

Sample Impacts of the Billion Dollar Beverage Tax

Governor Paterson's latest proposal to tax New York consumers is to levy a hidden \$1.28 per gallon excise tax on distributors of nonalcoholic beverages. The beverages that would be affected are soda, iced tea, fruit drinks, sports drinks, and any other non-dairy beverage except diet or very low or no calorie drinks. The proposal is reminiscent of the Governor's ill-fated 18% "fat tax" proposed in December 2008 and then withdrawn in March 2009.

Because it would be imposed on distributors, the tax would be buried in the price of products, rather than visible to consumers. Estimated impacts on typical product prices are shown below; the percentage increases assume that the only impact on current prices is the tax itself. If the tax were built into the wholesale price of the product, it would then be marked up by retailers and restaurants. In addition, the higher price would be subject to sales tax, so consumers would also pay sales tax on the excise tax.

The tax would represent at least a 47 percent increase in the price of a 12-pack of soda, using average prices in the NY market in 2008; the comparable figure for a two-liter bottle of soda is a 57 percent increase.

Sample Product	2008 Average Price – NY Market	New Tax at 1¢ Per Oz	Price After Tax (No Markup or Sales Tax)	Percentage Increase (No Markup or Sales Tax)
12-pack soda	\$3.05	\$1.44	\$4.49	47%
2-liter soda	\$1.19	\$0.68	\$1.87	57%

Source: Prices for NY market area averaged across seven brands surveyed; price data from Beverage Digest Fact Book 2009, Appendix F

Another way to evaluate the increase is to also consider other government taxes and fees such as the sales tax and deposit that applies to these products.

Sample Product	2008 NY Market Price Including Deposit and Sales Tax*	New Tax at 1¢ Per Oz	Price After Taxes and Deposit	% Increase vs. Current Price	% of Price From Gov't Fees and Taxes
12-pack soda	\$3.89	\$1.44	\$5.45	40%	79%
2-liter soda	\$1.34	\$0.68	\$2.07	55%	74%

Source: Prices for NY market area averaged across seven brands surveyed; price data from Beverage Digest Fact Book 2009, Appendix F

** Sales tax computed at a typical rate of 8% statewide.*