# Pennsylvania: Philadelphia Mayor may be "completely off his rocker" with soda tax proposal

David M. Kall | Friday, March 11, 2016

On March 3, 2016, Philadelphia Mayor Jim Kenney gave his first **budget address** as mayor. Among other things, he proposed an additional $26 million investment over the next five years in the city's pension fund, which is currently financed at less than 50 percent. The governor expects it to cost $3.4 billion to fix that deficit, "nearly the cost of [Philadelphia's] current annual budget."

One way that Mayor Kenney hopes to pay for this is by implementing a 3 percent sin tax on the distribution of sugary soda beverages. In addition, the mayor wants to use the annual proceeds of $95 million to pay for quality pre-k, community schools, and investments in community infrastructure and energy efficiency. Although he thinks that those who populate Big Soda companies are "good people," he opposes the fact that they charge "our citizens, small businesses, and distributors much, much more than what it costs for them to make the soda."

The mayor also disputes Big Soda's claim that a tax on their products would hurt low-income, minority communities, when "the truth is that soda companies are actually targeting their advertising at low-income, minority communities." To support his contention, Mayor Kelley cited a Yale study in his speech that found that African-American kids are 80-90 percent more likely to see ads for sugary beverages than their white counterparts.

Beyond this, Mayor Kelley contradicted the argument that the tax would cause an employment crisis by analogizing the city's experience with a recently implemented liquor tax, which did not adversely affect employment rates.

Scott Drenkard, an economist at the **Tax Foundation**, notes that the 3 percent sugar tax, which works out to about 3 cents per ounce or 36 cents per can, is 48 times higher than the excise tax on beer. It is also three times larger than the only other soda tax in the nation, in Berkeley, CA, where the 1 cent per ounce tax went into effect in March 2015. This huge differential caused one Philly.com journalist, Will Bunch, to **wonder** whether Mayor Kenney is "completely off his rocker."

There are good reasons to tax sugary beverages, mainly related to mitigation of diseases suffered by people who consume diets with a lot of added sugar, like diabetes, heart and liver disease, obesity, and tooth decay. However, this is not Mayor Kenney's rationale; as noted above, he is focusing on revenue generation to pay for education, infrastructure, and pensions. But as Drenkard points out, if people actually did stop consuming sugary beverages, revenue generation would come to a halt, and the intended beneficiaries would be back where they started. Or, more likely, consumers would buy their soda outside of Philadelphia, in which case "you've got the same hole in your pre-K budget, and there are still people drinking soda."

Drenkard asserts that "[i]f public pre-K is worth funding, it's worth funding with real, broad based taxes like income and sales taxes. Those taxes provide much more stable revenue. You can't lean on a gimmick like this to sustain an ongoing important educational program."

Bunch has a different problem with the proposal, which he characterizes as a "terrible, terrible idea" – some soda drinkers would simply switch to diet soda, which also causes obesity, diabetes, and other health problems.

One thing that both can likely agree on is that sin taxes are regressive, and thus have a disproportionate effect on poor people, as Bunch recognizes in his piece. Bunch suggests that there should at least be a tax on diet soda as well to make the surcharge "more palatable…politically."

One other potential problem is that the tax may not generate the revenue Mayor Kelley expects it to. Six months after the Berkeley soda tax went into effect, we **addressed** the fact that consumers were largely spared from the price increases: two big distributors, Coke and Pepsi, only passed on 22 percent of the tax to consumers.

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Team member bio