

Larry's Tax Law

While Neither the Carbonation nor the Sweet Syrup Has Been Removed From Soda Pop in Illinois' Cook County, the Local Tax Imposed on the Sweet Drink Has Gone Flat!

By Larry Brant on 10.11.17 | Posted in State and Local Tax

In November 2016, the Board of Commissioners of Cook County, Illinois, passed (by a slim margin of one vote) the Sweetened Beverage Tax Ordinance ("Soda Tax"). It imposed a tax at the rate of one-cent-per-ounce for all sweetened beverages sold at the retail level in the county.

The Soda Tax was expected to generate \$200 million a year for Cook County. If you assume a population of 5.2 million in Cook County (home to the city of Chicago), the annual tax collections equate each citizen consuming over 10 ounces of sweetened beverages per day. That is an alarming figure. Factoring in visitors to the county, the number is likely a bit less than that figure, but nevertheless the number, or shall I say, "consumption assumption," is definitely larger than one would expect.

Soda pop, defined in *Webster's* as a beverage consisting of soda water, flavoring and a sweet syrup, was one of the products to take a direct hit from the Soda Tax. In general, the Soda Tax in Cook County was payable by the ultimate consumer of the product, and collected and paid over to the Illinois Department of Revenue by the retailer. Penalties for noncompliance of the ordinance included monetary penalties of \$1,000 for the first offense and \$2,000 for each subsequent offense. There was also the potential for criminal prosecution in the case of willful evasion of the tax.

Cook County was taking the Soda Tax seriously. The Illinois Department of Revenue designed compliance forms, and implemented audit and collection procedures. While the tax was being paid by consumers at the rate of one-cent-per-ounce of the sugary drink, its expected collections were aimed at filling a huge revenue deficit for the county.

The long lived Coca-Cola ad slogan, "life tastes good," is again alive and well in Cook County. The finance committee of the Cook County Board of Commissioners voted 15-1 to repeal the penny-per-ounce tax. The full Board of Commissioners (with two "no" votes) affirmed that vote

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today. So, the Soda Tax has fizzled out in Cook County! Consumers of soda pop and other sweetened beverages in Cook County who are simply looking to indulge in a sweetened syrupy substance are now free from the one-cent-per-ounce tax. *"I'm a Pepper. He's a Pepper. She's a Pepper. We're a Pepper. Wouldn't you like to be a Pepper too?"* You will surely be able to be a "Pepper" in Cook County again.

Taxes on products viewed as a vice are not new to the world of taxation. A tobacco tax was first enacted in the United States in 1864. Today, this tax generates over \$35 billion (federal, state and local) in annual revenues. A tax on alcohol was first enacted in the United States in the 1880s. Today, this tax generates over \$30 billion (federal, state and local) in annual revenues. One of the obvious strategies behind such excise taxes is to reduce consumption of these products. With obesity at an all-time high in this country, it is safe to assume the policy behind the Soda Tax is similar to the policy behind tobacco and alcohol taxes.

Cook County is not the only governmental body to adopt a soda tax. Internationally, several foreign governments, including Denmark, France, Hungary, Ireland, Mexico, Norway and the United Kingdom, have adopted their versions of soda taxes. In this country, Seattle, Washington; Boulder, Colorado; Berkeley, California; and Philadelphia, Pennsylvania are among the jurisdictions that have adopted a tax on consumption of sweet concoctions. In fact, a coalition in Multnomah County, Oregon has organized to collect sufficient taxpayer support to put a soda tax on the ballot in November 2018.

While the Soda Tax may have fallen flat in Cook County, similar taxes still are bubbling away in other jurisdictions. The 1971 ad campaign of Coca-Cola touted the theme: "I'd like to buy the world a Coke." Today, if Coca-Cola readopted this ad campaign, it would have to alter the theme a bit. Maybe it would read: I'd like to buy the world a Coke anywhere, except in jurisdictions that have adopted a soda tax.

Stay tuned!

Tags: Chicago, Cook County, Department of Revenue, excise tax, Illinois, Multnomah County, soda tax, Sweetened Beverage Tax Ordinance