AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

I

113TH CONGRESS
2D SESSION

H. R. 5279

To amend the Internal Revenue Code of 1986 to impose an excise tax on sugar-sweetened beverages, to dedicate the revenues from such tax to the prevention, treatment, and research of diet-related health conditions in priority populations, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JULY 30, 2014

Ms. DELAURO (for herself, Mr. MORAN, and Ms. NORTON) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Energy and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

---

A BILL

To amend the Internal Revenue Code of 1986 to impose an excise tax on sugar-sweetened beverages, to dedicate the revenues from such tax to the prevention, treatment, and research of diet-related health conditions in priority populations, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Sugar-Sweetened Beverages Tax Act of 2014'' or as the ''SWEET Act''.

SEC. 2. FINDINGS AND PURPOSES.

(a) FINDINGS.—The Congress finds that:

(1) The prevalence of obesity in the United States has increased dramatically over the past 30 years. From the 1960s to the late 1970s, the prevalence was relatively constant, with about 15 percent of the population classified as obese. After the 1970s, these rates began to climb. According to the Centers for Disease Control and Prevention, by 2012 more than one-third (34.9 percent) of adults and 17 percent of youth in the United States were obese. Although no group has escaped the epidemic, low income people and communities of color are disproportionately affected. In 2012, nearly half (47.8 percent) of African-American adults were obese and 42.5 percent of Hispanic adults were obese.

(2) The percentage of children who are overweight has also increased dramatically in recent decades. After being relatively constant from the 1960s to the 1970s, the prevalence of overweight children has more than tripled among children between 6 and 11 years of age and nearly quadrupled among those between 12 and 19 years of age. Despite significant public and private investment, childhood obesity rates remain high. Overall, obesity among our Nation's young people, aged 2–19 years, has not

changed significantly since 2004 and remains at about 17 percent—equaling 12.5 million children and adolescents.

(3) There are significant racial and age disparities in obesity prevalence among children and adolescents. In 2011–2012, obesity prevalence was higher among Hispanics (22.4 percent) and non-Hispanic black youth (20.2 percent) than non-Hispanic white youth (14.1 percent). The prevalence of obesity was lower in non-Hispanic Asian youth (8.6 percent) than in youth who were non-Hispanic white, non-Hispanic black, or Hispanic.

(4) Overweight and obesity are responsible for an estimated $190 billion in health care costs nationally, or approximately 5 to 10 percent of all medical spending—with over 20 percent of these costs paid publicly through the Medicare and Medicaid programs. The medical costs for people who are obese are dramatically higher ($2,741 per year) than those of normal weight.

(5) The obesity epidemic is of particular concern because obesity increases the risk of diabetes, heart disease, certain types of cancer, arthritis, asthma, and breathing problems. Depending on their level of obesity, from 60 percent to over 80 percent

of obese adults have type 2 diabetes, high blood cholesterol, high blood pressure, or other related conditions. According to the CDC, nearly 60 percent of overweight children have at least one risk factor for heart disease.

(6) Overweight and obesity increase the risk for several types of common cancers, including postmenopausal breast, colorectal, endometrial, kidney, pancreatic, esophageal, and gall bladder cancer. Up to one in four of all cancer cases and one in three cancer deaths are due to poor nutrition, physical inactivity, and overweight and obesity.

(7) There is overwhelming evidence of the link between the consumption of sugar-sweetened beverages, such as non-diet soft drinks, energy drinks, sweet teas, and sports drinks, and obesity and diabetes. Adults who drink one sugar-sweetened beverage or more per day are 27 percent more likely to be overweight or obese, regardless of income or ethnicity. After six months, daily consumption of one liter of sugar-sweetened beverages increases fat deposits in the liver by 150 percent, which directly contributes to both diabetes and heart disease.

(8) According to nutrition experts, sugar-sweetened beverages, such as soft drinks, energy drinks,

sweet teas, and sport drinks, offer little or no nutritional value, but massive quantities of added sugars. A 20-ounce bottle of soda contains about 16 teaspoons of sugars. Yet, the American Heart Association recommends that Americans consume no more than six to nine teaspoons of sugar per day.

(9) The 2010 Dietary Guidelines stated that almost one-half of the added sugars Americans consume come from sugar-sweetened beverages, with the average American drinking nearly 45 gallons of sugar-sweetened beverages a year, the equivalent of 39 pounds of extra sugar every year.

