

# SENATE BILL REPORT

## SB 5371

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As of February 19, 2021

**Title:** An act relating to funding public health services and health equity initiatives through a statewide sweetened beverage tax.

**Brief Description:** Funding public health services and health equity initiatives through a statewide sweetened beverage tax.

**Sponsors:** Senators Robinson, Carlyle, Conway, Dhingra, Pedersen and Saldaña.

**Brief History:**

**Committee Activity:** Health & Long Term Care: 2/22/21.

**Brief Summary of Bill**

- Establishes a tax on sweetened beverages to fund foundational public health and health equity initiatives.
- Directs the Department of Health to evaluate the effects of the tax one and three years after implementation.
- Creates the health equity account.

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### SENATE COMMITTEE ON HEALTH & LONG TERM CARE

**Staff:** Greg Attanasio (786-7410)

**Background:** On January 1, 2018, the city of Seattle implemented a \$0.0175 per ounce sweetened beverage tax on sugar-sweetened beverages, distributed in the city, with at least 40 calories per 12 ounces. The tax is levied on the distributor, but the cost may be passed on to customers down the distribution chain. A sweetened beverage includes any non-alcoholic beverage, syrup, or other concentrate used to make a beverage that lists any caloric sugar-based sweetener as an ingredient. It does not include any beverage where natural milk is the primary ingredient, any beverage for medical use, meal replacement

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liquids, alcoholic beverages, baby formula, or 100 percent natural fruit or vegetable juice with no added sweetener.

One study of the first year after implementation of the tax, found prices of taxed beverages rose by \$0.0103 cents per ounce corresponding to a 59 percent tax pass-through rate. The sales of taxed beverages fell on average 22 percent, and there was no significant increase in the volume sold of taxed beverages in the two mile area bordering Seattle.

In 2018, Initiative 1634 was approved by voters, prohibiting local governments from imposing any new tax, fee, or other assessment on grocery items, unless the tax or fee was effective by January 15, 2018.

**Summary of Bill:** Beginning October 1, 2021, a tax of \$0.0175 cents per fluid ounce is imposed on sweetened beverages distributed in the state by a person engaged in the business of distributing sweetened beverages. For sweetened beverages produced from concentrates, the tax is calculated using the largest volume of beverage that would typically be produced by the amount of concentrate.

Beginning July 1, 2022, and yearly thereafter, the tax rate must be adjusted to reflect the yearly increase in the consumer price index.

Sixty percent of the tax collected must be deposited into the health equity account and the remainder must be deposited into the foundational public health services account.

"Sweetened beverage" means any beverage intended for human consumption that contains one or more caloric sweeteners, whether in bottles, prepared from concentrates, served as a fountain beverage, or in any other form, and contains 20 calories or more per 12 ounce serving. It does not include any beverage where natural milk is the primary ingredient, any beverage for medical use, meal replacement liquids, alcoholic beverages, baby formula, or 100 percent natural fruit or vegetable juice with no added sweetener.

The foundational public health services account is amended to direct all funds in the account to foundational public health services. The health equity account is created to hold money to be used to address social determinants of health in disproportionately impacted communities burdened by negative health outcomes, with a particular focus on access to healthy foods, reducing food insecurity, and access to health care, as well as supporting community infrastructure and capacity.

A community advisory board is created within the Department of Health (DOH) to make recommendations to DOH on the allocation of funds from the health equity account. The community advisory board shall consist of nine members appointed by the Governor. The members must represent diverse geography and identity, including those who are disproportionately impacted by the effects of sugar-sweetened beverage consumption and who are being targeted by advertising for sugar-sweetened beverages.

DOH must contract with academic researchers to evaluate:

- the effects of the tax on sweetened beverage prices and on sales and consumption, one, and three years after tax implementation;
- the economic impacts of the tax, including employment and business revenues in affected business sectors, one, and three years after tax implementation; and
- the impacts of programs and initiatives funded by the tax.

**Appropriation:** None.

**Fiscal Note:** Available.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.