

# SUGARY DRINK TAX EQUITY WORKGROUP

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

**A** well-designed sugary drink tax promotes health equity. When properly constructed, it is an equitable public policy that benefits the people most harmed by the beverage industry and its sugary drink products. The decision to pursue a tax and each of the tax policy process steps - tax adoption, implementation, and revenue allocation – should engage impacted communities as full partners to assure equitable practices. An equitable tax invests revenues in communities most impacted by preventable chronic diseases linked to the overconsumption of sugary drinks. Investments address local, community-defined priorities; engage grassroots organizations in impacted communities as part of the solution; and build community infrastructure and capacity to improve equity for the long term – resulting in broad norms changes and healthier environments that support healthier lives.

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. The Workgroup sought to highlight tax policy elements that are critical to ensuring that sugary drink taxes intentionally benefit the populations most impacted by sugary drinks. To guide its process, the Workgroup collaboratively developed a shared **values statement**:

The Tax Equity Workgroup values sugary drink tax policies that provide sustainable sources of support for building health equity and social justice, community capacity and agency, and that hold food and beverage corporations accountable for the harms they bring to communities.

### 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.

The following recommendations center health equity in all aspects of sugary drink tax policy work. The table below provides details about each recommendation. A technical report (which describes how the Workgroup developed the recommendations) and suggestions for future research about the equity effects of taxes are available at [Healthy Food America](#).

### **Elements of Equitable Sugary Drink Tax Policy**

- A.** Make equity a priority goal for the tax using legislative intent language.
- 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 areas to deliver programming and activities that support health and advance equity; and (4) when allowable, explicitly dedicate tax revenues to investments in impacted communities.
- C.** Specify that revenue investments should grow long-term community capacity to advocate for policy and systems changes aligned with community priorities and values.
- D.** Establish a dedicated sugary drink tax revenue fund within the budget that clearly states the permitted uses for these funds.
- E.** Specify a strong community role in revenue allocation decisions.
- F.** Include provisions that make the revenue allocation process equitable.
- G.** Require evaluation of tax impacts on equity.
- H.** Pass through a significant portion of revenues collected by state-level taxes to support local community-led efforts and collaborations to improve equity.
- I.** Require processes to monitor and publicly report on tax revenue collections, allocation, and spending.
- J.** Structure sugary drink taxes as excise taxes paid by the producers or distributors of sugary drinks.

### **Equitable Sugary Drink Tax Initiation, Adoption, and Implementation**

It is important to consider the equity implications of how a tax is initiated, passed, and implemented. These steps of the policy process should be centered on communities most impacted by sugary drinks. A tax campaign is more likely to succeed if it includes people from these communities as initiators and/or co-leaders from the beginning. Inclusion strengthens community support and counters industry tactics to brand the tax as regressive and make it a wedge issue. The proposed tax bill will be more centered on equity when people from impacted communities contribute to its design so that it reflects their priorities and concerns. Their participation during tax implementation will enhance community understanding of and support for the tax as it rolls out (as long as equity-focused commitments made during adoption are honored) and increase accountability for equitable implementation.

The workgroup identified actions that bolster an equitable approach to tax adoption and implementation:

#### **A. Initiation and Adoption**

- An equity framework<sup>3</sup> should shape the rationale for the tax and the design of the tax policy.
- Communities most impacted by sugary drinks should heavily influence tax initiatives – they know best how to design the tax to meet their needs.
- Community should be an equal partner to drive this work from the beginning – in deciding whether to pursue a tax, designing the tax bill (including uses of tax revenues), planning the adoption campaign, and advocating for adoption.
- Community leaders should have leadership roles in coalitions or other structures of the tax campaign.

<sup>3</sup> For example, the Praxis Project Working Principles for Health Justice and Racial Equity (<https://www.thepraxisproject.org/our-principles>).

- The broader community and affected businesses should be consulted and informed about the rationale for the tax and how the tax will work through community conversations and forums, websites, social media, and other culturally-relevant formats.

