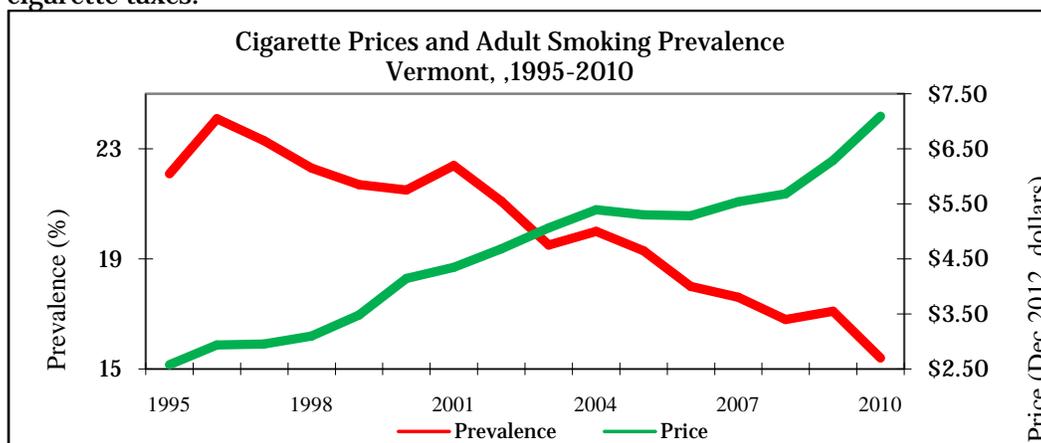


## **Sugar Sweetened Beverage Tax Avoidance: Lessons from Cigarettes Taxes**

Concerns that consumers will avoid a sugar-sweetened beverage (SSB) tax by buying sodas and other SSBs in nearby states have been raised about the proposal to tax SSBs in Vermont. Experiences with cigarette and other tobacco taxes suggest that these concerns are greatly exaggerated and that an SSB tax will be effective in reducing SSB consumption and its public health consequences, while raising considerable new revenues for the state.

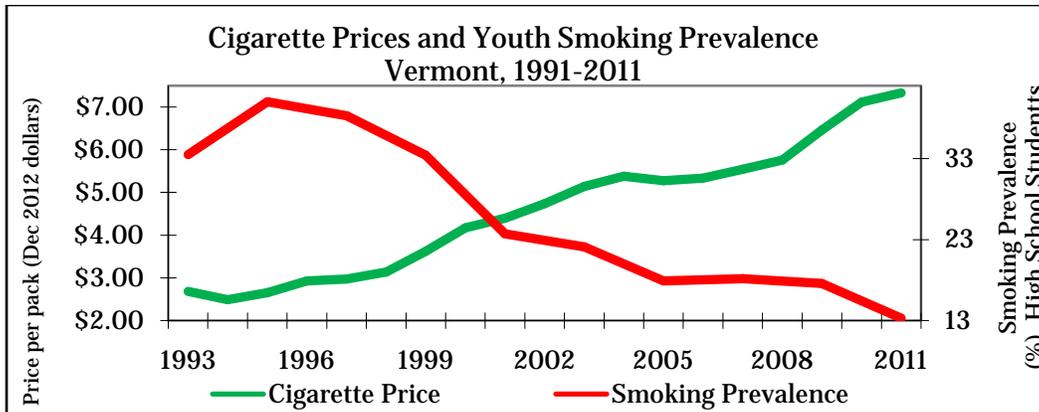
***Cigarette tax increases in Vermont have significantly reduced smoking among adults and teenagers, and improved public health in Vermont, despite opportunities for tax avoidance:***

- Since 1995, Vermont's cigarette tax was increased multiple times, rising from 20 cents per pack in early 1995 to \$2.75 per pack currently.
- According to a survey of a representative sample of thousands of Vermonters ages 18 and older, cigarette smoking prevalence among adults fell from 22.1% in 1995 to 15.4% in 2010 - a decline of over 30%. Economic research suggests that much of this decline was caused by the higher cigarette prices that resulted from increased state and federal cigarette taxes.



