



FACT SHEET
SEATTLE'S SWEETENED BEVERAGE TAX
December 5, 2017

Beginning Jan. 1, 2018, the City of Seattle will impose a sweetened beverage tax (SBT) on the distribution of sweetened beverages within Seattle city limits. Key aspects to note about this new tax:

- The tax is imposed on and collected at the distributor level.
- A foodservice operator will only be responsible for remitting the tax if the operator purchases sweetened beverages or syrups outside of Seattle for resale within Seattle city limits. In this case, the operator is considered a self-distributor and must pay the tax.
- The tax is on sweetened beverages and concentrates such as syrups used to create sweetened beverages. The tax on concentrates is based on the finished product and is calculated using the manufacturers' instructions. In the absence of manufacturer's instructions, it will be presumed that one ounce of syrup yields one 12-ounce beverage.
- Distributors can, with documentation, recalculate rates for syrups that are used in non-standard ways and/or exempt products based on use. Foodservice operators will need to ask their distributors for their policies and practices in addressing non-standard uses.

What is the sweetened beverage tax?

Seattle's SBT was passed by the City Council ([Ordinance 125324](#)) and signed into law in June 2017. It is a tax on the distribution of sweetened beverage products. For sweetened beverages, the tax rate is 1.75 cents per fluid ounce. For concentrates such as syrups, the tax shall be calculated using the largest volume of beverage that would typically be produced by the amount of concentrate distributed based on the manufacturer's instructions or industry practice.

Who pays the tax?

Distributors of sweetened beverages are responsible for paying the tax. A distributor is any person that distributes sweetened beverages for retail sale in Seattle.

If a retailer brings its own sweetened beverages into the city to sell, that retailer is deemed to be a self-distributor. In this situation, the retailer would be subject to the sweetened beverage tax. For example, a food truck operator purchases soda from a business outside of Seattle and sells the soda from the truck at locations in Seattle. The food truck operator is then a self-distributor and will need to report and pay the tax.

When does the tax take effect?

The tax takes effect on Jan. 1, 2018. Distributors responsible for the tax will report and pay on the same schedule as their business and occupation taxes (B&O).

What is the tax rate?

For sweetened beverages, the tax rate is 1.75 cents per fluid ounce. Total fluid ounces are the combined total of ready-to-consume ounces as well as the ounces calculated for concentrates. For concentrates, the tax shall be calculated using the largest volume of beverage that would typically be produced by the amount of concentrate distributed based on the manufacturer's instructions or industry practice.

What sweeteners or syrup are subject to the tax?

Caloric sweetener means any substance or combination of substances that contains calories, is suitable for human consumption and that humans perceive as sweet. This includes, but is not limited to, sugar, sucrose, dextrose, fructose, glucose and other monosaccharides and disaccharides; corn syrup or high fructose syrup; and honey.

What beverages are included and excluded as a "sweetened beverage?"

"Sweetened beverage" includes all drinks and beverages commonly referred to as soda, pop, cola, soft drinks, sports drinks, energy drinks, sweetened ice teas and coffees, and other products with added caloric sweeteners, including but not limited to juice with added caloric sweetener, flavored water with added caloric sweetener, and non-alcoholic mix beverages that may or may not be mixed with alcohol.

Excluded beverages:

- Any beverage in which natural milk is the primary ingredient. "Milk" is defined as a natural fluid milk, regardless of animal sources or butterfat content. Plant-based milk substitutes that are marketed as milk, such as but not limited to, soy milk, coconut milk, rice milk, and almond milk, are considered natural milk.
- Any beverage consisting of 100 percent natural fruit or vegetable juice with no added sweetener.
- Any beverage that contains fewer than 40 calories per 12-ounce serving.
- Alcoholic beverages. This exclusion does not apply to bar mixes that sweeten alcoholic drinks.

Will distributors increase their prices?

It is expected that distributors will likely raise prices on sweetened beverages to offset the tax and its administrative burden.

I am a restaurant owner. Do I have any obligation under the tax?

The responsibility for paying the SBT is on the distributor, not on the restaurant. Restaurant operators who purchase sweetened beverages or syrups from a distributor will be required to identify their distributors if requested by the City.

Retailers who bring in sweetened beverages or syrups from a business outside the city limits will be responsible for the tax as they are deemed to be the distributor.

ILLUSTRATIVE EXAMPLES

EXAMPLE 1: SBT basics: How is the tax calculated and who pays?

ABC Distributor distributes 20 bottles of syrups to a restaurant in Seattle. The restaurant uses the syrups to make Italian sodas and other house beverages.

Question 1: Is SBT due on this distribution?

