store owner who did not comply within 90 days would be subject to further penalties and interest charges.

The SPU Director would be authorized to exempt from the tax non-grocery purchases at certain large retailers, such as supercenters and warehouse clubs (like Costco or Target). Bags used by customers to carry or package bulk products inside a store would be exempt.

The Policy Goal

The primary policy goal of the bag tax, however, is not to raise revenue for Seattle Public Utilities, but to discourage the use of disposable paper or plastic shopping bags by consumers. The object is to reduce street litter, lower the volume of garbage the city sends to its Oregon landfill, fight global warming, and cut the number of plastic and paper bags that end up polluting the environment. The measure's main sponsors, Mayor Nickels and Councilmember Conlin, say their proposal would "reduce the use of environmentally harmful plastics and cut the production of greenhouse gases."¹

An estimated 360 million disposable plastic and paper bags are used by Seattle customers each year. Bag tax proponents say their proposal would reduce plastic bag use in the city by 50%, or 180 million bags.²

The main arguments made by bag tax supporters and opponents are summarized in the following sections.

Arguments in Support

Supporters of the bag tax are organized as The Seattle Green Bag Campaign. Their main arguments in support of taxing disposable plastic bags are that:³

- They use nonrenewable resources, since plastic bags are a petroleum and natural gas-based product.
- They entangle wildlife and disrupt the food chain.
- They collect toxic contaminants in the water which may be passed on to animals.
- They clog storm drains and contribute to local flooding.
- They clog recycling sorting machines, adding to downtime and costs at city recycling centers.
- They contaminate compost piles, because some plastic bags are thrown away in the yard waste containers collected by the city.
- They pollute the ocean; plastic bags gradually break down into ever smaller pieces but never disappear entirely.

In addition to the substantive arguments in favor of the bag tax, proponents include a strong populist message of opposition to industry interests. Bag-tax supporters refer to opponents as "polluters," and describe donations to their political campaign as an effort to "fight oil money." In arguing for passage of Referendum 1 they call on "...Big Oil and their allies in the chemical industry: Hands Off Seattle!"

¹ "Nickels and Conlin Propose Green Fee on Shopping Bags, Ban on Foam," Office of the Mayor, City of Seattle, April 2, 2009.

² "City OKs 20-cent fee on plastic, paper bags," by Kathy Mulady, *Seattle-Post Intelligencer*, July 28, 2008.

³ The source for information in this section is the website www.greenbagcampaign.org, "Send a message to Big Oil: Hands Off Seattle! Approve Referendum 1," confirmed July 22, 2009.

Proponents say similar green fees have been successful in other countries in discouraging the use of disposable bags and encouraging the use of recyclable bags. They note news stories saying a similar green fee in Ireland is expected to reduce disposable bag use there by up to 90%.

In responding to the charge that passage of Referendum 1 would be raising taxes during a recession, proponents say the new tax is optional; it would only be paid by consumers who refuse to switch to reusable shopping bags. Proponents call the tax “a little 20-cent reminder” for people who forget to bring reusable bags when they go shopping.

Arguments in Opposition

Opponents of the bag tax are organized as The Coalition to Stop the Seattle Bag Tax. Their main arguments against Referendum 1 are that:⁴

- 90% of people already reuse or recycle most of the paper or plastic bags they use. The bag tax would fund a program “to oversee something we already do.”
- The bag tax would add another mis-managed city program, including two new permanent positions on the city payroll.
- The proposed ordinance is unfair because it “may have loopholes for big box stores like Wal-Mart and Target.”
- It would hurt those who can least afford it; food banks, people on fix-incomes and low-income working families.
- It would add a permanent new tax during a recession, which would further burden consumers and delay economic recovery.
- It would add a new fee at a time when the Mayor and city councilmembers have already increased charges for basic services like water, electricity and garbage pick-up.
- It would be inconvenient and costly to retailers, require new training for sales staff and new systems to track distribution of bags and the amount of tax money collected.

