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Can the Tax Statement on Circuit Court Beverage Tax Ruling

(CHICAGO - July 28, 2017) - The Can the Tax Coalition issued the following statement in response to today's ruling by a Circuit Court judge granting Cook County's motion to dismiss a lawsuit filed by the Illinois Retail Merchants Association (IRMA) and independent retailers to stop the county's unfair beverage tax from going into effect:

"Just because a judge has allowed this unfair tax to go forward does not mean Cook County should do it. Now is the time for Cook County commissioners who say they represent every day working families to stand up for them and stop this destructive tax from going into effect.

"This tax hits Cook County families with enormous price increases, places at risk 6,100 middle class jobs and \$1.3 billion in economic activity, and will devastate our small businesses by sending shoppers to stores over the border. These are risks Cook County residents cannot afford and County commissioners should act immediately to repeal the beverage tax."

The Can the Tax Coalition remains committed to educating Cook County residents about the real consequences of the beverage tax and will continue to urge the County Board to move on and repeal the tax.

In recent weeks, Cook County's beverage tax been called ["steep"](#), ["illogical"](#), ["regressive"](#), ["implemented on false pretenses"](#), ["wrongheaded and dishonest"](#), ["riddled with contradictions"](#), a ["cowardly tax"](#), ["a bad tax"](#), ["a bookkeeping nightmare for business owners"](#), ["nothing to do with obesity"](#), ["a disingenuous money grab"](#) and ["aimed at wallet, not waistline"](#).

The tax's implementation has been called ["a mess"](#) and ["not ready for prime time"](#), while causing ["great confusion because of a lack of transparency"](#). Business owners have warned the tax is ["going to be really rough on consumers and on jobs"](#) while Cook County residents ["are likely to take their grocery business elsewhere"](#) and the tax is ["going to hurt sales"](#).

Recent layoff announcements by Cook County Board President Toni Preckwinkle in response to a Circuit Court judge's issuance TRO on the implementation of the tax have been called ["sinister"](#) and potentially ["political payback"](#).

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Background on Cook County Beverage Tax

On July 1, the new Cook County Beverage Tax was set to increase prices on more than 1,000 different products, including juice drinks, sports drinks, flavored water, iced tea, lemonade and even diet drinks.

Under the new tax, Cook County residents will be paying significantly more when buying some of the most commonly purchased beverages. For example:

Item	Original Price**	New Cook County Beverage Tax	New Cost**	Increased cost due to Beverage Tax rate**
2-liter	\$0.99	\$0.67	\$1.66	67%
Gallon (juice, iced tea, etc.)	\$2.99	\$1.28	\$4.27	43%
Case of cans	\$7.99	\$2.88	\$10.87	36%
12-pack	\$4.99	\$1.44	\$6.43	29%

****Does not include the 3% City of Chicago soft drink tax or 10.25% State and Cook County sales tax**

The impact of Cook County’s beverage tax could be devastating, including an estimated 6,100 lost jobs, \$321 million in lost wages and \$1.3 billion in lost economic activity (Dunn & Associates, 2016).

Cook County’s development of regulations and guidance to administer the tax has been called “a mess” by the Chicagoland Chamber of Commerce and there are concerns about the transparency of the regulations and the constitutionality of the tax. The county admitted the tax was broken and made five major changes to the regulation between June 1 and 20, though there were no public comments or review of the new regulations or County Board votes of the significant changes.

A similar beverage tax went into effect in Philadelphia on Jan. 1, 2017. In its first six months, Philadelphia businesses, consumers and workers experienced economic losses far greater than originally predicted, including:

- **Beverage sales plummeted as much as 50 percent** at some local groceries and local beverage distributors reported up to a **45 percent decline in sales. Sales increased at retail outlets just outside Philadelphia** city lines, though not enough to offset the decline in sales within the city. ([Bloomberg Markets, 2/17/17](#))
- 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](#))

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- Philadelphia’s Controller announced the city **inflated revenue projections from its beverage tax** and is **17% short of the city’s projections**, creating a “potential **multi-million dollar burden on the city...**” 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](#)).

Given the negative impact the tax will have on Cook County residents, the county’s on-going changes to the tax’s regulations and the decision of the court to uphold a temporary restraining order, the only logical conclusion to a regulation so fraught with problems is to repeal. The County Board needs to explore other, more equitable means of closing the county’s budget gap.

Cook County needs to be transparent and acknowledge a beverage tax will not solve the county’s financial issues. Yet President Preckwinkle has threatened an arbitrary 10% cut in the county’s budget and more than 1,000 layoffs if the beverage tax is not implemented soon. That budget cut will result in lost jobs that seem more like punishment than prudent fiscal policy. [The Sun-Times went so far as to state “We’d like to believe there’s no political payback here, but the optics are bad.”](#)

The numbers don’t add up when the county’s revenue projections for the tax are compared to the flagrancy of the proposed cuts.

In FY 2017:

- The county says it will lose \$67.5M in revenue from July-Dec 2017 if the SBT doesn’t move forward. But it has threatened \$178M+ in cuts - more than 2.5 times as much as the SBT was expected to bring in. ([Chicago Tribune, "Preckwinkle administration: Prepare for 10% budget cuts if soda tax stays on hold", 7/6/17](#))
- The \$67.5M in lost revenue in FY 2017 from the SBT represents only 3.79% of the county’s projected \$1.78B in revenue into the General and Health Funds from June-Nov 2017 ([Cook County FY2018 Preliminary Budget Forecast](#), P.34)
- The \$67.5M in lost revenue in FY2017 from the SBT is just 1.95% of the county’s overall FY 2017 budget, which is \$3.46B ([Cook County FY2018 Preliminary Budget Forecast](#), P.34)

In FY 2018:

- The county says it will lose \$200.6M in revenue if the SBT doesn’t move forward. But it has threatened \$358M+ in cuts - more than 1.7 times as much as the SBT was expected to bring in. ([Chicago Tribune, "Preckwinkle administration: Prepare for 10% budget cuts if soda tax stays on hold", 7/6/17](#))
- The \$200.6M in lost revenue in FY 2018 from the SBT represents only 5.6% of the county’s projected \$3.58B in revenue into the General and Health Funds projected ([Cook County FY2018 Preliminary Budget Forecast](#), P.38)

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The *Can the Tax* Coalition is working to inform and educate Cook County residents, consumers and businesses about the devastating impact the beverage tax will have if it goes into effect, and urge Cook County Board members to repeal the tax.

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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