

Soda and Bottled Water Taxes

Soda and Bottled Water Tax: The City imposes two separate taxes on soft drink sales – a tax on gross receipts from the sales of pre-packaged soft drinks, and a tax on the price of soft drink syrup. The City imposes a \$0.05 per bottle tax on bottled water.

Background

Currently, there are two separate taxes on soft drink sales in the City of Chicago, both of which are set by the State of Illinois:

- 3% tax on the gross receipts from sales of pre-packaged soft drinks (collected by the Illinois Department of Revenue and remitted to the City)
- 9% tax on the cost of the soft drink syrup or concentrate (imposed on persons engaged in retail sales of fountain drinks and collected by the City)

Separate from the soda taxes, there is a \$0.05 per bottle tax on bottled water, which is imposed by the City and is within the City's authority to increase.

The following table outlines current revenues from these taxes:

Tax	Rate	2015 YE Estimate
Prepackaged soft drinks	3% of gross receipts	\$22.4M
Fountain soft drinks	9% of the price of the soft drink syrup	\$3.2M
Bottled water tax	\$0.05 per bottle	\$10M

Revenue Impact

An increase of 1% in the current soda tax rates or an increase of \$0.01 per bottle in the bottled water tax could result in the following additional revenue to the City:

Tax	Tax Increase	New Revenue Estimate
Prepackaged soft drinks	Increase by 1% to 4%	\$7.4M
Fountain soft drinks	Increase by 1% to 10%	\$400,000
Bottled water tax	Increase by \$0.01 to \$0.06	\$2M

Legal Authority

Increasing the tax on prepackaged soft drinks or fountain soft drinks would require authorization from the State legislature. 65 ILCS 5/8-11-6b. Increasing the bottled water tax is within the City's authority and would require an amendment of the Municipal Code.