

# Centering Equity in Sugary Drink Tax Policy: Elements of Equitable Tax Policy Design

**T**axing sugary drinks has emerged as an important healthy food and chronic disease prevention policy. Sugary drink taxes generate substantial revenues and reduce sales of sugary drinks. Yet they must do more. A well-designed tax promotes health equity and benefits the people most harmed by the beverage industry's sugary drink products and predatory marketing practices. In contrast, tax policies that do not explicitly consider equity can intentionally or unintentionally exacerbate inequities.

Healthy Food America and The Praxis Project, funded in part by Voices for Healthy Kids<sup>1</sup>, convened the **Tax Equity Workgroup**<sup>2</sup> to develop recommendations on how to design equitable tax policy. To guide its process, the Workgroup collaboratively developed a shared **values statement**:

*We value sugary drink tax policies that provide sustainable sources of support for building health equity and social justice, community capacity and agency, and that hold beverage corporations accountable for the harms they bring to communities.*

An equitable tax invests revenues in impacted communities. Investments address community-defined priorities, fund grassroots organizations from impacted communities to address them, and build long-lasting community infrastructure and capacity to improve equity and support healthier lives.

How a tax is initiated, passed and implemented also has implications for equity. Equity is advanced when people from impacted communities are co-leaders of tax campaigns from the beginning and play a substantial role in tax design. Their participation during tax implementation solidifies community understanding of and

## Equity

Equity is achieved when everyone has a fair and just opportunity to thrive, regardless of race, identity, economic class or other group characteristics. Equity emphasizes fairness in process and equality in outcomes and seeks to transform inequitable social structures, unhealthy community environments, and systemic biases that have led to the current conditions. The vision and process for achieving equity is centered in community.

## Impacted Community

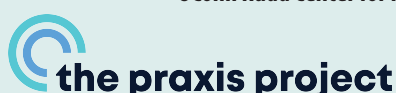
An impacted community is one experiencing inequities in health conditions associated with sugary drinks.

These inequities are caused by adverse community conditions shaped by racial and ethnic discrimination and by social, political and economic exclusion, and are exacerbated by exposure to sugary drinks.

Healthy Food America and The Praxis Project convened the Tax Equity Workgroup to develop recommendations on how to design equitable tax policy. These recommendations are endorsed by the following organizations:

**Berkeley Media Studies Group**  
**Boulder County Public Health**  
**Center for Science in the Public Interest**  
**ChangeLab Solutions**  
**Childhood Obesity Prevention Coalition (WA State)**

**Just Strategies**  
**Healthy Food America**  
**Public Health Law Center**  
**Sugar Freedom Project, a project of InAdvance**  
**The Praxis Project**  
**UConn Rudd Center for Food Policy & Obesity**



<sup>1</sup> Voices for Healthy Kids is an initiative of the American Heart Association.

<sup>2</sup> The Innovation, Equity and Exploration Tax Equity Workgroup.

support for the tax and increases accountability for equitable implementation. Informing the community and affected businesses about tax goals, how it works, revenues raised, and use of revenues is the foundation for meaningful community engagement.

The Workgroup identified sugary drink tax policy elements critical for centering taxes on equity. This brief summarizes these elements. The [full report](#), suggestions for research about the equity effects of taxes, and a technical report (which describes recommendation development) are available at [Healthy Food America](#).

Policy Design Recommendation	Rationale	Considerations
<p><b>A.</b> Make equity a priority goal for the tax using legislative intent language.</p>	<p>Establishes lawmakers’ intent in making equity a priority goal and commits government to investing revenues and implementing the tax equitably.</p>	<p>Include a definition of “equity” in the tax bill legislative intent and specify the communities impacted by inequities.</p>
<p><b>B.</b> Invest tax revenues in communities most impacted by the health conditions caused by consuming sugary drinks. Investments should (1) reflect the values, needs, and priorities of the impacted communities; (2) address the social and economic determinants of health that contribute to inequities in preventable chronic diseases; (3) support community-based organizations in impacted communities to deliver programming and activities that support health and advance equity; and (4) when allowable, explicitly dedicate tax revenues to investments in impacted communities.</p>	<p>Makes the tax policy economically progressive by directing tax funded investments to the communities most impacted by sugary drinks to support programs and services valued by people from these communities.</p>	<p>Common equity-focused investments include access to healthy foods and safe drinking water, early childhood and education programs, community infrastructure improvements, youth development, promotion of physical activity, health and nutrition education, and chronic disease prevention and support programs for people with low incomes and people of color.</p>
<p><b>C.</b> Specify that revenue investments should grow long-term community capacity to advocate for policy and systems changes aligned with community priorities and values.</p>	<p>Increases the ability of the community to define priorities and create the changes it desires.</p>	<p>Community capacity refers to the assets and skills needed to influence public and organizational policies, systems, and practices, and to change environmental conditions impacting equity.</p>
<p><b>D.</b> Establish a dedicated sugary drink tax revenue fund within the budget that clearly states the permitted uses for these funds.</p>	<p>Assures that tax revenues are transparently invested in the priority areas defined by the tax legislation and not diverted to unintended uses.</p>	<p>A dedicated fund can be created in the initial tax legislation or adopted later. All states, as well as local governments granted such power by the state, can do so.</p>
<p><b>E.</b> Specify a strong community role in revenue allocation decisions.</p> <ul style="list-style-type: none"> <li>• Include advisory processes led by people from impacted communities to recommend priorities for revenue allocation.</li> <li>• Include advisory processes for programs funded by tax revenues to identify priorities for implementation.</li> </ul>	<p>Gives the communities most impacted by sugary drinks a substantial role in determining revenue allocation, an essential feature of equitable tax implementation.</p>	<p>The approaches to community participation in revenue allocation vary from site to site, depending on local context. They include advisory boards, community meetings, surveys, or participatory budgeting. They may be specified in the tax bill or developed as a matter of practice after tax adoption.</p>