## B. Implementation

- Inform the community and affected businesses about how the tax is working, revenues raised, and use of revenues through public awareness campaigns, websites, and social media channels.
- Collect and share stories from the community that show how the tax is working and disseminate them through community influencers and respected messengers.
- Develop structures and processes for community engagement in setting priorities for revenue allocation and monitoring use of tax funds.
- Engage businesses from impacted communities in designing tax enforcement policies and processes.

## Additional Resources

Readers interested in sugary drink tax equity might also want to consult the following resources:

- [Healthy Food America/ ChangeLab Solutions “Tax Policy Design Guide”](#)
- [Seattle Community Advisory Board](#)
- [City of Boulder Health Equity Advisory Committee](#)
- [Healthy Berkeley](#)
- [Healthy food America “Inequities in Sugary Drink Related Diseases by Race/Ethnicity and Income”](#)
- [ChangeLab Solutions “Sugary Drink Strategy Playbook”](#)
- [The Praxis Project “Healthy Investments for the Berkeley Community Videos”](#)

## Elements of Equitable Sugary Drink Tax Policy

Policy Design Recommendation	Rationale	Considerations
<p><b>A.</b> Make equity a priority goal for the tax using legislative intent language.</p>	<ul style="list-style-type: none"> <li>• Clearly stating an equity goal:               <ul style="list-style-type: none"> <li>- Commits government to investing revenues and implementing the tax equitably.</li> <li>- Gives communities a tool to hold government accountable for equitable tax implementation and revenue investment.</li> <li>- Establishes lawmakers’ intent in making equity a priority goal in event of a legal challenge.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Emphasize investments in communities experiencing the highest levels of inequities and rates of preventable chronic diseases linked to sugary drink consumption in the tax bill legislative intent (also see element B).</li> <li>• Include a definition of “equity” in the legislative intent. We provide a definition above and recognize that the definition may vary depending on local context and priorities.</li> <li>• Specify communities impacted by inequities using health, economic, and demographic data.</li> <li>• Refer to the underlying social determinants of health that create health disparities. This provides the basis for investing revenues in activities that address social determinants of health.</li> </ul>

Policy Design Recommendation	Rationale	Considerations
<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 areas 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>	<ul style="list-style-type: none"> <li>• This is the key tax design element that makes tax policy economically progressive: tax revenues go back to the communities most impacted by sugary drinks to support programs and services valued by people from these communities.</li> <li>• Directing revenues collected from people with higher incomes to programs that benefit people with lower incomes is progressive. This targeted investment strategy transfers resources from higher to lower resource communities.</li> <li>• Investments aligned with community values and priorities promotes autonomy and self-determination.</li> <li>• Specifying equity objectives and investment targets provides explicit and transparent guidance for equity-focused revenue allocation decisions.</li> </ul>	<ul style="list-style-type: none"> <li>• Include bill language that directs investments to impacted communities if legally feasible.<sup>4,5</sup></li> <li>• Explicitly describe equity-oriented objectives, investment targets, and parameters for use of tax revenues to the extent permissible by law.</li> <li>• Secure public commitments from elected officials to invest tax revenues in impacted communities aligned with community values and priorities.</li> <li>• Determine the balance between restricted, specific uses of revenue and more general guidance on equitable revenue allocation. Current taxes vary in the degree to which they specify use of revenues. <ul style="list-style-type: none"> <li>– Consider allowing the specific funding targets to change so they can respond to changing community priorities or define them broadly to accommodate changing community priorities. If this approach is used, general criteria for assuring equity of allocations should be specified in the legislation, such as description of communities targeted for investments or noting that investments should reduce racial and social inequities.</li> <li>– However, offering some degree of specificity protects the funds from diversion to uses other than those intended.<sup>6</sup></li> </ul> </li> </ul>

**4** All states can and do dedicate tax revenues to specific uses. Some states allow local jurisdictions to dedicate revenues. Boulder and Seattle used their authority to include dedication in their tax laws. For example, “The revenues from this excise tax shall be designated for the administrative cost of the tax, and once that obligation has been fulfilled, used for health promotion, general wellness programs and chronic disease prevention in the City of Boulder that improve health equity, such as access to safe and clean drinking water, healthy foods, nutrition and food education, physical activity, and other health programs especially for residents with low income and those most impacted by chronic disease linked to sugary drink consumption.” In localities where dedication is not permitted, securing public statements from elected officials about intended uses of tax revenues can be valuable.