Answer: Yes. ABC is distributing a concentrate that will be combined with other ingredients to create a beverage for retail sale in Seattle. It is presumed that the restaurant, not the customer, will use the syrup to create sweetened beverages that are sold to its customers.

Question 2: How much SBT is due on the bottles of syrups?

Answer: The amount of SBT due is based on the total whole ounces of beverages that can be created from the syrup based on the manufacturer's instructions or industry practice. For example, each bottle contains approximately 25 ounces (750 ml) and instructions provide for one ounce of syrup to make a 12-ounce Italian soda. Therefore, one bottle will potentially make 300 ounces of Italian sodas. This equates to \$5.25 of SBT per bottle (300 oz. of sweetened beverage X 0.0175). Total SBT due for this distribution to the restaurant will be \$105.00. (20 bottles x \$5.25).

Question 3: Who will pay the SBT to the City of Seattle?

Answer: ABC Distributor pays the SBT because the SBT is imposed on the distributor of sweetened beverages, not on the restaurant.

EXAMPLE 2: When syrups do not have manufacturer's instructions on usage.

ABC Distributor distributes 100 bottles of flavored syrups to restaurants in Seattle. The syrups do not contain any manufacturer's instructions as to the amount of syrup to be used in creating a sweetened beverage.

Question: How does ABC Distributor calculate the amount of tax that is due on the distributions of syrups if there are no instructions from the manufacturer?

Answer: If there are no instructions from the manufacturer, or if the manufacturer provides for a variety of measurements for different beverages, then ABC Distributor may presume one ounce of syrup yields one 12-ounce beverage, unless the distributor has documentation to establish otherwise.

EXAMPLE 3: A restaurant group purchases syrups for use at locations both in and outside of Seattle.

MN Restaurant Chain has locations inside and outside Seattle. MN Restaurant orders its sweetened beverages from ABC Distributor which distributes the sweetened beverages to MN's primary location in Seattle. MN then distributes the sweetened beverages to its different locations based on their needs. In this case, MN issues a Redistribution Certificate to ABC Distributor. ABC accepts the Redistribution Certificate from MN.

Question 1: Who is liable for the SBT?

Answer: MN has provided ABC Distributor a Redistribution Certificate, which places the responsibility to pay the SBT on MN. ABC Distribution may now exclude the sweetened beverages distributed to MN Restaurant Chain from the SBT. ABC Distribution will need to maintain copies of the Redistribution Certificate from MN in its records to support the excluded distributions as well as provide a copy of the distribution certificate it received from MN to the City.

Question 2: On what sweetened beverages will MN be liable for the SBT?

Answer: MN will owe SBT on the sweetened beverages that it distributed to its locations where the sweetened beverages will be offered for retail sale in Seattle. MN will not report and pay SBT on sweetened beverages distributed to its locations outside Seattle. MN will need to maintain documentation on the inventory that it distributed both inside and outside Seattle.

EXAMPLE 4: When a restaurant outside of Seattle becomes a distributor.

XYZ Pizza has locations just outside Seattle. XYZ Pizza will make deliveries into Seattle. MN also sells beverages with its pizza on request.

Question: Is XYZ liable for SBT?

Answer: Yes. In this instance, XYZ is deemed to be distributing sweetened beverages in Seattle. XYZ is liable for SBT on sweetened beverages that it distributes for retail sale in Seattle.

EXAMPLE 5: What happens when a Seattle restaurant purchases syrups or sweetened beverages outside of the city?

JM operates a food truck that sells food and sweetened beverages (e.g. soda) in Seattle. JM purchases its supplies including sweetened beverages from a supplier located outside Seattle.

Question 1: Is JM liable for SBT?

Answer: Yes. JM is distributing sweetened beverages into Seattle because it is bringing into Seattle and ultimately offering the sweetened beverages for retail sale inside Seattle. JM is liable for SBT on the sweetened beverages it distributes in Seattle for sale at retail.

Question 2: What if JM purchases its sweetened beverages from a supplier located in Seattle?

Answer: If JM purchases sweetened beverages from a supplier located in Seattle then JM will not be liable for SBT on those sweetened beverages it sells in Seattle that it also purchased from a supplier located in Seattle. In this instance, it is presumed that the SBT was already paid on the beverages previously distributed to the supplier located in Seattle.

EXAMPLE 6: When syrups are used in something other than beverages.

ABC Distributing distributes sweetened beverages to a restaurant in Seattle. The distribution consists of bottles of flavored syrups that the restaurant utilizes for their dessert creations or as an ingredient in other non-beverage items.

Question 1: Are the syrups subject to the SBT?

