

Excise Tax: Front and Center

1. Wholesale distributor pays tax based on volume of product sold.
2. Distributor passes added cost of tax on to retailer.
3. Retailer increases shelf price of product.
4. Customer sees higher price on product.
5. Consumer behavior change:
 - Buys untaxed healthier beverage.
 - Buys lesser volume of taxed beverage.



Sales Tax: Lost in the Fine Print

1. Customer picks product off shelf.
2. At checkout, customer is charged sales tax as percentage of retail price rather than overall volume of beverage.
3. Customer only notices tax if checks receipt.
4. Retailer collects tax from customer, pays tax to state.
5. No change in customer behavior because sales tax is not apparent when making purchasing decisions.



39 states have some form of sales tax on sugary drinks and researchers have concluded that these taxes are ineffective at changing behavior. Those same researchers predict an excise tax, modeled on the success of the tobacco tax, would work better.