



# The Impact of the Philadelphia Beverage Tax on Prices and Product Availability

## Background

- The prevalence of obesity in US adults rose from 13.4% in 1960 to 39.6% in 2015.
- Those with diabetes rose 176% between 1980 and 2014.
- Sugar sweetened beverages (SSB) have been shown to contribute to obesity and diabetes because they lack nutrients, are highly caloric with a high glycemic load.
- Philadelphia applied an \$0.015 excise tax on each 1.5 oz. of SSB and diet beverages, while offering a tax rebate on untaxed beverages to some stores.

## Study Overview

- This paper uses a difference in difference regression to examine the effect of a tax on SSB's in Philadelphia.
- The authors collected beverage sales data directly from stores in the affected and unaffected counties around Philadelphia. T
- They examine how availability changed since sellers may be induced to stock more untaxed and less taxed beverages. They also examine heterogeneous effects of store type.

## Key Takeaways

- They find that, on average, the tax was fully passed through to consumers.
- Pass-through is higher for individual servings than for larger sizes.
- There is also heterogeneity in the pass-through rate among stores; it is greater among stores that are in higher-poverty neighborhoods, located farther from untaxed stores outside Philadelphia, and that are independent as opposed to part of national chains.
- The tax reduced the availability of taxed beverages and increased the availability of untaxed beverages, particularly bottled water, in Philadelphia stores.

## Learn More

- Cawley, J., Frisvold, D., Hill, A. and Jones, D. (2020), The Impact of the Philadelphia Beverage Tax on Prices and Product Availability. *J. Pol. Anal. Manage.* doi:10.1002/pam.22201
- <https://doi.org/10.1002/pam.22201>