



Sugary drink taxes: Responding to industry arguments

Big Soda aggressively attacks the sound public health policy of taxing its products. It skillfully deploys sophisticated communications strategies to undermine tax efforts. Core communications, framework, and messaging are similar and predictable across communities. This makes it easier for tax advocates to prepare for the opposition. However, industry messages have evolved, making them more difficult to confront. For this reason, advocates need to keep up to date with the latest arguments. Healthy Food America monitors industry messages and the counter messages used by advocates. This brief summarizes current industry messages and best practice responses.

We have found that our best response to any industry message is to pivot back as quickly as possible to our positive message about the sugary drink tax: it will raise money for addressing important community needs and supporting activities communities value, including prevention of chronic diseases, increasing access to healthy food, and supporting education.

While responding to specific industry messages can be useful when the opposition inevitably pushes them out, we've also found that engaging on every opposition message risks debating on the opponents' turf and takes us off our positive message.

The responses supplied here are primarily to arm you with discussion points to help you and your allies feel comfortable knowing what industry arguments you will encounter and how to respond if you find yourself in a situation where you need to do so.



Claim: Taxes Have Bad Consequences

ARGUMENT:

The tax is regressive and will disproportionately hurt low-income people who can least afford it.

RESPONSE:

No one needs to drink soda. The beverage industry's predatory marketing has ensured that soda has become a staple in the American diet—and it is harming marginalized communities the most. This industry actively targets low-income people and communities of color—the very same groups that suffer disproportionately from type 2 diabetes, obesity, heart disease, dental cavities and other health problems associated with sugary drinks. And this marketing works – consumption is higher in low-income communities and among people of color.

These communities need additional resources to combat the impact of decades of predatory marketing tactics. In communities that have passed a sugary drink tax, revenue has gone toward improving equity in food access, pre-K access, chronic disease prevention and nutrition education in low-income communities. Revenues are invested in services and programs that benefit low-income people. Additionally, these taxes are not solely being paid by lower-income individuals –high-income people also buy sugary drinks. The taxes they pay are invested in programs and services for low-income people, thus transferring resources from rich to poor. (See end of this document for more on regressivity).

And, it's important to be accurate with regards to who is required to pay sugary drink taxes. They are *not sales taxes*—which means they are not taxes on consumers at all. Instead, the tax is imposed on the distributors of sugary drinks. The distributor decides whether to increase the price of the sugary drinks it sells to beverage retailers (*pass through the tax*) to cover the tax. The retailers (supermarkets, pharmacy chains, convenience stores, restaurants) in turn decide how much they will increase the price to consumers. In some cases, they raise the price more than the amount of the tax.

ARGUMENT:

The taxes will result in job losses, which will hurt struggling families. Small retailers will lose business as well.

RESPONSE:

The research is clear: There is no evidence that these taxes have a negative impact on jobs or food store revenues.¹ People who choose not to spend money on sugary drinks don't spend less money, they simply spend it on healthier drinks like water, or on other products. In Mexico and Berkeley, for example, sugary drink purchases dropped while water purchases rose. In Berkeley, jobs and revenues in the food sector have *increased* after the tax was implemented. In Philadelphia, new data show no decrease in wages in the economic sectors involved in the sales of sugary drinks. In Mexico, beverage sector employment has been stable while food sector employment has increased. Beverage companies still need to supply stores, and stores will still make sales.²



Claim: Taxes Have Bad Consequences *(continued)*

ARGUMENT:

The government should not act like a “nanny” by regulating what people eat or drink. It should stay out of private behavior.

RESPONSE:

No one is banning sugary drinks or telling people what they can or can't buy. Sugary drinks remain available and people can still choose to buy them. It's worth considering who is telling people what they should drink when the beverage industry spent over 1.2 billion dollars on marketing in 2017 to shape our choices.³

Claim: Taxes Won't Work

ARGUMENT:

In states like Arkansas and West Virginia, which have had long standing taxes on beverages, obesity remains prevalent. Soda taxes must not work.

RESPONSE:

This argument has been debunked many times. In Arkansas, an excise tax was passed in 1993 over massive opposition from the beverage industry and upheld by voters in 1994—but its revenue was allocated to support Medicaid, not prevent obesity. As written, the tax adds just \$2 per gallon of syrup used to mix with water or carbonated water to produce drinks—adding up to only 21 cents per gallon of bottled or canned soft drinks, or 0.16 cents per ounce.

