

Commonwealth Forum: Should Pennsylvania Rely on Sin Taxes for Revenue?

YES

The health of Americans is a serious public policy concern. In Pennsylvania 30.2 percent of residents are obese, 17.7 percent engage in excessive drinking, and 18.1 percent smoke. Smoking alone is responsible for 27.9 percent of all cancer deaths in the Commonwealth and accounts for \$6.38 billion in health-care costs each year (\$2.07 billion of which comes from publicly funded Medicaid). A single program, Medicaid, accounts for 37 percent of Pennsylvania's budget. The quality of life for millions of Pennsylvanians is compromised by bad health. Resources that could be devoted to education or income tax cuts are being diverted to address poor health.

Policy makers have the ability to address health concerns by increasing taxes on products that promote our increasingly unhealthy lifestyles. So called "sin taxes" are placed on items such as cigarettes and alcohol to raise prices and thus discourage their consumption. These taxes should be expanded beyond the traditional products to increase the costs of unhealthy behaviors. For example, Philadelphia began collecting a tax on "sugary drinks" in 2017. The objective was to nudge people to drink noncaloric beverages in an effort to combat obesity. Pennsylvania could expand the use of sin taxes to a wide range of food products that promote bad health. This would have the twofold benefit of discouraging poor eating choices while at the same time raising revenue that could be used for public health programs promoting healthy consumption habits and exercise. This win-win situation would positively affect the lives of Pennsylvanians while at the same time cutting back on the amount the Commonwealth spends on health-care services.

NO

Two of the most popular sandwiches in Pennsylvania are the Pitts-burger and Cheese from Primanti Bros. in Pittsburgh and a cheesesteak from Pat's King of Steaks in Philadelphia. If your mouth is watering at the thought of these two culinary delights, take note of these statistics: the Pitts-burger contains 775 calories (39 percent of the recommended daily intake) and 51 percent of the recommended daily allotment of fat. A cheesesteak has about the same amount of calories but 59.6 grams of fat—a whopping 92 percent of the recommended daily intake. No one would argue that eating these sandwiches on a daily basis is a good idea. However, if people occasionally stop to grab one on the way home from a Phillies or Pirates game, who has the right to discourage them? What we eat is a matter of preference, and we each suffer the consequences of our dietary choices.

Not so fast. There's a group of people who believe they know what's best for us and want to change our consumption habits. They want to levy "sin taxes" on products they think people should avoid. It started with cigarette and alcohol taxes and has moved on to the current fight over taxes on soda. There are two major problems with the expansion of these taxes. First, the process for determining which product is subject to extra taxes is arbitrary. For example, Philadelphia taxes "sugary drinks." A twenty-ounce bottled Coke from a convenience store gets taxed, but a White Chocolate Mocha with whole milk from Starbucks does not. This is true even though the latter, with 580 calories, 67 grams of sugar, and 85 percent of the daily recommended amount of saturated fat, is worse for you than a Coke's 240 calories, 65 grams of sugar, and 0 percent saturated fat. Second, sin taxes are often less about changing behavior and more about finding easy sources of revenue by taxing products that are deemed to be against the public interest. It is always easier to bridge budget gaps by taxing cigarettes than it is to raise income taxes. At the end of the day, sin taxes are just a way for the government to tell us what it thinks is good for us rather than letting us make our own decisions. They are a bad idea.

For More Information

The **Fiscal Survey of the States** (<https://www.nasbo.org/reports-data/fiscal-survey-of-states>) is published in the spring and fall by the National Association of State Budget Officers. The survey contains data on tax increases in the states, with specific sections on sin taxes levied on products such as alcohol and tobacco.

"Do 'Sin Taxes' Really Change Consumer Behavior?" (February 10, 2017) is a podcast featuring University of Pennsylvania Professor Benjamin Lockwood discussing his research on the economics of sin taxes. Visit <http://knowledge.wharton.upenn.edu/article/do-sin-taxes-really-change-consumer-behavior> for a transcript and audio of the podcast.

The **Tax Foundation** (<https://taxfoundation.org/state-tax/excise-taxes/>) provides original research on excise taxes in the states from a small-government perspective. Many of its pieces are devoted to studying the effects of sin taxes.

"The Pros and Cons of Taxing Sweetened Beverages Based on Sugar Content" (http://www.taxpolicycenter.org/sites/default/files/publication/136861/pros_and_cons_of_taxing_sweetened_beverages_based_on_sugar_content.pdf) was funded by the American Heart Association and written by scholars at the Urban Institute. The 2016 study examines the feasibility and desirability of collecting beverage taxes at the national, state, and local levels.

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