



## ECONOMIC IMPACT OF A PROPOSED BEVERAGE TAX

A proposed tax on sugar-sweetened beverages would have significant economic impacts on the economy, particularly in the beverage industry and related industries. These adverse economic impacts would result in lower tax revenues to government, significantly offsetting the projected revenue to be gained by imposing the tax. The impact analysis was conducted by Robert Hahn, Senior Fellow at the Georgetown Center for Business and Public Policy.<sup>1</sup>

The proposed tax is a levy of 3¢ per 12 oz. of beverage sold, affecting all types of beverages to which sugar or other nutritive sweeteners are added; this tax would affect products ranging from iced teas and fruit drinks to soda, sports drinks, and flavored waters.

### **\$22 Billion in lost economic output. 110,000 lost jobs.**

- The sales losses resulting from higher prices would directly affect the beverage industry as well as a range of related businesses that rely on the beverage industry.



- Beverage industry retail sales would decrease by \$10 billion per year; related industries would lose about \$12 billion in sales for a total loss of economic output of \$22 billion annually.
- An estimated 60,000 workers in the beverage and retail industries would lose their jobs as a result of these sales declines; 50,000 jobs would also be lost in related industries for a total loss of 110,000 jobs.
- Lost wages paid to the 110,000 workers total about \$5 billion annually. The lost income not only hurts working families, but would raise burdens on governments and cause many of those workers to lose health insurance.

- **Lost sales and jobs would lower tax receipts of federal, state, and local governments.** These lower revenues result from fewer taxes being paid by affected businesses and newly-unemployed workers.
- The fallout from the new tax would reduce government tax revenues by \$2.5 billion per year: \$1.4 billion in lost federal taxes formerly collected from the affected sectors of the economy and \$1.1 billion in state and local taxes.



<sup>1</sup> "The Potential Economic Impact of a U.S. Excise Tax on Selected Beverages," Robert Hahn, August 31, 2009.