West Virginia, meanwhile, instituted a 1-cent per 16.9 ounce tax on bottled soft drinks in 1951 (0.06 cents per ounce). This tax was also never intended to address obesity—according to the legislation, it was levied “for the purpose of providing revenue for the construction, maintenance and operation of a four-year school of medicine, dentistry and nursing of West Virginia University.”

Neither of these taxes raise substantial revenue for public health programs, equity, or food access, and the impact on beverage prices is simply too low to affect consumer behavior. Economists tell us that a tax should increase the price of sugary drinks by 20% or more to optimize public health benefits. These two states are not good examples of effective sugary drink taxes in their current iteration.

When executed properly as an excise tax of 1 cent or more per ounce, the current generation of sugary drink taxes will do triple duty to fight type 2 diabetes, obesity, and other health impacts by lowering consumption, raising revenue for communities to fight these health problems, and raising awareness of the health harms of sugary drinks. The excise tax implemented in Berkeley, California has demonstrated that when properly designed, these taxes do work as intended.



Claim: Taxes Won't Work *(continued)*

ARGUMENT:

There is no evidence that a beverage tax will reduce consumption or obesity.

RESPONSE:

Economists who have studied the issue predict such taxes will reduce consumption, proportionate to the amount of the tax: for every 10% increase in price, consumption will drop by 10-12%.⁴ Studies of real-world sugary drink taxes confirm this.

Two years after the implementation of a 10% sugary drink tax in Mexico, per capita sugary drink sales were down 10%.⁵ Reductions in sugary drink purchases were even greater among low-income households—a decline of more than 14%. There was also an increase in bottled water purchases—a 5.2% increase in per capita sales compared to before the tax. In Berkeley, sales of sugary drinks dropped 9.6% in the year after the tax was implemented while water sales increased by 15.6%.⁶

It is too early to see the health effects of the taxes that have been implemented – this will take several years. Economists have used computer models to simulate the effect of taxes – albeit small ones. A tax of one-half to one cent per ounce would result in a drop of average weight by one to two pounds over a five to ten-year period and result in a meaningful reduction in the overall obesity rate.^{7,8}

ARGUMENT:

Soda sales are down but obesity is up. These taxes may curb consumption, but they won't solve problems of obesity and diabetes.

RESPONSE:

Soda sales may be down, but in recent years, total sales of sugary drinks overall have been level, and remain at very high levels. By talking only about soda, industry is providing partial and misleading information.

The fact is that Americans are still drinking way too much liquid sugar.

Sugary drinks are the single largest source of added sugar in the American diet—the source of 46% of all added sugar consumed—and are directly linked to increased risk of type 2 diabetes, weight gain, heart disease, and tooth decay.⁹ In 2015, there were enough sugary drinks for sale in the US for every American to drink 44 gallons, or more than 15 ounces every day.¹⁰

There's no doubt that the obesity and diabetes epidemics need to be tackled through multiple strategies. That said, the evidence that added sugar is a unique and prominent factor is growing, and sugary drinks are a major contributor. Sugary drink taxes are one of the most powerful strategies we can use to drive down sugar consumption and prevent obesity and chronic diseases.



Claim: Taxes Won't Work *(continued)*

ARGUMENT:

A tax will lead consumers to travel across state or city lines to buy sugary drinks at lower prices.

RESPONSE:

This is the same argument used against tobacco taxes, and it turned out to be false. An initial study of Berkeley's sugary drink tax found that only 2 percent of residents reported traveling outside the city to buy these products.¹¹

The soda industry is making unsubstantiated claims—it has not produced credible evidence that this is the case. In fact, we don't know if, and how much, cross-border shopping is occurring; research studies are currently assessing the extent of cross-border shopping in Oakland, Philadelphia, Seattle, and San Francisco. We do know from studies of tobacco taxes that cross-border shopping for tobacco products is limited and decreases once taxes are in place for a while.

ARGUMENT:

Sugary drinks account for just 6 percent of calories in the average American's diet. All calories are equal. Calories are calories; it is unfair to target sugary drinks.

RESPONSE:

All calories are not created equal. While calories from sugar cause the same amount of weight gain as calories from other sources, *sugar itself harms the body* in additional ways. It alters the body's metabolism, increasing production of artery-clogging fats, and thus increasing the risk of heart attacks. Added sugar also increases blood pressure, causes the liver to become fatty and diseased, makes the body less sensitive to insulin leading to high blood sugar, and causes tooth decay.

