**Performance Task: Sin Taxes**

Morality and Taxation

From: Common Core Workshop Series, Nicole Gilbertson, 2015

**History Standards: Economics 12.3.3**

Describe the aims of government fiscal policies (taxation, borrowing, spending) and their influence on production, employment, and price levels.

12.3.1 Understand how the role of government in a market economy often includes providing for national defense, addressing environmental concerns, defining and enforcing property rights, attempting to make markets more competitive, and protecting consumers’ rights.

**CCSS Standards: Reading, Grade 11-12**

1. Cite specific textual evidence to support analysis of primary and secondary sources, connecting insights gained from specific details to an understanding of the text as a whole.

2. Determine the central ideas or information of a primary or secondary source; provide an accurate summary that makes clear the relationships among the key details and ideas.

3. Evaluate various explanations for actions or events and determine which explanation best accords with textual evidence, acknowledging where the text leaves matters uncertain.

4. Determine the meaning of words and phrases as they are used in a text, including analyzing how an author uses and refines the meaning of a key term over the course of a text (e.g., how Madison defines faction in Federalist No. 10).

6. Evaluate authors’ differing points of view on the same historical event or issue by assessing the authors’ claims, reasoning, and evidence

7. Integrate and evaluate multiple sources of information presented in diverse formats and media (e.g., visually, quantitatively, as well as in words) in order to address a question or solve a problem.

8. Evaluate an author’s premises, claims, and evidence by corroborating or challenging them with other information.

9. Integrate information from diverse sources, both primary and secondary, into a coherent understanding of an idea or event, noting discrepancies among sources.

10 . By the end of grade 12, read and comprehend history/social studies texts in the grades 11–CCR text complexity band independently and proficiently.

**Writing, Grade 11-12**

1. Write arguments focused on discipline-specific content.

4. Produce clear and coherent writing in which the development, organization, and style are appropriate to task, purpose, and audience.

7. Conduct short as well as more sustained research projects to answer a question (including a self-generated question) or solve a problem; narrow or broaden the inquiry when appropriate; synthesize multiple sources on the subject, demonstrating understanding of the subject under investigation.

8. Gather relevant information from multiple authoritative print and digital sources, using advanced searches effectively; assess the strengths and limitations of each source in terms of the specific task, purpose, and audience; integrate information into the text selectively to maintain the flow of ideas, avoiding plagiarism and overreliance on any one source and following a standard format for citation.

10. Write routinely over extended time frames (time for reflection and revision) and shorter time frames (a single sitting or a day or two) for a range of discipline-specific tasks, purposes, and audiences.

**Guiding Question:** Are sin taxes beneficial to the economy and society?

**Overview of Lesson:**

Students will - alone, in partnerships, or in groups, according to their needs – review the sources below and decide which sources support each side of the argument. They will then write an argumentative essay, including a claim and counterclaim, to advise the governor of California on the best course of action.

**12th Grade Performance Task**

**Issue: Are sin taxes beneficial to the economy and society?**

With recent budget crises, governments are seeking a variety of revenue-generating sources. One such alternative is the sin tax. Taxing commodities or activities associated with unhealthy, dangerous, costly and environmentally damaging behavior has proven both profitable and yet very controversial.

**Directions for Part 1**

You will now examine and analyze a variety of sources on the topic of “sin taxes”. Take notes because you may want to refer to your notes while writing your argumentative essay. You can re-examine any of the sources as often as you like.

**Directions for Part 2**

You will now review your sources, take notes, and plan, draft, revise, and edit your essay. You may use your notes and refer to the sources. Now read your assignment and the information about how your argumentative essay will be scored; then begin your work.

**Your assignment:**

You are an advisor to the governor of California, and must advise him on proposed sin tax legislation. You must determine whether sin taxes are both good for society and the economy and whether certain sin taxes are more or less beneficial. In presenting your case, you must provide evidence to defend your claim and demonstrate you understand opposing views on the matter.

**Source 1:**

***U.S. News & World report***

Feb 5, 2013

Responding to the latest round of public budget "crises,"

policymakers around the country have begun reviving an old, but not necessarily good idea with added enthusiasm—taxing "sin."

While sin taxes might ultimately cause some reduction in "bad behavior," there are a number of reasons the costs of the tax often outweigh their benefits:

**Lobbying:** Millions of dollars have been spent to thwart taxation of the soft drink industry's products and to prevent existing taxes from being raised. In 2009 alone, the industry spent more than $57 million on lobbying. Such lobbying expenditures are socially wasteful. How much money is now being spent attempting to block Mayor Bloomberg's ban on 32-ounce soft drink containers?