**5** Cities that have not included dedication provisions (for legal or other reasons) have developed community engagement activities to solicit guidance in revenue allocations with the intent of directing resources to impacted communities for activities they prioritize (see Recommendation E).

**6** For example, Seattle legislation targets expansion of access to healthy and affordable food; closing the food security gap; promoting healthy nutrition choices; reducing disparities in social, developmental, and educational readiness and learning for children; assisting high school graduates to enter college; and expanding services for the birth-to-five population and their families. A proposed tax in Washington, DC would allocate a portion of revenues to specific community health programs while the balance would be granted by the Food Policy Council to projects that meet health equity criteria.

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		<ul style="list-style-type: none"> <li>• Regardless of the type of legislative language used, include community members in the process that determines revenue allocation in the bill language.</li> <li>• 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.</li> <li>• Videos showing Berkeley's equity-focused investments are available at <a href="https://www.thepraxisproject.org/video-index#healthyinvestmentsvids">https://www.thepraxisproject.org/video-index#healthyinvestmentsvids</a>.</li> <li>• Some communities may focus revenue use on addressing health inequities while others may want to tackle broader social and economic inequities and other important concerns.</li> <li>• A tax will have the greatest impact on health inequities if it changes policies, systems, practices, and environments to address the social determinants of health that generate health inequities rather than focusing on managing the inequitable health conditions themselves.<sup>7</sup></li> <li>• Include community voices in selection of investment targets (see recommendation E).</li> </ul>
<p>C. Specify that revenue investments should grow long-term community capacity to advocate for policy and systems changes aligned with community priorities and values.</p>	<ul style="list-style-type: none"> <li>• Investments that build human capital, knowledge, community power, and organizational infrastructure for making policy, systems, practice, and environment</li> </ul>	<ul style="list-style-type: none"> <li>• Community capacity refers to the assets and skills communities need to influence political and organizational policies, systems and practices, and to change environmental conditions impacting equity.</li> </ul>

<sup>7</sup> For example, Philadelphia has made investments in systems changes to increase access to high-quality pre-K. Seattle has funded early childhood programs and expanded healthy food subsidies by raising income eligibility thresholds and adding sites accepting subsidies. Tax revenues are supporting community advocacy for making policy changes in Berkeley and San Francisco.

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	<p>change increase the ability of the community to define priorities and create the changes it desires.</p>	<ul style="list-style-type: none"> <li>• Build capacity by providing general support funds and technical assistance to grassroots organizations to develop leadership and infrastructure.</li> <li>• State the intent to support community capacity in the legislation or include it in a section on revenue allocation.</li> </ul>
<p><b>D.</b> Establish a dedicated sugary drink tax revenue fund within the budget that clearly states the permitted uses for these funds.<sup>8</sup></p>	<ul style="list-style-type: none"> <li>• A dedicated fund assures that tax revenues are transparently invested in the priority areas defined by the tax legislation.</li> <li>• A dedicated fund prevents diversion of funds to unintended uses.</li> <li>• Assuring that funds are used as promised builds trust between community and government.</li> </ul>	<ul style="list-style-type: none"> <li>• A dedicated fund can be created in the initial tax legislation. Legislation creating a fund can also be adopted later.</li> <li>• All states can establish dedicated funds as can local governments that have been granted the authority to do so by the state.</li> </ul>
<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.<sup>9</sup></li> <li>• Consider establishing a Community Advisory Board (with a majority of members from impacted communities) as a key advisory process.</li> </ul>	<ul style="list-style-type: none"> <li>• Giving the communities most impacted by sugary drinks a substantial role in determining revenue allocation is essential for equitable tax implementation. <ul style="list-style-type: none"> <li>– It respects principles of autonomy and self-determination.</li> <li>– It brings the lived experience of community members to discussions of needs and solutions.</li> <li>– It builds community support for the tax.</li> </ul> </li> <li>• Authentic community involvement requires provision of timely, meaningful and accessible information about tax implementation, revenues, and allocations.</li> </ul>	<ul style="list-style-type: none"> <li>• The approach to community participation in revenue allocation varies from site to site, depending on local context.</li> <li>• Seek guidance from impacted communities prior to tax adoption on priorities for revenue use, incorporate them in bill language, and honor them as a matter of public policy during implementation.</li> <li>• Consider additional community engagement and review processes such as community meetings, surveys, or participatory budgeting that bring diverse and authentic community perspectives from residents as well as community leaders and organizations. These may be specified in the tax bill or developed as a matter of practice after tax adoption.</li> <li>• Include mechanisms to inform the community about tax implementation, revenue collection, allocations, and outcomes.</li> </ul>