When you consume liquid sugar you don't feel full, so you keep eating more than your body needs. Sugary drink calories are "empty" calories with zero nutritional benefits.

ARGUMENT:

It's all about energy balance. As long as you balance the calories you take in by burning them off with physical activity, it's fine to consume all the sugary drinks you like. We all know that weight control is an issue of "calories in and calories out."

RESPONSE:

The scientific consensus is that consuming too much liquid sugar is harmful to health, impacting the liver, heart, and teeth and increasing the risk of type 2 diabetes. It's not just the calories in soda. The huge amount of added sugars in sugary drinks cause health problems independent of the calories they add to the diet (see above).

Science also has concluded that reducing overall calories is more effective for limiting weight gain than exercise. And exercising enough to counteract even just one sugary drink takes a lot of time and effort—50 minutes of running or five miles of walking just to burn off a 20-ounce soda.¹² In fact, physical activity among Americans has been increasing¹³—but so has the rate of obesity.



Claim: Taxes are Not the Answer

<p>ARGUMENT: Education and collaboration are the keys to addressing obesity and improving public health.</p>	<p>RESPONSE: Taxes work two ways. First, they raise revenue that can support community efforts to improve health, education, equity, food access, and more. Second, they also decrease consumption of an unhealthy product and make people healthier. It is ironic that industry calls for education when they spend millions each year to “educate” the public through advertising, especially targeting people of color and youth.</p> <p>And industry is not really interested in collaborating – they just want to push their products and make money. They try to block communities from adopting effective public health measures that reduce sales of their products. They try to buy support from leaders and organizations to oppose (or not support) public health efforts to reduce sales. They buy scientists who spread misinformation or publish studies biased towards the messages industry wants to spread (see also on next page: “we are helping solve the problem”).</p>
<p>ARGUMENT: Soda is not tobacco, part 1. Sugary drink taxes can’t be compared to cigarette taxes. Tobacco kills, but sugary drinks can be part of a healthy diet.</p>	<p>RESPONSE: The scientific evidence is clear: The consumption of added sugars from sugary drinks is bad for your health. Added sugar is the new tobacco. According to the US Dietary Guidelines Scientific Advisory Committee, there is little room for sugary drinks in a healthy diet.¹⁴</p>
<p>ARGUMENT: Soda is not tobacco, part 2. Tobacco use has adverse consequences for non-users, such as cancer caused by second-hand smoke. That’s not true for sugary drink consumption.</p>	<p>RESPONSE: All taxpayers bear the burden of paying for medical costs, through Medicare and Medicaid and higher premiums for private insurance, for chronic diseases caused by consuming too many sugary drinks.</p>



Claim: Taxes are Not the Answer *(continued)*

ARGUMENT:

Sure, it's important to fund valuable community programs, like early education. But a soda tax is a bad way to this. Tax revenues will decline over time, so soda taxes are not a stable funding source.

RESPONSE:

Taxes raise new revenue right now to meet important community needs. Even if tax revenues decline in the future as fewer people drink sugary drinks because they know they are unhealthy, the revenues can be put to good use right now.

Claim: We (Big Soda) are helping solve the obesity problem

ARGUMENT:

America's beverage companies are doing our part to advance solutions to public health challenges like obesity. With our Balance Calories Initiative, we are working to reduce beverage calories in the American diet. We are offering more lower- and no-calorie options and portion sizes so that people can choose a beverage that fits their lifestyles and needs.

RESPONSE:

It's indeed positive that the beverage industry has begun to acknowledge criticisms of their predatory behavior—but if they were serious about being part of the solution, they would stop spending so much on advertising the most harmful products to vulnerable populations, like youth and communities of color. They would stop spending money on lobbyists to oppose sound, science-backed public health measures like warning labels and taxes.

They would also stop paying scientists to deflect blame from their products while trying to garner the loyalty of professional organizations and NGOs through strategic donations. And their efforts to “solve the problem” are not particularly effective. While they have pledged to reduce calories from their products by 20% by 2025, progress reports show no decreases in the first two years.¹⁵



Claim: We (Big Soda) are helping solve the obesity problem *(continued)*

ARGUMENT:

We help communities of color. Our industry has a long history of supporting marginalized populations through sponsorships, scholarships, jobs, and other programs. We should not be penalized by a tax when we clearly support these communities.

