

Governor Paterson's Billion Dollar Beverage Tax

The Governor'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 The proposal is reminiscent of the Governor's ill-fated 18% "fat tax" proposed in December 2008 and then withdrawn the following March, but with a few key differences:

- This tax is bigger:
 - \$1 billion per year in new taxes on New York businesses and, ultimately, consumers
 - At a minimum, the tax represents a 23% price increase for these products; increases for individual products could be much higher.
 - Based on preliminary sales figures for various beverage categories in New York derived from Beverage Marketing Corporation data and assuming an average 8% sales tax around the state.
 - Because the tax is imposed at the distributor level, the actual increase would be higher because the tax would be built into the wholesale price of products and then marked up by retailers.
- This tax is hidden:
 - The 18% sales tax proposal last year would have appeared directly on checkout receipts: consumers would have known exactly what the Governor's proposal was costing them.
 - The Billion Dollar Beverage Tax is collected from distributors, so the tax passed on to consumers would be buried in the price of the product; that way consumers won't be able to tell how much of the price is going to the State.
- This tax costs more jobs:
 - Analysis of last year's 18% "fat tax" projected a net loss of 6,100 jobs plus other economic disruptions.¹
 - This tax would raise prices more and affect more products; preliminary analysis suggests job losses may reach 20,000.
- This tax comes at an even worse time:
 - When the Governor withdrew the fat tax last March, 763,000 New Yorkers were out of work and unemployment stood at 7.8%.
 - In the most recently reported month (November) the number out of work had climbed to 834,000 – 8.6% unemployment.²

¹ See, for example, "The Negative Economic & Employment Implications of New York's Proposed Beverage Excise Tax," Capitol Hill Research Center, Albany, February 2, 2009.

² NYS Department of Labor, seasonally adjusted data