(10) Though sugar-sweetened beverage consumption is declining modestly as people learn about their harmful health effects, Americans are still consuming twice as much of these products as they did in the 1970s. Five percent of Americans consume at least 567 kcal from sugar drinks on any given day—equal to more than four 12-ounce cans of soft drink. According to the National Center for Health Statistics, one-third of calories from added sugars (33 percent) consumed in the United States were from beverages. In children and adolescents, 40 percent of the calories from added sugars came from beverages. Children and adolescents consume 10 to 15 percent

of their total daily caloric intake from sugar-sweetened beverages.

(11) In a study of more than 50,000 female nurses, women who increased their sugar-sweetened beverage consumption from no more than one per week to at least one per day gained an average of 10 pounds over four years. Research also shows a significant link between sugar-sweetened beverage consumption and weight gain in children. In a randomized double-blind controlled trial of roughly 640 children, those who were given one 8-ounce serving sugar-sweetened beverage a day gained more weight and body fat over 1½ years than those who got one 8-ounce serving of a sugar-free beverage.

(12) Sugar-sweetened beverages are a unique contributor to excess caloric consumption. A large body of research shows that calories from sugar-sweetened beverages do not satisfy hunger the way calories from solid food or fat or protein-containing beverages such as those containing milk and plant-based proteins. As a result, sugar-sweetened beverages tend to add to the calories people consume rather than replace calories from other foods and beverages.

(13) Overweight children have a much greater chance of being obese as adults, with all the health risks that entails.

(14) Type 2 diabetes, previously only seen among adults, is now increasing among children. Data show that almost a quarter of teens now have either diabetes or prediabetes. If the current trends are not reversed, it is predicted that one in three children and nearly one-half of Latino and African-American children born in the year 2000 will develop type 2 diabetes in their lifetime.

(15) People who consume an average amount of added sugar equivalent to one 20-ounce soda per day are 30 percent more likely to die from a heart attack over 15 years. People who consume the added sugar equivalent of at least 2–3 20-ounce sodas per day are 2.75 times more likely to die from a heart attack.

(16) Tooth decay (dental caries) is the single most common chronic childhood disease, experienced by more than one-fourth of United States children aged 2–5 years and half of those aged 12–15 years. About half of all children and two-thirds of adolescents aged 12–19 years from lower-income families have had decay. According to the American Academy

of Pediatric Dentistry, children who frequently or excessively consume beverages high in sugar are at increased risk for dental caries. Untreated dental caries can lead to pain, infection, tooth loss, and in severe cases, even death. It can slow normal growth and development by restricting nutritional intake. Children who are missing teeth may have chewing problems that limit their food choices and result in nutritionally inadequate diets.

(b) PURPOSES.—It is the intent of the Congress, by adopting the Sugar-Sweetened Beverages Tax Act (also known as the SWEET Act), to diminish the human and economic costs of diabetes, obesity, dental caries, and other diet-related health conditions. This Act is intended to discourage excessive consumption of sugar-sweetened beverages by increasing the price of these products and by creating a dedicated revenue source for programs and research designed to reduce the human and economic costs of diabetes, obesity, dental caries, and other diet-related health conditions in priority populations.

SEC. 3. EXCISE TAX ON CERTAIN SUGAR-SWEETENED BEVERAGES.

(a) IN GENERAL.—Subchapter D of chapter 32 of the Internal Revenue Code of 1986 is amended by inserting after part I the following new part:

"PART II—SUGAR-SWEETENED BEVERAGES

"Sec. 4171. Imposition of tax.
"Sec. 4172. Definitions.
"Sec. 4173. Special rules.

"SEC. 4171. IMPOSITION OF TAX.

"(a) IN GENERAL.—There is hereby imposed a tax on the sale or transfer of any specified sugar-sweetened beverage product by the manufacturer, producer, or importer thereof.

"(b) RATE OF TAX.—The rate of tax imposed under subsection (a) shall be equal to one cent per 4.2 grams of caloric sweetener contained in such specified sugar-sweetened beverage product.

"(c) PERSONS LIABLE FOR TAX.—The manufacturer, producer, or importer referred to in subsection (a) shall be liable for the tax imposed by such subsection.

"SEC. 4172. DEFINITIONS.

