

# SALT WATCH

## The Philadelphia Sugar Sweetened Beverage Tax

### Summary:

The City of Philadelphia (“City” or “Philadelphia”) enacted the Sugar Sweetened Beverage Tax (“SSBT”), effective January 1, 2017. The tax is imposed at a rate of one and half cents (\$.015) per ounce on the sale, acquisition, delivery or transport of sugar sweetened beverages (“SSB”) by a Distributor to a Dealer who sells the SSB at retail within Philadelphia. A Dealer may only sell taxable SSB or display for sale SSB that were acquired from a Registered Distributor. The SSBT is collected and remitted to the city by the Registered Distributor unless the Dealer accepts responsibility to self-remit the SSBT. There are also notification requirements from Dealer to Distributor and vice versa.

Any beverage distributors, operators of retail stores, restaurants or other establishments selling SSB in the City of Philadelphia should understand the requirements detailed below and work with supply chain partners to ensure the tax is paid correctly.

### Detail:

The SSBT is imposed on all SSB sold in Philadelphia. The SSBT is imposed at a rate of one and half cents (\$.015) per ounce of SSB and the tax is due monthly, on the 20th day of the month following the calendar month.

SSB include the following:

1. Any non-alcoholic beverage that lists as an ingredient any form of the following:
  - a. Caloric sugar-based sweetener;
  - b. Sugar substitute or non-nutritive sweetener.
2. Any non-alcoholic syrup or concentrate intended to be used in the preparation of a beverage and lists as an ingredient one of the following:
  - a. Caloric sugar-based sweetener;
  - b. Sugar substitute or non-nutritive sweetener.



## The Philadelphia Sugar Sweetened Beverage Tax (cont.)

Exclusions from the SSBT include the following:

1. Baby formula;
2. Any beverage that is defined as a “medical food;”
3. Any beverage, more than 50% of which, by volume, is milk;
4. Any beverage, more than 50% of which, by volume, is fresh fruit, vegetables or a combination of the two, when such fresh fruit or vegetables are added at the point of sale by someone other than the customer;
5. Unsweetened beverages to which a purchaser can add, or can request that a seller adds, sugar, or artificial sugar substitute, at the point of sale;
6. Any syrup or other concentrate that the customer combines with other ingredients to create a beverage;
7. Any syrup or other concentrate that is intended to be used for the preparation of a beverage where the resulting beverage, if prepared according to the manufacturers specifications, would be excluded from this tax.

The SSBT is imposed only once with respect to any individual item of SSB and as stated earlier, the SSBT is generally payable to the City by a Registered Distributor. A Registered Dealer may also collect and remit the SSBT to the City. Dealer, Registered Dealer and Registered Distributor are defined as follows:

1. Dealer - Any person engaged in the business of selling SSB for retail sale within the City, including but not limited to restaurants; retail stores; street vendors; owners and operators of vending machines; non-profits; government agencies; schools; and distributors who engage in retail sales.
2. Registered Dealer - Any Dealer that has elected to register as if it were a Distributor and agreed to assume all of the obligations of a Distributor.
3. Registered Distributor - Any Distributor, including a Dealer that is also a Distributor, who applies to obtain a certificate of registration for the purpose of complying with the provisions of the City’s Sugar Sweetened Beverage Tax law and receives such certificate from the Department. A Dealer may also register as if it is a Distributor and agrees to assume all SSBT obligations of a Distributor.

Notification requirements also exists with the SSBT. A Dealer must make notification to a Distributor and a Distributor must contemporaneously make a notification to the Dealer.

A Dealer must notify a Registered Distributor or Registered Dealer that the Dealer makes sales of SSB at retail within Philadelphia. Appropriate forms of notification include the following:

1. A Commonwealth of Pennsylvania sale for purpose of resale exemption certificate (so long as the certificate indicates the Dealer is located within Philadelphia);
2. Other form(s) as the Philadelphia Department of Revenue may provide.



## The Philadelphia Sugar Sweetened Beverage Tax (cont.)

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A Dealer must notify a Registered Distributor or Registered Dealer that the Dealer makes sales of SSB at retail within Philadelphia. Appropriate forms of notification include the following:

1. A Commonwealth of Pennsylvania sale for purpose of resale exemption certificate (so long as the certificate indicates the Dealer is located within Philadelphia);
2. Other form(s) as the Philadelphia Department of Revenue may provide.

Upon receipt of notification (from a Dealer), no Registered Distributor or Registered Dealer, shall supply any SSB to a Dealer without providing to the Dealer, contemporaneously the following:

1. Confirmation of notification; and
2. A receipt detailing the amount of SSB supplied in the transaction and the amount of SSBT imposed on such transaction

A Distributor, who is not a Registered Distributor, will have no SSBT liability for any SSB supplied to a Dealer, when that Dealer does not provide notification to that Distributor prior to the sale, that the SSB will be held out for retail sale in Philadelphia.

### For more information, please contact:

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