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Beverage industry says it can't swallow proposed sugar tax

Tax on sugary drinks could improve statewide health, say state officials

One of the many issues left unresolved as the Kansas Legislature continues its recess is leaving a bad taste in state beverage industry officials' mouths: the proposed tax on sugary drinks.

Despite support from the health community, the suggested tax, which would impose a one-cent tax per teaspoon of sugar in any beverage sold in Kansas – ranging from non-diet sodas to sports drinks and fruit juices with added sugar – has come under fire from Kansas restaurateurs, grocery store owners and the Kansas bottling industry. Approximately one hundred such individuals and organizations have joined together to form the Kansans Against Food and Beverage Taxes coalition.

Coalition member John Barnes, who is also the Pepsi Beverages Company's vice president and general manager of the Kansas/Missouri market unit and President of the Kansas Beverage Association (KBA), organized hundreds of individuals to lobby at a March meeting of the senate subcommittee backing proposing this tax. Barnes said the KBA opposes the tax because it singles out a specific industry to tax and labels it as part of the "sin tax" category.

"Once you're labeled in that [sin tax] area, it really kind of becomes the 'I can tax you any time I want without having to worry about it' category," Barnes said.

Barnes said this proposed tax is not about fighting obesity, but about increasing government revenue in a struggling economy.

"When [the tax] was introduced, it was said it could potentially raise x-amount of dollars and help fight obesity," he said. "The fact is, not even one cent of this is earmarked to fight obesity."

Barnes said that in the last five years, the soft drink industry has seen a shift in consumers themselves asking for healthier products, like zero calorie options and more juices, enhanced waters and teas. Despite growth in those areas, he said, the industry's business as a whole is not growing, and he is concerned about what a tax like this might mean economically. The tax could generate up to \$90 million per year, a cost that Barnes says will be passed directly to consumers. The current price for a 12-pack of soda is \$3 to \$4, but with the added tax, that cost would increase by \$1.20 per pack.

"I don't know that there's many products that you could say, 'I'm going to raise your tax by 30 to 50 percent,' and people would be okay with it," Barnes said.

Vic Allred, owner of Jazz, A Louisiana Kitchen in the Legends at Village West, calls the proposed tax "selective and targeted legislation," and said that targeting a single demographic for taxation is wrong.

"It seems to me to be one hundred percent a revenue generator to the state, as opposed to what they're trying to sell it as," Allred said.

Allred seconded Barnes's sentiments and said that the tax will ultimately be passed back to consumers through higher product costs, regardless of if the tax happens on the manufacturing or point-of-sale end.

Members of the Kansans Against Food and Beverage Taxes coalition are relying on grassroots efforts and any available resources to speak out against the proposed tax, and are relying heavily on job loss as a selling point. Allred said this bill will hurt small businesses, which provide 80 to 90 percent of jobs, the most.

"The legislature should be focused on making the pool larger not by tax increases but by job growth," Allred said. "If they incentivize business, we'll take care of their budget for them by creating jobs."

But those speaking out against the proposed sugared beverages tax face some tough opposition. Jason Eberhart-Phillips, Kansas State Health Officer and Director of Health, said the Kansas Department of Health and Environment thinks the tax would be a positive move for the state.

"We know that the demand for these beverages is elastic, and imposing a tax like the one that's being proposed will reduce consumption and will hopefully divert household spending to healthy choices," he said.

Today's Americans consume about 250-300 more calories per day than Americans 30 years ago did, with sugared beverages accounting for about half of those extra calories, Eberhart-Phillips said. Soda calories leave consumers feeling less filled, making it easy to cram in extra calories without realizing it, he said.

"So much of it is driven by the very successful marketing of these products, which people love," he said. "I can't blame them. I think consumption since 1960 is up around 500 percent, and our bodies show it."

With health care one of the biggest cost-drivers in government budgets, Eberhart-Phillips said taxing items that impact health just makes sense.

"If it's a significant enough tax that really does reduce consumption, then we may save more from disease prevention than we collect from the tax itself," he said.

The Kansas Senate will vote on this proposed tax when it returns from recess at the end of April.