"(a) SPECIFIED SUGAR-SWEETENED BEVERAGE PRODUCT.—For purposes of this part—

"(1) IN GENERAL.—For purposes of this part, the term 'specified sugar-sweetened beverage product' means—

"(A) any liquid intended for human consumption which contains a caloric sweetener, and

"(B) any liquid, or solid mixture of ingredients, which—

"(i) contains a caloric sweetener, and

"(ii) is intended for use as an ingredient in a liquid described in subparagraph (A).

"(2) EXCEPTIONS.—The following shall not be treated as liquids described in paragraph (1)(A):

"(A) Any liquid the primary ingredients of which are milk or soy, rice, or similar plant-based milk substitute.

"(B) Any liquid composed entirely of one or more of the following:

"(i) The original liquid resulting from the pressing of fruit or vegetables.

"(ii) The liquid resulting from the reconstitution of fruit or vegetable juice concentrate.

"(iii) The liquid resulting from the restoration of water to dehydrated fruit or vegetable juice.

"(C) Infant formula.

"(D) Any liquid products manufactured for use as—

"(i) an oral nutritional therapy for persons who cannot absorb or metabolize dietary nutrients from food or beverages,

"(ii) a source of necessary nutrition used due to a medical condition, or

"(iii) an oral electrolyte solution for infants and children formulated to prevent dehydration due to illness.

"(E) Any liquid with respect to which tax is imposed under chapter 51 (relating to distilled spirits, wines, and beer) or under section 7652 by reason of the tax imposed under chapter 51 being imposed on like articles of domestic manufacture.

"(b) CALORIC SWEETENER.—For purposes of this part, the term 'caloric sweetener' means monosaccharides, disaccharides, and high-fructose corn syrup.

"SEC. 4173. SPECIAL RULES.

"(a) SWEETENER TAXED ONLY ONCE.—In the case of any specified sugar-sweetened beverage product which is manufactured or produced by including one or more other specified sugar-sweetened beverage products, no tax shall be imposed under this section on any caloric sweetener contained in the resulting specified sugar-sweetened beverage product if tax was previously imposed under this section on such caloric sweetener when contained in the specified sugar-sweetened beverage product so included.

"(b) INFLATION ADJUSTMENT.—In the case of any sale after December 31, 2015, the one cent amount in section 4171(b) shall be increased by an amount equal to—

"(1) such amount, multiplied by

"(2) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which such sale occurs, determined by substituting 'calendar year 2014' for 'calendar year 1992' in subparagraph (B) thereof.

Any increase determined under this subsection shall be rounded to the nearest multiple of one-tenth of a cent.".

(b) CONFORMING AMENDMENTS.—

(1) Section 4221(a) is amended by adding at the end the following: "Paragraphs (1), (4), (5), and (6) shall not apply to the tax imposed under section 4171.".

(2) The table of parts for subchapter D of chapter 32 of such Code is amended by inserting after the item relating to part I the following new item:

"PART II—SUGAR-SWEETENED BEVERAGES".

(c) REVENUES USED FOR PREVENTION, TREATMENT, AND RESEARCH OF DIET-RELATED HEALTH CONDITIONS IN PRIORITY POPULATIONS.—

(1) TRANSFER TO PREVENTION AND PUBLIC HEALTH FUND.—There are hereby appropriated to

the Prevention and Public Health Fund created under section 4002 of the Patient Protection and Affordable Care Act (in addition to any other amounts appropriated to such Fund) amounts equivalent to taxes received in the Treasury under part II of subchapter D of chapter 32. Rules similar to the rules of section 9601 of the Internal Revenue Code of 1986 shall apply with respect to amounts appropriated under this paragraph.

(2) RESTRICTION ON USE OF FUNDS.—Notwithstanding subsections (c) and (d) of section 4002 of the Patient Protection and Affordable Care Act, amounts appropriated to the Prevention and Public Health Fund under paragraph (1) may be transferred to accounts in the Department of Health and Human Services only for the purpose of making expenditures for programs and research designed to reduce the human and economic costs of diabetes, obesity, dental caries, and other diet-related health conditions in priority populations (within the meaning of section 901(c) of the Public Health Service Act).

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section

shall take effect on the date of the enactment of this Act.

(2) EXCISE TAX.—The amendments made by subsections (a) and (b) shall apply to sales after the date of the enactment of this Act.

○