Policy Design Recommendation	Rationale	Considerations
<ul style="list-style-type: none"> <li>Consider establishing a Community Advisory Board (with a majority of members from impacted communities) as a key advisory process.</li> </ul>		<p>Include mechanisms to inform the community about tax implementation, revenue collection, allocations, and outcomes.</p>
<p><b>F.</b> Include provisions that make the revenue allocation process equitable.</p> <ul style="list-style-type: none"> <li>Require equity-based criteria for prioritizing allocation of revenues.</li> <li>Require equity-based criteria for use of funds received by government agencies and community grantees.</li> <li>Require funding of community organizations from impacted communities as a component of revenue allocations.</li> </ul>	<p>Awards funds to organizations close to impacted communities, supports solutions developed by communities, and uses simple and transparent grant application and award processes.</p>	<p>Equity-based criteria for awarding grants to community organizations might include targeting allocations to smaller organizations; funding organizations led by and serving people of color; and giving preference to activities that produce co-benefits such as job creation and training, economic development, and community capacity and infrastructure for creating a healthy and just community.</p>
<p><b>G.</b> Require evaluation of tax impacts on equity.</p>	<p>Allows community members and policy makers to determine the extent to which tax impacts and implementation are equitable and whether any course corrections are required.</p>	<p>Ask community what measures are of interest. Examples of equity impact metrics include proportion of revenues allocated to activities benefitting impacted communities and the extent to which revenue allocations reflect community guidance developed by advisory processes (see full report for additional examples).</p>
<p><b>H.</b> Pass through a significant portion of revenues collected by state-level taxes to support local community-led efforts and collaborations to improve equity.</p>	<p>Community leadership ensures local community needs, values, and priorities are prioritized.</p>	<p>To the greatest extent possible, allocations must be explicitly directed to community-centered projects that increase social and racial equity by addressing the conditions and environments that generate inequities, are located in the most impacted communities, address these communities' priorities, support the development of infrastructure and leadership capacity in these communities, and invest tax revenues directly into community based organizations that lead programming and activities.</p> <p>State legislation should consider establishing an Equity Advisory Board to advise the state on the equitable</p>

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		allocations of tax revenue funds to community-based organizations working in impacted communities and reserve the majority of Board positions for local leaders representing the interests of these communities.
I. Require processes to monitor and publicly report on tax revenue collections, allocation, and spending.	Gives communities knowledge of how revenues are allocated so they can assess responsiveness to community priorities and increases accountability of government for revenue allocation.	Specify a process for monitoring, reporting and widely disseminating information on the collection and use of revenues.  Include information on who is benefitting from investments, reported by race, income, and geography.
J. Structure sugary drink taxes as excise taxes paid by the producers or distributors of sugary drinks.	Imposes tax on companies that produce or distribute sugary drinks resulting in (1) tax revenues that can be invested locally to support activities valued by impacted communities, and (2) higher shelf price of sugary drinks that may shift purchases to non-taxed beverages.	Excise taxes that are paid by the distributor are less complex to administer than sales taxes. They change consumer beverage choice because they increase shelf price whereas sales taxes, which are imposed at the cash register and do not appear on the shelf price, are less likely to do so.

## Tax Equity Workgroup

The Workgroup was comprised of leading community, professional, and academic experts working at the forefront of tax policy design, adoption, implementation, and evaluation. Workgroup members are champions for healthy communities and equity. Organizations are listed for identification purposes only:

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**Doug Blanke**, Public Health Law Center

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