Sources: Behavioral Risk Factor Surveillance System, Tax Burden on Tobacco, Bureau of Labor Statistics, and author's calculations

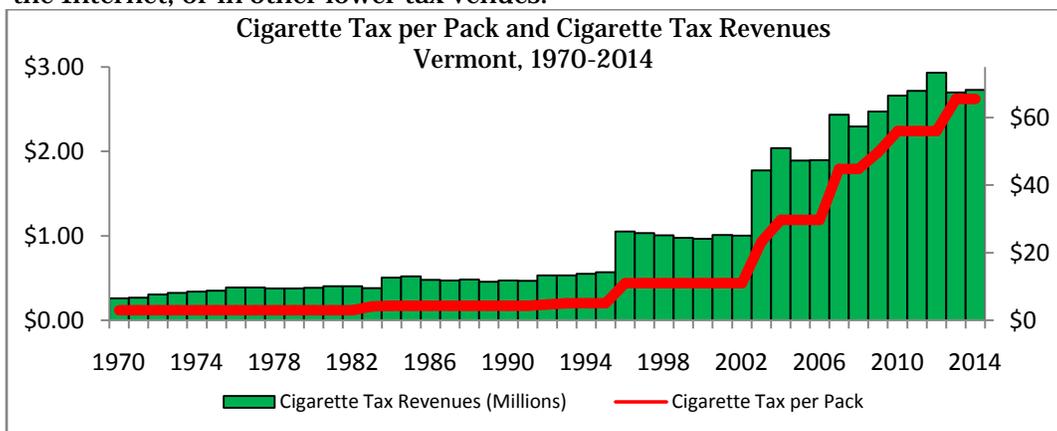
- Economic research finds that smoking among young people is much more sensitive to price than is smoking among adults. Vermont's experiences are consistent with this. According to the state's Youth Risk Behavior Survey of thousands of high school students, teen smoking prevalence fell from 40.0% in 1995 to 13.3% in 2011 - more than a two-thirds decline in youth smoking.
- The tax-induced reductions in cigarette smoking in Vermont have reduced the death, disease, and economic costs caused by smoking, substantially improving public health in Vermont.



Sources: Youth Risk Behavior Survey, Tax Burden on Tobacco, Bureau of Labor Statistics, and author's calculations

***Cigarette tax increases in Vermont have led to increased cigarette tax revenues, despite the opportunities for tax avoidance:***

- Every Vermont cigarette tax increase has led to higher cigarette tax revenues, despite reductions in smoking and opportunities to avoid taxes by shopping in nearby states, on the Internet, or in other lower tax venues.



- The last time there was a year between a Vermont tax increase and a New Hampshire tax change was Vermont's July 1, 2006 increase from \$1.19 to \$1.79 per pack (compared to New Hampshire's tax of 80 cents per pack). In the year following the increase, cigarette tax revenues rose by \$13.4 million (28.3%) in Vermont, while cigarette tax revenues in New Hampshire fell by \$3.4 million (-2.4%). While some Vermonters may have avoided the tax by buying in New Hampshire, claims of massive cross-border shopping and other tax avoidance efforts are clearly exaggerated.

***An SSB tax in Vermont will not result in massive tax avoidance, but instead will improve public health by reducing SSB consumption and its consequences, while raising revenues.***

- A 2011 survey of Vermont adults found that none of those surveyed who purchase SSBs at gas stations or convenience stores and who do not regularly shop in New Hampshire would cross the border to buy SSBs and avoid the tax.
- The survey results coupled with Vermont's experiences with tobacco tax increases suggest that adoption of an SSB tax will lead to real reductions in SSB consumption, improvements in public health, and substantial new revenues, despite opportunities for Vermonters to avoid the tax.