The Pros and Cons of Taxing Sweetened Beverages Based on Sugar Content

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Language English
This report analyses the potential policy benefits of taxing sugar content; documents how content-based taxes have been used to discourage consumption of sugar, alcohol, and tobacco; and examines the legal and practical challenges of implementing such taxes.
Analysis, Commentary & Opinion
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Extended Description: The amount of added sugar in sweetened drinks varies greatly. If policymakers decide to use taxes on sweetened beverages to discourage consumption of added sugar, they should therefore consider basing those taxes on the amount of sugar drinks contain rather than their volume.

This report by the Urban Institute we analyzes the potential policy benefits of taxing sugar content; documents how content-based taxes have been used to discourage consumption of sugar, alcohol, and tobacco; and examines the legal and practical challenges of implementing such taxes at the federal, state, and local level.

It concludes that taxing based on the amount of added sugar a drink contains, either by taxing sugar content directly or by levying higher volume taxes on drinks with more sugar, is feasible in many jurisdictions and reduces sugar consumption more effectively than comparable taxes on drink volume. Broad-based volume or sales taxes on all soft drinks, however, raise revenue more efficiently. Federal, state, and local policymakers thus face trade-offs between using sweetened-beverage taxes to raise revenue and to discourage consumption of added sugars.

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