<sup>8</sup> Specifying use of funds is commonly called “revenue dedication.” Seattle passed Ordinance CB 119551 in August 2019 to create a special fund for depositing tax revenues and provide additional guidelines for expending revenues (<http://seattle.legistar.com/View.ashx?M=F&ID=7704344&GUID=64815A1B-D0AB-46D8-908B-6A1455471197>).

<sup>9</sup> For example, in Philadelphia, the city engaged community members in discussions of priorities for specific programs funded by the tax (community school programs and renovations of parks and recreation and library facilities).

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		<ul style="list-style-type: none"> <li>• Consider the following when including a Community Advisory Board (CAB):               <ul style="list-style-type: none"> <li>– Define the role of the CAB in the annual budget process.</li> <li>– Specify CAB membership, terms, frequency of meetings, appointment process, funding, and administrative support.</li> <li>– Reserve the majority of positions for members of impacted communities.</li> <li>– Include health and other professionals who know and serve impacted communities, and who bring valued technical expertise as members or advisors.</li> <li>– Compensate CAB members who represent low-budget community-based organizations or whose participation is not paid for by the organization they represent.</li> <li>– Engage youth as CAB members or through other mechanisms.</li> </ul> </li> <li>• Community engagement may look different for a state-level tax. If revenues collected by the state are passed through to local jurisdictions, then CAB and other local engagement processes can be used. A state could establish a statewide advisory body with representatives from impacted communities.</li> <li>• Require an annual report to community describing how revenues are allocated and the extent to which they address equity.</li> <li>• Offer training and technical assistance to community members so they can access, understand, and use data on community issues that inform tax allocation decisions.</li> </ul>
<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> </ul>	<ul style="list-style-type: none"> <li>• An equitable allocation process awards funds to organizations close to impacted communities that have the experience, relationships, and</li> </ul>	<ul style="list-style-type: none"> <li>• Equity-based criteria for making community grant funding decisions might include targeting allocations to smaller organizations; funding</li> </ul>

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<ul style="list-style-type: none"> <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>knowledge to address community priorities.</p> <ul style="list-style-type: none"> <li>• It increases access to tax revenues for community organizations that have not traditionally received government funding yet are authentically connected to community.</li> <li>• It uses a simple and transparent grant application and award process.</li> <li>• It supports solutions developed by communities that reflect community values and culture.</li> <li>• It balances funding community and government agencies.</li> <li>• It offers government the opportunity to work in partnership with community and build trust.</li> </ul>	<p>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> <ul style="list-style-type: none"> <li>• Include outreach and technical support for proposal development.</li> <li>• Consider passing funds through to an intermediary to manage the grantmaking process (which can use processes that are simpler than a typical government procurement process and thus make it easier for applicants).<sup>10</sup></li> </ul>
<p><b>G.</b> Require evaluation of tax impacts on equity.</p>	<ul style="list-style-type: none"> <li>• Assessing the equity of tax impacts allows community members and policy makers to determine the extent to which tax implementation is equitable and whether any course corrections are required.</li> <li>• Including measures of equity impacts provides a more holistic picture of tax impacts that extends beyond effects on sales and consumption.</li> </ul>	<ul style="list-style-type: none"> <li>• Ask community what outcomes are of interest.</li> <li>• Examples of equity impact metrics include: <ul style="list-style-type: none"> <li>– Proportion of revenues allocated to activities benefitting impacted communities.</li> <li>– Proportion of revenues granted to community-based organizations from impacted communities.</li> <li>– Proportion of revenues invested in activities that address health inequities or social determinants of health.</li> <li>– Extent to which revenue allocations reflect community guidance developed by advisory processes.</li> <li>– Multiplier effects that go beyond direct benefits of funded activities, such as job creation, community power, and capacity building.</li> <li>– Unintended consequences such as job and revenue losses among small ethnic businesses.</li> </ul> </li> </ul>

