

SB 5371, to impose the City of Seattle soda tax on all areas of Washington State

By Elizabeth Hovde, Policy Analyst, Center for Health Care

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Key findings:

1. **In 2018, Seattle imposed a soda tax on residents, sharply increasing the cost of all soda drinks sold in the city.**
2. **While consumer prices and city tax revenue increased, the tax did not deliver the public health benefits that tax-increase supporters promised.**
3. **A soda tax is unpopular. In 2018 voters passed a statewide ballot initiative that bans local soda taxes.**
4. **A state bill, SB 5371, would evade the local ban by imposing a Seattle-style soda tax on communities statewide.**
5. **Studies of Oakland's soda tax and findings by Cornell University researchers show that a soda tax does not result in improved health outcomes.**
6. **SB 5371 sets the Legislature up for failure. It would increase revenue to the state and increase costs to consumers but is unlikely to provide health benefits to the public.**

Introduction

In 2018 the city council and mayor of Seattle imposed a special tax on “sweetened beverages,” sharply increasing the consumer cost of all soda drinks sold in the city. The tax is imposed on the distributor, but it is paid by consumers in the form of higher retail prices. The tax falls hardest on convenience stores and other small retailers, especially those located in low-income neighborhoods.

At the same time, city officials claimed the tax would discourage the consumption of sweetened drinks and would deliver a number of public health benefits. In the years since the tax was imposed, however, none of the health benefits promised by Seattle officials have been realized.

There is now an effort to enact a soda tax statewide. This Legislative Memo analyzes SB 5371, legislation to impose the Seattle-style soda tax on all communities in Washington State.¹

Text of SB 5371

Independent research shows the beverage tax proposed by SB 5371 is volatile and regressive, which is interesting as it was proposed by lawmakers who talk a lot about not relying on regressive or volatile revenue sources. Worst of all, as Seattle learned, the bill is unlikely to achieve its stated health goals.

Under the bill, Washington could become the first state in the nation to impact people's grocery bills and dining experiences with a soda tax. Like Seattle, the statewide tax rate would be 1.75 cents per fluid ounce. Lawmakers would increase the statewide tax rate each year with the rise in inflation.

If the tax succeeds at lowering sales, as the sponsors intend, the revenue source would decline or go flat and not deliver the promised money to the state. That makes the revenue source a volatile one.

The tax is also sharply regressive because it is passed directly on to consumers and would harm low-income families the most.

Impact on families

In a year when families across the state are still adjusting their personal budgets due to the crisis of COVID-19, and when the state's revenue is in better shape than that of many working families, adding costs to grocery bills appears to lack empathy about what is going on in our communities.

¹ SB 5371, related to funding public health services...through a statewide sweetened beverage tax,” Washington state Legislature, introduced January 28, 2021, at <https://lawfilesexternal.wa.gov/biennium/2021-22/Pdf/Bills/Senate%20Bills/5371.pdf?q=20210223121603>.

The state budget is balanced and even with no tax increase, lawmakers expect revenues to increase by over seven percent.

Further, the soda tax is deeply unpopular. Washington voters have tried to block taxes exactly like this. In 2018 they passed Initiative 1634 and prohibited local governments from enacting such a Seattle-style soda tax.² Yet under SB 5371, the very tax that the people stopped local officials from imposing in their communities would instead be imposed on everyone by state lawmakers.

No evidence of promised public health benefits

The bill says the Legislature wants to impose the soda tax to solve negative health impacts affecting low-income communities and communities of color. Research shows, however, that the people hurt most economically by this sort of tax are those very communities. Higher taxes and lost household income lowers their ability to afford healthy foods.

Soda taxes are making governments money, as sales of sweetened beverages continue, but health benefits have not been substantiated. None of the reviews and studies we've seen conclude these taxes work to improve a population's health. Those testifying in committee in favor of the bill did not produce evidence of improved health outcomes, either.³

A recent analysis of Oakland's sweetened beverage tax found no changes in consumption.⁴ Other studies show that even when sales or consumption slightly decrease, caloric intake does not change. Sugar substitution occurs instead.

Shifting consumption

Researchers *have* found that sweetened-beverage taxes encourage cross-border shopping and sometimes have people choosing other vices that are also considered unhealthy. A study by Cornell University shows that many households that reduced soda consumption then consumed more beer, for example. "We also find that the tax drives frequent buyers of beer to purchase more beer than they would have without the tax," study authors write.⁵

Further, targeting some sweetened beverages – by volume, not sugar content, and by exempting some fruit juices that rival the sugar content of soda – is too narrow an approach to achieve hoped-for or convincing health impacts. The list of foods and beverages with sugar is long. While many people could stand to consume less of it, it is a personal choice to consume treats and sugar in small amounts that clearly have little or no adverse health effects.

Conclusion

The Seattle-based soda tax has proven to be unpopular and to fall hardest on small business owners and families living in low-income neighborhoods. In addition, the public health benefits promised by soda-tax advocates have not materialized.

Awareness, education, and a message of moderation in consuming all sugary products is a better way toward improved health outcomes. Education and accurate information about diet and health is a far more appropriate strategy for a lawmaking body than imposing another regressive tax. Policing of people's food and drink choices by state lawmakers is not what Washingtonians need.

As a result, SB 5371 sets the Legislature up for failure. It would increase revenue to the state, increase costs to consumers, but is unlikely to provide health benefits to the public.

5 "From Coke to Coors: A field study of a flat tax and its unintended consequences," by Brian Wansink, Andrew S. Hanks, and David R. Just, Cornell University, 2012, at <https://conscienhealth.org/wp-content/uploads/2014/05/ssrn-id2079840.pdf>.

2 "Initiative 1634, related to keeping groceries affordable," enacted by voters on November 6, 2018, Washington Secretary of State, at https://www.sos.wa.gov/_assets/elections/initiatives/finaltext_1513.pdf.

3 "SB 5371, sweetened beverage tax," public hearing, Senate Health and Long-term Care Committee, Washington State Legislature, February 22, 2021.

4 "Oakland's sugar-sweetened beverage tax: Impacts on prices, purchases and consumption by adults and children," by John Cawley, David E. Frisvold, Anna Hill, and David Jones, National Bureau of Economic Research (NBER), Working Paper 26233, September 2019, at <https://www.nber.org/papers/w26233>.

Elizabeth Hovde is the Center for Health Care Policy Analyst at Washington Policy Center.

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