

The Evaluation of Seattle’s Sweetened Beverage Tax  
**Frequently Asked Questions (FAQs)**  
January 4 2019

## FAQs - General

### What is the Sweetened Beverage Tax?

As of January 1, 2018, there is a tax on sugar-sweetened beverage products distributed within Seattle. The Sweetened Beverage Tax is not a sales tax charged directly on consumers. Instead, this tax makes distributors pay a tax on sugar-sweetened beverage products they distribute within the City of Seattle. The tax rate is 1.75 cents per ounce on sugary beverages.

### What types of beverages are subject to the Sweetened Beverage Tax?

The following table lists the types of beverages that are subject to the Sweetened Beverage Tax:

Taxed Beverages	Non-taxed Beverages
Regular sodas	Diet drinks
Energy and sport drinks	Bottled water
Fruit drinks	100% juice
Sweetened waters	Milk (including soy, rice, almond, coconut)
Pre-sweetened coffees and teas	Beverages for medical use
Syrups and concentrates used to make sugary drinks in coffee shops, restaurants and fast food	Infant or baby formula
	Alcoholic beverages

### Why did Seattle pass this tax?

Research has shown that sugary drinks can lead to type 2 diabetes, heart disease and stroke, weight gain and tooth decay. Taxing sugary drinks reduces their sales and consumption. It will also raise tax revenue from sales on sugar-sweetened beverages to help improve access to healthy food and fund programs and services for families with children ages 5 and younger.

### In 2018, the City collected more revenue than it originally estimated. Does this mean consumption of sugary beverages is actually increasing?

No. We cannot conclude from the revenues whether there has been any change in the consumption of sugary beverages. The revenues are an indication of current distribution volumes into the City, but tell us nothing about volumes before the tax or about the change after the tax. The revenue was forecast was intentionally conservative given the lack of Seattle-specific consumption data available.

### When will we know whether to not people are changing their behavior due to the Sweetened Beverage Tax?

The Evaluation of the Sweetened Beverage Tax includes a study that is assessing the impact of the tax on children’s beverage consumption. This study is underway and findings from data collected six and twelve months after tax implementation will be available by end of 2019.

### How is the revenue raised by this tax being used?

The money raised from this tax is supporting a range of nutrition, healthy food access, and early learning programs.

Category	2018 Investment
<p><i>Healthy Food &amp; Beverage Access</i>            Programs that provide food, meals, or vouchers to help low-income people buy healthy food; also includes programs that provide subsidies to schools and child care to increase servings of fruits and vegetables to children</p>	\$6.4 million
<p><i>Birth-to-Three Services</i>            Programs that improve the social, emotional, educational, physical health, and mental health for children, especially those services that seek to reduce the disparities in outcomes for children and families based on race, gender, or other socioeconomic factors and to prepare children for a strong and fair start in kindergarten.</p>	\$7.5 million
<p><i>Programs for good nutrition and physical activity</i>            Community-based programs and activity to support good nutrition and physical activity</p>	\$1.2 million

## FAQs – 6-Month Store Audit

### **What is the 6-Month Store Audit?**

The 6-Month Store Audit is part of a three-year study to determine the extent to which Seattle’s tax on distributors of sugary beverages is passed through to customers via higher retail prices. The study began just before tax when into effect (called the Baseline or Pre-tax Store Audit) and was repeated 6-months later (the 6-Month Store Audit). The study was repeated again after the tax had been in place for approximately 12 months and will be repeated at approximately 24 months after the start of the tax.

### **How were the Baseline and 6-Month Store Audits done?**

A trained research team from University of Washington traveled to over 400 stores in Seattle and a comparison area in South King County (where there is no tax on sugary beverages) to collect information on the prices of taxed and non-taxed beverages. Prices were collected *before the tax* and *6-months after* the tax went into effect. The team collected price information at supermarkets, grocery stores, corner stores, drug stores, gas stations, coffee shops, and counter-service restaurants. Store locations were geographically balanced.

Researchers then calculated the changes in beverage prices in Seattle above and beyond price changes for the same beverages in the comparison area. The comparison area (Federal Way, Kent, Auburn) is assumed to reflect the trend in price changes Seattle would have seen if the City had not passed the Sweetened Beverage Tax.

### **If this is a tax on sugary beverages, why are researches also studying the prices of non-taxed beverages?**

Researchers are also looking at whether the price of non-taxed beverages changed, since distributors and retailers may choose to spread the cost of the tax over a variety of products.

**What was the main finding of the 6-Month Store Audit?**

This study found that, 6-months after the tax went into effect, distributors are passing the tax to consumers via higher retailer prices. On average, the “price pass-through” of the tax on sugary beverages was 1.70 cents per ounce. Since the tax rate is 1.75 cents per ounce, this amounts to a 97% price pass-through rate. For example:

<p><b>Before the Sweetened Beverage Tax:</b></p>  <p><b>\$1.80 for 2-Liter Soda</b> (68 ounces)</p>	<p><b>6-Months after the Sweetened Beverage Tax:</b></p>  <p><b>\$2.95 for 2-Liter Soda</b> (68 ounces)</p> <p>(68 ounces * 1.70 cents per ounce pass through = \$1.15 tax)</p>
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**Is it surprising that the prices of sugary beverages in Seattle increased as a result of the Sweetened Beverage Tax?**

No. In response to the Sweetened Beverage Tax, distributors were expected to increase sugary beverage prices for retailers. Retailers, in turn, were expected to increase the shelf prices of sugary beverages paid by consumers. The Store Audit study is assessing whether or not these expected price increases actually occurred, and to what extent.

**Did all types of sugary beverages increase in price?**

In Seattle, all beverages subject to the tax increased significantly in price, except for the caloric flavor-syrup add-on at coffee shops. Price increases differed by sugary beverage type. For example, the average pass-through rate ranged from 62% for bottled sugary coffee beverages to 111% for energy drinks. The average pass-through rate for soda was 102%.

**Did the price increases of sugary beverages vary by store type?**

Yes, the price increases of sugary beverages varied by store type. In supermarkets and superstores, the average pass-through was 86%. In grocery stores, drug stores, and small stores, the average pass through was greater than 100%.

Store type	Average pass-through of taxed beverages
Supermarkets and superstores (e.g. Safeway, QFC, Target)	86% (1.50 cents per ounce)
Grocery stores (Red Apple, Viet-Wah)	104% (1.82 cents per ounce)
Drug stores (Walgreens, CVS, Rite Aid)	104% (1.82 cents per ounce)
Small stores (7-Eleven, gas stations, convenience stores)	103% (1.80 cents per ounce)

**What about non-sugary beverages not subject to the tax – did these increase in price too?**

Prices of non-sugary beverages increased significantly, *but only in certain store types*. For example, the price of non-taxed beverages did not increase in supermarkets and superstores. However, the price of non-taxed beverages did increase significantly in grocery stores, drug stores, and small stores. The price increases of non-taxed beverages in these stores appear to be driven by increases in the price of diet soda, diet energy drinks, bottled tea, and diet sports drinks. The price of bottled water did not increase and, in the majority of store types, neither did the price of milk.

Store type	Price increases in non-taxed beverages
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Supermarkets and superstores (e.g. Safeway, QFC, Target)	None
Grocery stores (Red Apple, Viet-Wah)	0.47 cents per ounce
Drug stores (Walgreens, CVS, Rite Aid)	0.47 cents per ounce
Small stores (7-Eleven, gas stations, convenience stores)	0.77 cents per ounce