

Seattle Sweetened Beverage Tax Ordinance Summary

[Ordinance Number 125324](#)

Effective date

The ordinance takes effect January 1, 2018.

Covered by the tax

The tax is imposed on sweetened beverages, which is defined as “any beverage intended for human consumption that contains one or more sweeteners, whether in bottles, prepared from concentrates, served as a fountain beverage or in any other form.”

This includes soda, sports drinks, energy drinks, sweetened ice teas and coffees and other products with added caloric sweeteners like juice, flavored water and non-alcoholic mix beverages that may or may not be mixed with alcohol.

Not covered by the tax

Sweetened beverages do not include any of the following:

1. Any beverage in which natural milk is the primary ingredient (listed first in the ingredients); or in which water and grains, nuts, legumes or seeds constitute the first two ingredients in the product ingredient list;
2. Any beverage for medical use;
3. Meal replacement liquids for weight loss or other purposes;
4. Infant formula or baby formula;
5. Any alcoholic beverage;
6. Any beverage consisting of 100 percent natural fruit or vegetable juice with no added sweetener. For the purposes of this definition of sweetened beverage, natural fruit and natural vegetable juice means the original liquid resulting from the pressing of fruits or vegetables;
7. Any concentrate the consumer combines with other ingredients to create a beverage;
8. Any beverage that contains fewer than 40 calories per 12-ounce serving; or
9. Sweetened medication like cough syrup, liquid pain relievers, fever reducers and similar products.

How the tax will be paid

The tax is imposed on those doing business in the city as a distributor of sweetened beverages.

Taxpayers filing their Chapter 5.45 business license tax on a quarterly basis shall file the sweetened beverage tax on a quarterly basis, and taxpayers filing their business license tax on an annual basis shall file the sweetened beverage tax on an annual basis, on forms prescribed by the director.

Standard tax rate

The tax rate is \$0.0175 per fluid ounce of sweetened beverages distributed.

Calculating tax on concentrates

For concentrates, the tax will be calculated using the largest volume of beverage that would typically be produced by the amount of concentrate distributed. This is based on the manufacturer’s instructions or industry practice.

When a drink is produced from more than one concentrate, the rate on each component shall be calculated proportionately, so the combined tax on the total yields \$0.0175 per fluid ounce of resulting beverage.

The ordinance directs the director of Finance and Administrative Services to develop rules, including those to determine the calculation of tax for concentrates based on manufacturer's instructions or industry practice.

Small manufacturers

Exemption

Sweetened beverages produced by a manufacturer with worldwide gross income of \$2 million per year or less are not subject to the tax.

Reduced tax rate

For drinks produced by a manufacturer with worldwide gross income of more than \$2 million but less than \$5 million in the prior calendar year, the tax rate shall be \$0.01 per fluid ounce of sweetened beverage distributed.

For a sweetened beverage to be eligible for the exemption or reduced rate, the manufacturer must apply to the city according to rules established by the director.

Exemptions

Direct sale

Sweetened beverages directly sold by a manufacturer to a consumer without the involvement of a third party to transport or distribute the beverages will not be included in the tax.

Others

Persons who are exempt from taxation by Washington cities pursuant to federal or state statutes or regulations are exempt from the tax.

Services funded by the proceeds

For the first five years the tax is collected, 20 percent of net proceeds go toward the following, in order of priority:

1. One-time costs necessary to administer the tax;
2. Up to \$5 million to an endowment for the Seattle Colleges 13th Year Promise Scholarship program;
3. Up to \$1.5 million for job retraining and placement programs for workers adversely impacted by the tax; and
4. Funding for capital projects to construct or enhance classroom facilities for use by the Seattle Preschool Program.

Beginning in the sixth year of tax collections, the 20 percent set-aside ends.