Generally, bottles of flavored syrups would be subject to the SBT because based on the manufacturers' instructions they are to be used to make sweetened beverages. The restaurant, however, uses these for creating desserts. Therefore, these syrups may be excluded from the SBT.

Question 2: What documentation does the distributor need to obtain from the restaurant if it wishes to exclude the syrups from the SBT?

Answer: The distributor will need to obtain documentation from the restaurant operator that the syrups purchased are not used to create sweetened beverages but are intended for other purposes. For example, the distributor may secure from the restaurant a written statement that clearly provides those specific syrups are not used for sweetened beverages but instead are used in the production of certain meal items. The document should be signed by an individual authorized to sign off on tax matters for the restaurant. The distributor will need to retain this signed statement as documentation for the syrups it excluded from the SBT in this instance. If the distributor does not obtain documentation from the restaurant operator, then they should remit the SBT on the distribution of the flavored syrups to the restaurant.

EXAMPLE 7: When syrups are used in milk-based drinks.

LM operates a coffee shop in Seattle. ABC Distributor distributes 50 bottles of syrups to LM in Seattle for use in its coffee drinks.

Question 1: Who is liable for SBT in this instance?

Answer: ABC Distributor is liable for the SBT.

Question 2: What if LM determines that approximately 25 bottles of the syrups will be used to make coffee drinks in which the primary ingredient is milk?

Answer: If LM provides ABC Distributor with documentation stating that the 25 bottles of syrup are used to create drinks in which the primary ingredient is milk, ABC may exclude the 25 bottles from the SBT. The ABC may secure from LM a written statement that clearly provides those specific syrups are used for beverages in which the primary ingredient is milk. The document should be signed by an individual authorized to sign off on tax matters for LM. ABC will need to retain this signed statement as documentation for the syrups it excluded from the

SBT in this instance. If ABC does not obtain documentation from LM, then ABC must remit the SBT on the distribution of the flavored syrups to LM.

EXAMPLE 8: When a restaurant’s custom drink recipe differs from a manufacturer’s instructions.

JM is a restaurant chain with locations in Seattle. JM purchases syrups from EZ Distributing. JM, however, does not use the syrups under the manufacturers’ instructions. Instead, JM uses multiple syrups for its own custom drink recipes and as a result, one drink has approximately 4 ounces of different syrups per 12-ounce drink. Therefore, based on its recipes it can only produce an average of 75 ounces of sweetened beverage from one bottle.

Question: Is EZ required to follow the manufacturers standard in determining the SBT due on the distribution to JM?

Answer: SMC 5.53.030.A.2 specifically allows for the SBT to be calculated proportionately so that the combined tax when using multiple concentrates yields \$.0175 per whole fluid ounce of the resulting beverage. JM may provide documentation to EZ Distributing showing that it does not use the syrups as instructed by the manufacturer, detailing in its declaration to EZ that an average drink uses 4 ounces of syrup per drink, rather than 2 ounces. Without such documentation, JM’s use would make the syrup taxable at \$0.0353 per oz. ($\$2.625 / 75$ beverages per bottle average) rather than \$0.0175 per oz. ($\$2.625 / 150$ sweetened beverages per bottle).

However, EZ may instead pay the SBT on the distribution of syrups to JM based on JM’s use of 4 ounces of syrup per a 12-ounce sweetened beverage, meaning each bottle can create approximately 75 ounces of sweetened beverage, making the SBT on one bottle \$1.3125. Therefore, EZ will be liable for \$131.25 of SBT on the distribution of syrups to JM. EZ is required to maintain in its records the declaration from JM detailing its use of the syrups to support its tax calculation on the distributions to JM.

ADDITIONAL RESOURCES

City of Seattle Sweetened Beverage Tax Page: www.seattle.gov/business-license-tax/other-seattle-taxes/sweetened-beverage-tax

City of Seattle Sweetened Beverage Tax Rule: <http://clerk.seattle.gov/~scripts/nph-brs.exe?s1=5-953.NUM.&l=20&Sect6=HITOFF&Sect5=BTXN1&d=BTXN&p=1&u=/~finance/btxn1.htm&r=1&f=G>

City of Seattle Sweetened Beverage Tax Contact: SweetenedBevTax@seattle.gov

Keep Seattle Livable for All: www.keepseattlelivableforall.com

Keep Seattle Livable for All is a coalition of concerned citizens, businesses and community organizations actively opposing new taxes on everyday items like juice drinks, diet beverages, sodas, teas, sports drinks and ready-to-drink coffee beverages. If you would like to engage in their efforts, you can sign up for their coalition through this link.