<sup>10</sup> For example, the City and County of San Francisco contracted with the San Francisco Public Health Foundation to award funds to community grantees to accelerate and simplify the grantmaking process.

Policy Design Recommendation	Rationale	Considerations
		<ul style="list-style-type: none"> <li>– Changes in sales and consumption in impacted communities relative to privileged communities.</li> <li>– Changes in sugary drink attitudes, norms, and beliefs in impacted communities relative to privileged communities.</li> </ul>
<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>	<ul style="list-style-type: none"> <li>• Community leaders are generally better informed of local community needs, values, and priorities than state governments.</li> <li>• Local governments are better positioned to implement locally responsive revenue allocation processes in collaboration with community.</li> </ul>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• State legislation should consider establishing an Equity Advisory Board to advise the state on the equitable 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.</li> </ul>
<p><b>I.</b> Require processes to monitor and publicly report on tax revenue collections, allocation, and spending.</p>	<ul style="list-style-type: none"> <li>• Communities need to know how revenues are allocated and spent so they can determine how equitable and responsive revenue use is in relation to community needs, priorities, and values.</li> <li>• Providing information on revenue use increases accountability of government for revenue allocation.</li> </ul>	<ul style="list-style-type: none"> <li>• Specify a process for monitoring and reporting on the collection and use of revenues.</li> <li>• Report information annually.</li> <li>• Ask impacted community members what information they desire.</li> <li>• Include information on who is benefitting from investments, reported by race, income, and geography.</li> <li>• Make information widely available in multiple formats that are easy to</li> </ul>

Policy Design Recommendation	Rationale	Considerations
		<p>read and understand and distribute through easy-to-access public channels, including websites.</p> <ul style="list-style-type: none"> <li>• Make information available in languages used in communities in the taxing jurisdiction.</li> </ul>
<p><b>J.</b> Structure sugary drink taxes as excise taxes paid by the producers or distributors of sugary drinks.</p>	<ul style="list-style-type: none"> <li>• Impose tax on companies that produce or distribute sugary drinks with the dual goals of (1) raising significant revenues that can be invested in locally defined strategies and programming to improve health, advance equity, and support programs and services valued by people from impacted communities, and (2) raising the shelf price of sugary drinks that may lead consumers to shift purchases to less expensive non-taxed beverages.</li> </ul>	<ul style="list-style-type: none"> <li>• Current tax best practice guidelines recommend excise taxes rather than sales taxes. Excise taxes that are paid by the distributor are less complex to administer than sales taxes and change consumer beverage choice. In contrast, sales taxes are imposed at the cash register and do not appear on the shelf price, making them less likely to change beverage choice.</li> </ul>

## 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:

**Sabrina Adler**, ChangeLab Solutions

**Rosalie Aguilar**, Salud America

**Rachel Arndt**, Boulder County Public Health

**Doug Blanke**, Public Health Law Center

**Francis Calpotura**, Sugar Freedom Project, a project of InAdvance

**Stacy Cantu**, Salud America

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**Aaron Doeppers**, Voices for Healthy Kids

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**Claudia Goytia**, Voices for Healthy Kids

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