Like its supporters, opponents of Referendum 1 include a clear populist element in their message. They say voting “no” is a way to send a message to local elected leaders that citizens have lost trust in city government. Opponents seek to tap into popular discontent over poor management of the city. They say that after spending millions on self-cleaning toilets and ineffective snow removal, and billions on a scaled-down light rail project, voters should not tolerate a tax on their shopping bags. They say enough of Seattle’s tax money is spent thoughtlessly already.

Several aspects of the bag tax have received particular attention in the public debate, especially about how the tax would effect landfills, the environment and consumers. The following sections provide a brief analysis of these issues.

Analysis: Reducing Impact on Landfill Space

The advocacy group and bag tax supporter Bring Your Own Bag estimates the bag tax would reduce the amount of garbage Seattle sends to its Oregon landfill by about 50 loaded railroad cars a year. At first this seems like a lot, but the city produces about 100 rail cars of garbage per day. Industry sources say plastic

⁴ The source for information in this section is the website www.stoptheseattlebagtax.com, “No on 1, Reject the Grocery Bag Tax,” confirmed July 22, 2009.

grocery and retail bags make up less than 0.5% of solid municipal waste in the United States, and that plastic disposable bags use far less energy and resources than reusable bags, which ultimately must be discarded anyway.⁵ Assuming the bag tax policy performs as supporters promise, it would reduce the yearly amount of garbage produced by Seattle by .14%.

Analysis: Impact on the Environment

Supporters of the bag tax say its main benefit is it would help protect the environment, but there is little or no scientific data to substantiate this claim.

Environmental activists say 100,000 marine animals and over a million sea birds were killed between 1981 through 1984 from disposable bags. However, the support for this claim comes from a Canadian study that focused on fishing nets, not plastic bags. A marine biologist with Greenpeace, David Santillo, says that bad science was undermining the Government’s case for banning the bags. He concluded that, “It’s very unlikely that many animals are killed by plastic bags.”⁶

A further scientific criticism is that in order to avoid the bag tax consumers will substitute away from disposable plastic bags toward commercial paper and plastic bag products that are not subject to the tax. These substitutes use as much or more energy and material in their manufacture, resulting in higher carbon emissions and greater use of forest resources and oil-based synthetic fibers, than the disposable bags they replace. Such bags are generally larger and heavier than disposable bags and consequently have a greater impact on the environment and on landfill space when they are eventually thrown away.

Analysis: Impact on Consumers

The proposed bag tax would be in addition to the current sales tax. Seattle has one of the highest sales taxes in the country, 9.5% for retail and 10% in restaurants. On all non-food purchases people would have to pay the bag tax on top of the sales tax they had just paid at the checkout counter. For a \$1.00 purchase the bag levy would increase the sales tax by 210%, increasing it from 9.5 cents to 29.5 cents. With the bag tax included, the effective tax rate on a \$1.00 purchase would be 29.5%.

However, because the bag levy is a flat tax, its proportional impact on purchases decreases as the size of the purchase increases. For example, for a \$10.00 purchase the bag levy would increase the sales tax by 21%, from 95 cents to \$1.15. The added bag tax would make the effective sales tax on a \$10.00 purchase 11.5%. The following table gives examples of how the bag tax would operate in relation to the current retail sales tax at different purchase levels.

Amount of Purchase	Current sales tax	Proposed bag tax	New sales tax	Tax in-creased by	Effective tax rate
\$1.00	9.5 cents	20 cents	29.5 cents	210%	29.5%
\$5.00	47.5 cents	20 cents	67.5 cents	42%	13.5%
\$10.00	95 cents	20 cents	\$1.15	21%	11.5%
\$20.00	\$1.90	20 cents	\$2.10	10.5%	10.5%
\$100.00	\$9.50	20 cents	\$9.70	2%	9.7%

⁵ “Info Sheet – Recyclable Plastic Bags,” American Chemistry Council, at www.americanchemistry.com, confirmed July 23, 2009.

⁶ “Series of blunders turned the plastic bag into global villain,” by Alexi Mostrous, *The London Times*, March 8, 2008.