**Regressive taxation:** Far from being income-neutral, such taxes are regressive because their burden falls most heavily on people with the fewest options—the poor. Low-income households who continue to purchase goods that are sin-taxed will have even less money left over to spend on other items.

**Revenue not used for its intended purpose:** Sin taxes raise revenue by transferring money from those who continue to buy the taxed items straight to the coffers of the public treasury. In the real world, … money generated by the tobacco settlement financed general spending and *not* smoking cessation programs or treating smoking-related diseases.

Need to justify a new sin tax or raise an existing one? Claim that consuming some good or engaging in some activity contributes to ill health or harms the environment. Argue that "experts" know what choices consumers should make better than the consumers themselves know. Finally, don't forget to select items for taxation that only a minority of the population buys, but that you and the majority of voters do not. Be a paternalist.

**Source 2:**

Mercatus Center Taxing Sin by [Richard Williams](http://mercatus.org/richard-williams), [Katelyn Christ](http://mercatus.org/katelyn-christ) | Jul 2009

… Sin taxes have played roles of varying importance throughout U.S. tax history. The ever-expanding list of taxable "sins" proposed by governments includes cigarettes, alcoholic beverages, gasoline, bullets, and, more recently, sugary soft drinks and fatty snacks.…Recently, however, the arguments for imposing new excise taxes and increasing existing ones have reemerged across party lines and have spawned several myths about the efficacy of sin taxation.

**MYTH 1: SIN TAXES DISCOURAGE UNHEALTHY BEHAVIORS**

State and local governments are increasingly imposing sin taxes as political activists try to force Americans to adopt their own version of "clean living."4 These taxes are designed to raise prices so that "sinful" goods become so expensive that consumers will give them up for something healthier. However, this rarely happens. Research has shown that when the price of a "sinful" good increases, consumers often substitute an equally "bad" good in its place. For example, two studies found that teen marijuana consumption increased when states raised beer taxes or increased the minimum drinking age. Another study found that smokers in high-tax states are more likely to smoke cigarettes that are longer and higher in tar and nicotine than smokers in low-tax states. Specifically, they discovered that young adults aged 18–24 are much more responsive to tax changes than older smokers. For young smokers, the switch to cigarettes with higher tar and nicotine is so large that tax hikes actually increase average daily tar and nicotine consumption….

**MYTH 2: SIN TAXES ARE A GOOD WAY TO RAISE REVENUE**

Although the underlying rationale for sin taxes is to discourage consumption of "sinful" products, it is often argued that the tax would also help raise revenue that would, in turn, be used to finance projects like federal health insurance. The problem with this argument is that these regulatory and revenue-raising justifications work at cross-purposes. If the tax is actually effective at discouraging consumption of a "sinful" good, after all, then there would be very little revenue raised because people would purchase much less of the more expensive good in question…

**MYTH 3: PRIMARY SUPPORT FOR SIN TAXATION COMES FROM CIVIC-MINDED CITIZENS**

Generally speaking, people support taxes that benefit them directly; that is, they lobby for taxes to receive "rents." In many cases, two dissimilar groups may support taxes for completely different reasons and be wooed by revenue-hungry politicians. Bruce Yandle calls this phenomenon "Bootleggers and Baptists," an expression derived from an unlikely alliance that formed during Prohibition.Bootleggers, or those who smuggled alcohol illegally, gain business at the expense of their legal competitors, while Baptists, who sought to reduce alcohol consumption, see their moral goals legislated…

**MYTH 5: SIN TAXES ARE THE BEST WAY TO CHANGE UNDESIRED BEHAVIOR**

If the objective of sin taxation is to alter "objectionable" behavior, less-costly options exist in the private sector. For example, a coalition of scientists, academics, health organizations, food producers, and retailers developed the Smart Choices Program to better inform consumers about the nutritional characteristics of food.19 Through its front-of-pack labeling program, Smart Choices identifies healthier food and beverage choices within specified product categories. Unlike coercive government measures to tax unhealthy foods and beverages, this program provides the information people need to stay within their recommended caloric intake and make product-by-product nutritional comparisons at their discretion…

