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Opposing Views and Uncertain Future for the Philadelphia Soda Tax

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- As previously covered on this blog, Philadelphia's 1.5-cent-per-ounce tax on distributors of sweetened beverages (including soda and diet soda, non-100% fruit drinks; sports drinks; flavored water; energy drinks; pre-sweetened coffee or tea; and non-alcoholic beverages intended to be mixed into alcoholic drinks) was conceived by city leaders as a revenue generating measure to fund local health and education needs. The law was challenged before its effective date (January 1, 2017) on grounds of double taxation in a complaint filed by the American Beverage Association (ABA), retailers, distributors, and consumers (see previous blog coverage here).

- Now, 15 months post-enactment, legal uncertainties remain, with ABA's case to overturn the 1.5-cent-per-ounce tax accepted on appeal on January 30, 2018 by the Pennsylvania Supreme Court. Under Mayor Jim Kenney's new five-year plan released March 1, 2018, programs would be expanded in fiscal year 2020, when officials expect the litigation will be over.

- Opponents argue that consistently soft revenue (15% less than estimated in the first 12 months) and scaled back funding for promised government programs indicate the unpopular tax is a huge policy failure. In contrast, the mayor's office touts the soda tax as a success, stating that $79 million in revenue is within the margin of error and pointing to programs that have already benefitted.

- Both sides view the political and legal uncertainties of the soda tax in Philadelphia as a cautionary tale for other cities that may be considering a sweetened beverage tax. Philadelphia warns of well-funded and organized opponents. Critics of the tax argue it is not an effective or reliable way to fund programs.

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