Analysis: Bag Fees in Other Cities and Countries

Bag tax supporters note that many jurisdictions in other countries have successfully adopted taxes or bans on plastic shopping bags. South Africa, Uganda, Kenya, Australia, China, India, Ireland, Italy and France are cited as examples. In these instances, however, the purpose of the tax or ban was to fight a pervasive public litter problem. Seattle has very little litter by world standards, and paper and plastic bags in the city are not nearly as much of a problem here as in other countries.

Opponents say San Francisco's ban seems to have no noticeable effect on litter in the city. The same would likely be true in Seattle. A bag tax would probably have little impact on reducing debris on Seattle's sidewalks, streets and other public spaces. Due to successful past efforts to increase public awareness and protect the environment, the city does not have a significant litter problem to begin with.

Opponents also note that to date lawmakers in six states – Colorado, Hawaii, Missouri, New Jersey, Virginia and Maryland have considered and rejected a bag tax, and that no state has adopted a statewide bag tax.

Analysis: Substitution for Other Products

Economic analysis indicates that government policies that tax or limit access to one product often lead consumers to fully or partially substitute it for a more readily-available product that serves the same purpose.

Consumers currently use disposable plastic bags for a wide variety of purposes before they are ultimately thrown away, a form of consumer recycling. Surveys show disposable paper and plastic bags are used for a number of common household purposes; as garbage bags, for storage, as food containers, for pet waste or as packing material.

If disposable bags become unavailable, consumers will likely substitute by purchasing new paper and plastic products, like garbage bags, to use for these secondary purposes, rather than recycling the disposable bags to new purposes. Bag tax opponents say that in Ireland use of commercial plastic garbage can liners doubled after that country adopted a tax on plastic shopping bags.⁷

Conclusion

As public policy, Referendum 1 contains an internal contradiction. The bag tax is intended to lower the use of disposable shopping bags by consumers, while at the same time raising additional money for city garbage and recycling programs. If the use-reduction part of the proposal works too well, the fee will not raise the amount of new tax revenue supporters predict. If consumers simply pay the tax and do not change their habits, Seattle Public Utilities will reap a tax windfall – probably far more than the predicted \$10 million a year – but the main purpose of the initiative will have failed.

In practice, however, the most likely outcome of Referendum 1 lies somewhere in between. Proponents expect the tax to reduce disposable bag use by a significant amount, as much as half by their estimate, while raising additional money for the public utilities department.

⁷ "Why Seattle's Bag Tax is a Bad Idea," by Peter Nickerson, *The Seattle Times*, July 30, 2008.

The primary arguments made by supporters of the tax are weakened by data showing little or no connection between the policy proposed by Referendum 1 and the public problems it is meant to alleviate. Disposable plastic bags make up only a small fraction of the municipal waste stream, the bags are not the primary source of pollution in the world's oceans, and street litter, from plastic bags or otherwise, is not a significant problem in modern-day Seattle.

In the past Seattle voters have shown a willingness to accept significant tax increases when the new revenue is devoted to funding core public services like schools, parks, housing and public safety. But they seem reluctant to accept new taxes when the connection between the increased cost and the supposed benefit is less clear. In 2003 residents rejected Initiative 77, a proposed tax on coffee drinks to fund daycare services, by a vote of nearly two to one.⁸ And at that time Seattle was not in recession, in fact the economy was strong.

The proposed Seattle bag tax seems to labor under a double burden; coming at time of severe economic distress and, like the latte tax, proposing a new taxing mechanism that voters may have difficulty connecting with a definite common interest. The question for voters is whether the increased cost and inconvenience of using disposable paper or plastic shopping bags would be worth the promised public and environmental benefits.

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⁸ "Voters scald latte tax; but pot measure passing," by Elaine Porterfield, Matthew Craft and Sam Skolnik, *The Seattle Post-Intelligencer*, September 17, 2003, at www.seattlepi.com/local/140014_initiatives17.html.