

## **BILL ANALYSIS**

Senate Research Center  
82R1600 CJC-D

S.B. 1004  
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Finance  
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As Filed

### **AUTHOR'S / SPONSOR'S STATEMENT OF INTENT**

According to the *Rudd Report, Soft Drink Taxes*, consumption of sugar-sweetened beverages in the United States doubled between 1977 and 2002 across all age groups, with children consuming around 175 daily calories in the form of sugar-sweetened beverages. Further, children are now drinking more sugar-sweetened beverages than milk. From an economic perspective, soft drinks have become more viable options than milk and other nutritious beverages because sodas have remained priced below the cost of inflation, while the price of milk has continued to rise.

As with tobacco, a way to discourage consumption is to simply raise the price of the product. As such, S.B. 1004 aims to equalize the cost of sodas to discourage consumption, while producing revenue for the state.

The purpose of this bill is to generate revenue for the state, while encouraging better dietary habits. As proposed, S.B. 1004 will create a tax on soft drinks at the rate of one penny per ounce. Estimates from the Rudd Foundation indicate that a penny per ounce tax on soft drinks will generate close to \$2 billion in 2012. Furthermore, by securitizing the soda tax, the state may be able to raise upwards of \$15 billion, while also insulating the state from future revenue fluctuations.

As proposed, S.B. 1004 amends current law relating to the imposition of a tax on certain beverages.

### **RULEMAKING AUTHORITY**

Rulemaking authority is expressly granted to the comptroller of public accounts in SECTION 1 (Section 163.053, Tax Code) of this bill.

### **SECTION BY SECTION ANALYSIS**

SECTION 1. Amends Subtitle E, Title 2, Tax Code, by adding Chapter 163, as follows:

#### CHAPTER 163. TAX ON DISCRETIONARY DRINK ITEMS

##### SUBCHAPTER A. GENERAL PROVISIONS

Sec. 163.001. DEFINITION. Defines "soft drink" in this chapter.

[Reserves Sections 163.002-163.050 for expansion.]

##### SUBCHAPTER B. IMPOSITION AND COLLECTION OF TAX

Sec. 163.051. TAX IMPOSED. (a) Provides that a tax is imposed on each sale at retail of a soft drink.

(b) Provides that the tax rate is one cent on each ounce or fractional ounce of soft drink sold.

(c) Provides that the tax imposed under this chapter is in addition to any other tax imposed by state law.

Sec. 163.052. EXCEPTIONS TO APPLICATION OF TAX. Provides that the tax imposed under this chapter does not apply to:

(1) a beverage sold in or by a restaurant, lunch counter, cafeteria, hotel, or other business for consumption on the premises of the business; or

(2) a beverage if the receipts from the sale of the beverage are taxable under Chapter 183 (Mixed Beverage Tax).

Sec. 163.053. RULES. Requires the comptroller of public accounts by rule to prescribe the manner in which the tax imposed under this chapter is administered, imposed, and collected.

[Reserves Sections 163.054-163.100 for expansion.]

#### SUBCHAPTER C. ALLOCATION OF TAX

Sec. 163.101. ALLOCATION OF TAX. Requires that the revenue from the tax imposed under this chapter be deposited to the credit of the general revenue fund.

SECTION 2. Effective date: September 1, 2011.