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City of Philadelphia forced to revise beverage tax revenue downward as collections continue to fall short

Sales declines and job losses in Philly foreshadow Cook County crisis when tax is imposed here July 1

Philadelphia Controller “Raises Concerns Over Beverage Tax Shortfall”

(CHICAGO - June 14, 2017) - New reports showing Philadelphia inflated revenue projections from its beverage tax and is facing a multi-million dollar burden have prompted Cook County retailers, restaurant owners, residents and consumers to call on Cook County Board members to repeal the county’s beverage tax before it goes into effect on July 1.

Philadelphia Controller Alan Butkovitz said Tuesday that inflated beverage tax revenue projections from the mayor’s office are “creating a short-term and long-term deficit through the beverage tax by not budgeting with true and accurate numbers.” Butkovitz warned Philadelphia’s current beverage tax revenue trajectory will not meet the city’s projected totals – and the monthly shortfalls are growing. This threatens the programs that the tax was supposed to support.

Philadelphia’s beverage tax revenue for the current fiscal year is 17% short of the city’s projections and will create a “potential multi-million dollar burden on the city to pay for new programs...” according to the controller’s letter to the mayor’s finance director. The city is \$20 million short of this year’s \$46 million goal with only two months left in the fiscal year ([“Controller Butkovitz Raises Concerns Over Beverage Tax Shortfalls,” 6/13/17](#)).

“Cook County is going down the same road with a beverage tax that is an unreliable revenue source that will not close the budget gap as the County Board promised it would - all while hitting Cook County families and businesses hard,” said **Sam Toia, President & CEO of the Illinois Restaurant Association**.

“Cook County Board members should take notice of the warnings from Philadelphia and repeal the beverage tax before the damage is done to Cook County residents and businesses,” **Toia said**.

Philadelphia’s beverage tax is not bringing in the money the politicians projected because the tax is severely hurting local businesses and workers as an increasing number of residents and consumers are shopping outside of the city limits. Some local grocers have reported declining beverage sales by as much as 50% and local beverage distributors reported up to a 45% decline in sales, while sales have increased at retail outlets just outside Philadelphia city lines ([Bloomberg Markets, 2/17/17](#)).

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City of Philadelphia forced to revise beverage tax revenue downward (cont.)

Additionally, the equivalent of more than 400 jobs have been lost through layoffs and cutbacks in hours at local retailers, restaurants and manufacturers ([Bloomberg Markets, 2/17/17](#); [Philly.com, 3/1/17](#); [Philly.com, 4/28/17](#))

“If Cook County’s beverage tax goes into effect, we are deeply concerned about how it will affect our business,” said **Martin Sandoval, general manager of Fresh Markets La Chiquita**, which operates two grocery stores in Little Village and a restaurant in Cicero. “We already know sales will decline and jobs will be at risk, and that will force us to make some hard decisions about how we operate in Cook County moving forward.”

Members of the Can the Tax Coalition have called on the county to adjust its revenue projections based on 1) the new information from Philadelphia and 2) the county’s recent announcement Supplemental Nutrition Assistance Program (SNAP) purchases will be exempt from paying the beverage tax ([Cook County FAQ on Sweetened Beverage Tax Ordinance](#)). There were 871,774 SNAP recipients in Cook County in April 2017, representing nearly 17% of the total population ([Illinois Department of Human Services, SNAP Data by Person – Year 2017](#); [U.S. Census, 3/23/17](#)). The County, however, does not plan to have information on the budgetary impact until the end of June, just as the tax goes into effect ([“Cook County reversal: Soda tax won’t apply to food stamp purchases after all,” Chicago Tribune, 6/6/17](#)).

The Cook County beverage tax will affect more than 1,000 everyday beverages, including juice and sports drinks, flavored waters, pop, iced tea - and even drinks with no calories and no sugar. With so much at stake, retailers, restaurants, vending machine operators and others affected by the tax have significant questions and concerns about their ability to comply with the tax by July 1.

The County’s beverage tax implementation guidelines have changed twice since June 1 - just 30 days before the beverage tax is set to go into effect. The last minute changes and absence of consistent guidelines sparked the Chicagoland Chamber of Commerce to call Cook County’s preparation for the beverage tax “**a mess.**”

“Good tax policy is broad, fair, stable and transparent so people understand what they’re paying for. Cook County’s beverage tax, however, doesn’t meet any of these standards,” said **Brian Jordan, president of the Illinois Food Retailers Association**. “We know from Philadelphia, residents will leave Cook County to purchase their beverages and likely all of their groceries and other goods, resulting in the county losing new revenue from the beverage tax along with sales and other taxes. There must be a better way to raise revenue than a tax that won’t cover what it’s meant for and will kill jobs and our local businesses. The most responsible thing for the County Board to do is repeal the tax before it goes into effect on July 1.”

About the Can the Tax Campaign and Coalition

The *Can the Tax* coalition is an initiative of more than a dozen organizations in Cook County uniting to educate Cook County consumers, businesses and news media about the negative impact of the Cook County beverage tax on our local consumers and businesses. The Coalition will urge the Board of Cook County Commissioners to repeal the beverage tax to ensure Cook County residents have access to affordable consumer products and avoid the lost jobs and harm the tax will cause working families. Campaign activities are paid for by the American Beverage Association, a member of the *Can the Tax* campaign and coalition. To learn more, visit [StopTheCookCountyTax.com](#).

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