

# Tyler Morning Telegraph

## Soda tax is bad policy, bad science

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Philadelphia has become the first large city in the nation to pass a special tax on sweet soft drinks. In June, the Philadelphia City Council voted 14-3 to impose a 1.5 cent-per-ounce tax on sodas and energy drinks.

It's not about health; the tax also applies to diet drinks (which don't have sugar) but not to fruit juices (which have loads of sugar).

Instead, it's about revenue. As the Philadelphia Inquirer reported in June, "It is expected to raise about \$91 million annually to be spent on expanding prekindergarten programs in the city; creating community schools; improving parks, recreation centers, and libraries; and offering a tax credit for businesses that sell healthy beverages."

It may raise a substantial amount, but it won't raise the expected \$91 million. That's because the soda tax is that most hated - and most avoided - kind of levy, the excise tax.

The Cato Institute's Walter Olson cites no less an expert than Samuel Johnson, whose 1755 dictionary defines an excise as "a hateful tax, levied by wretches."

"While all taxes are evaded to some extent, excise taxes are especially subject to evasion based on local geography, raising enforcement challenges that can distinctively undermine the rule of law," Olson writes. "Consumers respond to differential state levies on alcohol by driving to nearby states to buy liquor. Massachusetts famously responded by sending officers to note down its own citizens' license plates in the parking lots of New Hampshire liquor stores."

The same is true of cigarettes.

"As states push up tobacco excise taxes, cigarette smuggling, often with links to organized crime, makes further inroads into the higher-tax states, along with evasion-friendly practices such as the sale of 'loosies,'" Olson notes.

The point here is that excise taxes tend to make criminals of otherwise law-abiding citizens.

"Now, while the soda tax will create openings for both casual and organized lawbreaking, only cynics imagine that it will lead to informant-driven midnight busts on underground soda depots," Olson says. "The more likely route of evasion for consumers will be the simple and legal step of driving to the many commercial outlets that surround the city. Soda sales are an important competitive edge and source of profits for the wider grocery and convenience-store business, which spells trouble for such businesses within the city."

In other words, the soda tax - which would increase the price of a liter of soda by as much as \$1 - will push consumers to suburban grocery stores. Who is hurt? Businesses inside the city limits.

Consider what happened in Baltimore, which enacted a bottle tax in 2010 (with the excuse, in part, of funding school repairs),” Olson explains. “Critics, including the National Federation of Independent Business and American Beverage Association, predicted that commerce in the city would be harmed, and that’s exactly what happened.”

Grocery stores closed and even Wal-Mart left. The result was an even broader “food desert” environment with no grocery stores in large swathes of Baltimore.

The soda tax is bad policy, and not just because it’s based on bad science.