The remainder of net proceeds shall go toward the following, in order of priority:

1. Expanding access to healthy and affordable food, closing the food security gap and promoting healthy food choices through programs including, but not limited to:
 - a. Community-based investments to expand food access, such as food banks and meal programs;

- b. Fresh Bucks and Fresh Bucks to Go;
 - c. Implementation of the Seattle Food Action Plan;
 - d. Public health and nutrition programs targeted to assist those experiencing diabetes and obesity;
 - e. Public awareness campaigns to highlight the impact of sugar-sweetened beverages on health outcomes and increase education about healthy food and beverages; and
 - f. Capital investments to promote healthy choices, such as water bottle filling stations in schools and community centers.
2. Evidence-based programs that improve the social, emotional, educational, physical health and mental health for children, especially those services that seek to reduce the disparities in outcomes for children and families based on race, gender or other socioeconomic factors and to prepare children for a strong and fair start in kindergarten.
 3. Administration of assessing and collecting the tax.
 4. Ensuring resources for the Office of Sustainability and the Environment and the Sweetened Beverage Tax Community Advisory Board.
 5. The cost of program evaluations conducted by the Office of the City Auditor, including costs borne by other city departments in facilitating such evaluations.

In the annual city budget or by separate ordinance, the city’s legislative authority shall from year to year determine the services and funding allocations that will most effectively achieve the goals and outcomes of this tax.

Sweetened Beverage Tax Community Advisory Board

A Sweetened Beverage Tax Community Advisory Board will be established to make recommendations on how and to what extent the mayor and council should establish and/or fund programs and activities consistent with the intent of this ordinance (which is to benefit Seattle’s populations who experience the greatest education and health inequities). The board will also make recommendations to the mayor and council on elements of an evaluation of the effectiveness of the tax, including impacts on sweetened beverage sales and consumption, public attitudes towards sweetened beverage consumption and job and economic indicators and of the process of implementing the tax. The Office of Sustainability and the Environment will provide administrative support for the Board.

Annual report

The Sweetened Beverage Tax Community Advisory Board will publish an annual report to the Seattle City Council, the mayor and the director with assistance from appropriate city departments. The report will include the following:

1. Recommendations on how best to allocate the revenues raised by the tax;
2. A summary of the programs funded to date and their progress to date;
3. A summary of tax implementation efforts and any completed studies evaluating the implementation of the tax;
4. A summary of any completed studies on the impact of the tax on beverage prices, consumer purchasing behavior, sweetened beverage sales, related health outcomes and economic impacts, including impacts on employment and retail revenues; and
5. Any additional information that the board deems appropriate for inclusion.

Within 15 days of receiving this annual report, the director will publish it on the city’s website and it will be transmitted to the city council.

Reporting

The directors of the Human Services Department, the Office of Sustainability and Environment, the Department of Education and Early Learning and Public Health - Seattle and King County, or successor departments, will prepare and submit to the Community Advisory Board, city council, mayor and residents of Seattle annual progress reports on the implementation of the services funded by the beverage tax.

The city auditor shall contract with academic researchers to complete an annual evaluation of the effects of the tax. In contracting with academic researchers, the city auditor should consider researchers with a proven track record of rigorous policy evaluation for impacts on behavior, health, and economic outcomes.

A minimum of \$500,000 per year for at least the first five years, beginning with the date of adoption of this ordinance, shall be dedicated to this evaluation. The evaluation shall assess, but not be limited to, the impact of the tax on:

- 1) economic outcomes (such as household food expenditures, beverage prices and sales, jobs and store revenues) and
- 2) health behaviors (such as dietary purchases and consumption),
- 3) intermediate health outcomes, and
- 4) identification and assessment of food deserts in the city, and
- 5) 5) the effectiveness and efficiency of the food bank network in the city.

The evaluation shall also assess, but not be limited to, the process of implementing the tax, including perceptions of city residents and specifically low-income households, food retailers, tax administrators and city officials. The evaluator will collaborate with the Sweetened Beverage Tax Community Advisory Board to develop the evaluation. The evaluation will rely on data collected specifically for the purposes of the evaluation from populations in Seattle as well as outside Seattle to enable a rigorous comparison of trends in behavior, health and economic outcomes because of this ordinance.