

Vermont Legislative Joint Fiscal Office

1 Baldwin Street • Montpelier, VT 05633-5701 • (802) 828-2295 • Fax: (802) 828-2483

FISCAL NOTE

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Prepared by Sara Teachout

H. 234 Sugar Sweetened Beverages Excise Tax

This bill creates an excise tax on sugar-sweetened beverages at the rate of one cent per ounce. The new revenue generated from the tax is divided equally between two special funds; a new Vermont Healthy Weight Initiative Fund, and the State Health Care Resources Fund. Sugar sweetened beverages include non-alcoholic beverages with any added sweetener. The proposal exempts 100% fruit juices, milk with or without added sweetener, infant formula, and diet beverages (the sweetener adds fewer than five calories) from the tax.

New Tax Revenue

The proposed 1 cent per ounce tax on sugar sweetened beverages is estimated to raise approximately **\$24.3 million of additional revenue in FY 2014**. This estimate is based largely on the Yale Rudd Center for Food Policy and Obesity (<http://www.yaleruddcenter.org/sodatax.aspx>) sugar sweetened beverage estimates. After a review of the Yale methodology, a few modifications were made to adjust for the Vermont-specific proposal in this legislation.

The Yale Rudd Center uses a per capita consumption approach, adjusting for regional (but not state) variation in consumption, growth estimates from the 2008 base data, and an adjustment for the price elasticity of demand based on recent studies. The Yale estimates were modified to account for the definitions of taxable products in H.234, unique cross border issues and tourism assumptions, the proposed effective date of the new tax and fiscal year estimate, and an adjustment for the first year implementation and collections.

Administrative Costs

The proposed excise tax on sugar-sweetened beverages will be a new tax administered by the Department of Taxes. This will require appropriate forms, software and programming, as well as personnel hours. The timing and costs associated with implementation need to be reviewed and considered.