

Give Tennessee Kids a Chance Campaign

Legislative Proposal for Tennessee State Assembly

American Medical Student Association (AMSA) – Vanderbilt Chapter

Last Updated: September 21, 2009

Introduction:

The state of Tennessee currently ranks fifth in the nation for the percentage of children who are overweight or obese (36.5%). As of 2007, about 17% of TN high school students were considered obese.ⁱ Federal statistics estimate that 80% of overweight adolescents grow up to be obese adults,ⁱⁱ and obesity is widely recognized to be a key risk factor for diabetes, heart disease, and stroke. As a result, Tennessee spends 22% more per capita on obesity-related diseases than the national average.ⁱⁱⁱ

These figures are not static. In the past twenty years the overall obesity rate in Tennessee has grown at a steady pace from under 10% in 1985, reaching 20% in 1999, and rising to well over 30% in 2008.^{iv}

During a similar time period, the per capita intake of caloric beverages doubled in the United States across all age groups.^v The average American consumes approximately thirty five gallons of non-diet soda each year.^{vi} A recent editorial in the New England Journal of Medicine from September 2009 makes an impressive case for sugar-sweetened beverages as the single greatest contributor to rising childhood obesity.^{vii}

One statistic from that editorial is demonstrative: for each extra can of a sugar-sweetened beverage that a child consumes per day, his or her likelihood of becoming obese increases by an impressive 60%. These beverages account for 10-15% of calorie intake for children and adolescents.^{viii} In addition, a meta-analysis of more than 88 studies by Kelly Brownell et. al. found clear correlations between soft drink intake and increased body weight, lower intakes of milk, calcium, and other nutrients, and an increased risk of several medical problems (e.g., diabetes).^{ix}

Although several state legislatures are discussing specific taxes on sugar-sweetened beverages as a reasonable way to combat the obesity epidemic (both *directly* from the effect on consumption and *indirectly* through the revenues generated), timing in Tennessee for such an initiative is complicated. The state of the current economy and historical discomfort with new taxes among the general public suggest that a more moderate approach may be warranted.

Proposal:

In 1963 the state of Tennessee instituted a 1.5% excise tax on gross receipts from soft drinks paid by manufacturers and bottlers.^x In 1981, against the backdrop of a national movement for Container Deposit Legislation, the tax was increased to 1.9% of gross receipts. The additional revenues were allocated to highway litter cleanup programs that are currently administered by the Department of Transportation.

In fiscal year 2008, the tax generated 17.2 million dollars, 3.7 million of which was designated for highway cleanup. This sum grew from 9 million dollars in 1998, representing a growth of nearly 50%. The exact stipulations of the current tax law are found in section 67-4-402 of the Tennessee Code.^{xi} The current tax is set to expire in 2010 but so far it has been renewed at regular intervals. We propose that 20% of revenues from the existing 1.90% excise tax be used to target childhood obesity in Tennessee.

Legislative Precedents (within TN and in other states)

Using revenues from soft drink taxes in the interest of state public health is not a new idea. Several states have been administering simple excise taxes or sales taxes for many years, and a brief summary is provided below:

- As of 2007, at least seven states have levied some sort of excise or license tax on soda or snack items outside of their sales tax regimes: **Alabama** – license taxes and fees on wholesalers and retailers; **Arkansas** – an excise tax of \$.021/gallon of soda with a higher rate for soda syrup placed on manufacturers and wholesalers; **Rhode Island** – an excise tax of \$0.04/case of soft drinks placed on manufacturer; **Tennessee** – as mentioned above; **Virginia** – a variable excise tax (based on gross receipts) placed on wholesalers and distributors of soft drinks; **Washington** – an excise tax of \$1.00/gallon of soda syrup placed on wholesalers and retailers; **West Virginia** – excise tax of \$0.01 per half liter of soda with higher rate on soda syrup placed on distributors, wholesalers, and retailers.^{xii}
- As of 2008, there is a sales tax on soft drinks in 29 states (taxes range from 1.00-7.00%). These taxes exceed the sales tax rate on food in all but two of those states.^{xiii}
- Several states use the revenues from these taxes for programs related to public health. Notable examples include: **Arkansas**, revenues are earmarked for the state Medicaid budget; **West Virginia**, revenues are used to support the state’s medical, nursing, and dental university; **Missouri**, revenues are used for health department inspection of bottling plants; **Washington**, revenues are used for drug enforcement and violence prevention.^{xiv}

ⁱ Trust for America’s Health: State Data. <http://healthyamericans.org/states/?stateid=TN>

ⁱⁱ Gardner, Amanda. Overweight Kids Often Become Obese, unhealthy adults. US News and World Report. December 2007. <http://health.usnews.com/usnews/health/healthday/071205/overweight-kids-often-become-obese-unhealthy-adults.htm>

ⁱⁱⁱ Trust for America’s Health. The State of Your Health: Tennessee. Available at: <http://healthyamericans.org/states/?stateid=TN>. Last accessed July 7, 2009.

^{iv} Centers for Disease and Prevention. U.S. Obesity Trends by State. <http://www.cdc.gov/obesity/data/trends.html#State>

^v Duffey KJ, Popkin BM. Shifts in patterns and consumption of beverages between 1965 and 2002. *Obesity (Silver Spring)* 2007; 15:2739-47.

^{vi} Kristoff, Nicholas D. The New York Times. Miracle Tax Diet. December 17, 2008. <http://www.nytimes.com/2008/12/18/opinion/18kristof.html>

^{vii} Brownell KD, Farley T, et.al. The Public Health and Economic Benefits of Taxing Sugar-Sweetened Beverages. *N Engl J Med.* 2009 Sep 16

^{viii} Ludwig DS, Peterson KE, Gortmaker SL. Relation between consumption of sugar-sweetened drinks and childhood obesity: a prospective, observational analysis. *Lancet* 2001;357:505-8.

^{ix} April 2007, Vol 97, No. 4 | American Journal of Public Health 667-675

Effects of Soft Drink Consumption on Nutrition and Health: A Systematic Review and Meta-Analysis Lenny R. Vartanian, PhD, Marlene B. Schwartz, PhD and Kelly D. Brownell, PhD

^x Michael F. Jacobson, PhD, and Kelly D. Brownell, PhD. Small Taxes on Soft Drinks and Snack Foods to Promote Health. *American Journal of Public Health.* June 2000, Vol. 90, No. 6.

^{xi} The Tennessee Code. Miche’s Legal Resouces. <http://www.michie.com/tennessee/lpext.dll?f=templates&fn=main-h.htm&cp=tncode>

^{xii} Chriqui, JF, Shelby, S. et al. State Sales Tax Rates for Soft Drinks and Snacks Sold through Grocery Stores and Vending Machines. *Journal of Public Health Policy (2008)* 29, 226–249.

^{xiii} Kaiser Family Foundation: Statehealthfacts.org. <http://www.statehealthfacts.org/comparemactable.jsp?ind=696&cat=1>. In the 22 states that do not have a soft drink sales tax, 10 states have a general food tax (range: 1.23-6.00%).

^{xiv} Michael F. Jacobson, PhD, and Kelly D. Brownell, PhD. Small Taxes on Soft Drinks and Snack Foods to Promote Health, *ibid.*