RESPONSE:

Helpful as they may be to some, those contributions cannot whitewash or overcome the harmful impacts of their products. Beverage companies specifically target Black and Latino youth for marketing their unhealthy beverages that contribute to obesity, type 2 diabetes, heart disease, and tooth decay.



IN-DEPTH RESPONSE

CLAIM: A sugary drink tax is really a “grocery tax.”

Topline:

The wording in all sugary drink taxes is crystal clear – the tax is levied on distributors of sugary drinks. Period. It has nothing to do with groceries like broccoli or meat – though soda companies would love to associate themselves with nutritious foods. In places that actually have implemented these taxes, the price of sugary drinks has increased, with zero effect on other groceries.

Secondary:

Big Soda is using a time-honored tactic of repeating a lie loudly and often enough to make people believe it must be true. However, this is not the case.

When the beverage industry tried to claim Oakland’s ballot language was false – “The tax is not paid by your local grocer” – the superior court in Alameda County, CA rejected the notion that the tax is a grocery tax, and agreed that the language was true.

It is a tax on unhealthy products that cause type 2 diabetes and heart disease; a tax that raises money to pay for vital community needs, as we have seen in places that have the tax, such as Philadelphia and Berkeley.

BACKGROUND INFO:

There is NO factual evidence that a tax on sugary drinks causes the prices of other groceries to rise.¹⁶ In Berkeley, spot checks of stores and a review of supermarket price and sales data by independent researchers have NOT found evidence of increases of prices of groceries—prices are going up only on the taxed sugary drinks. The tax is working as intended.

Why are soda companies making this claim?

They are grasping at straws to keep making profit at the expense of their customers’ health. Coke, Pepsi, Dr. Pepper Snapple, and the American Beverage Association think they can mislead people into believing the measure will tax things they have to buy. They’re trying to lump their harmful products in with legitimate foods that people do need.

CLAIM: This tax is regressive and will harm poor people.

The best response here is to note the benefits to low-income communities. Current tax revenues are dedicated to help these communities.

The diseases caused by sugary drinks—including type 2 diabetes, tooth decay, and heart disease—are regressive. They hit poor people the hardest. (Apart from this response, it is a good idea to avoid repeating “regressive” so as not to re-invoke that frame.)



But won't the tax take a higher proportion of poor people's incomes?

Not if they buy other products instead and don't pay the tax. Grocers should be helping consumers make healthier decisions, both for their own bottom line and for the benefit of the community. Retailers can help divert customers away from sugary drinks towards healthier, and often, less-expensive beverages.

The tobacco companies tried to make the same argument about taxing cigarettes. But as with tobacco, this is a tax no one *has* to pay—low-income people are likely to buy fewer sugary drinks as a result of the tax.

For use with progressive policymakers: A sugary drink tax is progressive policy. Big Soda harps on its supposed concern for the poor to confuse the issue, while continuing to market aggressively to these same communities with devastating effectiveness. In fact, taxes are designed to make kids and communities healthier by investing to increase access to healthy food, early education, and other beneficial programs

Additionally, higher-income people also buy sugary drinks and will pay the tax. Since the tax revenues are invested in low-income communities, this means there is a transfer of money from rich to poor—the taxes paid by higher income people go to low-income communities.

The relatively small amount of taxes paid by those who continue buying sugary drinks is outweighed by the policy's overall progressive benefits. Revenues can fund efforts to prevent the very diseases caused by sugary drinks or to meet other needs in low-income communities such as access to pre-K or improved parks and recreation sites—all without requiring low-income people to pay anything.

Because taxes will lower purchases of sugary drinks, people will have more money in their pockets to buy other things, including healthy foods.

It's time to recoup some of the massive profits Big Soda has made off of low-income people and return them to these communities.

Mayor Jim Kenney of Philadelphia: “[Industry said] it's regressive, it's going to fall on poor people — which I thought was kind of laughable because they made their billions of profits off of poor people for generations and we were asking for a little bit of the money to stay in neighborhoods so we could fix up rec centers and libraries and send kids to pre-K and they would rather maintain their profits than give the kids a chance at a pre-K education and a successful life.”

The tax is progressive for health and a complete win for low-income people when tax revenue is invested in improving health and opportunities in low-income communities.

Why are soda companies making this claim?

This is a cynical ploy to foster opposition from progressives who are generally opposed to regressive taxes and from poor people who may be concerned about paying more.



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