**CONCLUSION**

…Sin tax activists strongly believe that most citizens are inherently incapable of making consumption decisions for themselves. Carried to its logical extreme, "the notion that any product or lifestyle choice that even remotely contributes to health care costs should be taxed to help finance public spending would leave nothing untaxed."23 Once it becomes "legitimate for government to protect individuals from their own follies,"24 there is no way to establish limits to governmental powers…

**Source 3:**

Table from: Mercatus Center Taxing Sin by Richard Williams, Katelyn Christ | Jul 2009



**Source 4:**

**The day the beer flowed again**

April 07, 2008|Maureen Ogle *Los Angeles Times*

…On March 4, President Franklin D. Roosevelt was inaugurated. He had campaigned on the promise of a "new deal" to repair the economy, a vague plan that was short on specifics but long on ambition. But he had also made one definite pledge: to repeal Prohibition.

… Prohibition spawned an underground economy devoted to making, shipping and selling booze. The officials trying to enforce it earned more from bribes, kickbacks and the resale of confiscated alcohol than from their meager salaries. The poison of such corruption permeated daily life. It undermined respect for the Prohibition amendment and, by extension, for the Constitution itself. Worse, Americans realized that in banning the production of alcoholic beverages, one of the nation's largest and most heavily taxed industries, they had closed the spigot on a significant source of both jobs and revenue.

By the early 1930s, most Americans were done with the experiment. Emboldened by Roosevelt's election, "wet" members of the lame-duck 72nd Congress managed to pass a repeal amendment just days before FDR took office. ….

On March 22, FDR signed a bill legalizing 3.2% beer. Within two days, brewers in Milwaukee had hired 600 workers. Beer makers in New York announced plans to spend $22 million refurbishing their dilapidated plants. Detroit automakers scrambled to supply brewers and their wholesalers with $15 million in new cars and trucks. In the 48 hours after the beer taps opened April 7, brewers paid $10 million in federal, state and municipal taxes ($155 million in today's dollars).

**Source 5**

***Mayo Health Clinic News Network*, June 3, 2013**

**Smoking, Sugar, Spirits and 'Sin' Taxes: Higher Price Would Help Health, Mayo Clinic Doctors Say**

ROCHESTER, Minn. — Go ye and sin no more — or pay for it, when it comes to junk food, smoking and consuming alcohol. That's the message from two Mayo Clinic physicians who say raising "sin" taxes on tobacco and alcoholic beverages and imposing them on sugary drinks and fatty foods would lead many people to cut back, improving public health. …

The physicians contend that much of overall health depends on behavior and is relatively independent of the health care system. Risk factors for many common and chronic diseases are directly linked to tobacco smoking, drinking alcohol, eating too much low-quality food and physical inactivity, they say.

"Sin taxes could address three of these four major behavioral determinants of overall health," says Dr. Joyner, a Mayo Clinic anesthesiologist and physiologist. "Sin taxes have also been highly effective in improving public health in the past and in the current environment could be structured to raise substantial revenue and prevent both medical overuse and chronic diseases."

…Nearly $80 billion could be generated over the next 10 years by increasing the tobacco tax by 50 cents per pack. The alcohol tax as a percentage of the total cost of various forms of alcoholic beverages is much lower than it was in 1980. If the alcohol tax were increased to 30 percent of the pretax value of the beverage (it is currently about 10 percent), federal revenues would increase by $25 billion per year ($250 billion over 10 years). The effects of a 1 cent per ounce tax on sugary beverages would raise approximately $15 billion to $20 billion per year ($150 billion to $200 billion over 10 years).

Ideally, these resources could also be used to subsidize care for the uninsured, buffer the fiscal pressures associated with Medicare and Medicaid, promote increased physical activity and better nutrition in the population, build public health infrastructure or perhaps increase federal funding for biomedical research.

One of the major arguments raised against sin taxes is that they fall disproportionately on the poor, who typically engage in unhealthy behaviors at higher rates than other segments of the population. The authors raise the counterargument that the positive behavioral changes associated with these taxes would disproportionately benefit the poor in terms of both improved health over time and more money to spend on other things.

Sin taxes have bipartisan appeal. Those concerned about disparities in health associated with socioeconomic status and other demographic factors should like them because promotion of healthy behavior may reduce these disparities. They should appeal to those who prefer policies that promote personal responsibility, because such taxes can positively affect individual health behaviors, the physicians say.

"Although consideration of such policies would (and has) engendered vigorous debate, sin taxes have the potential to rapidly benefit the physical, social, and fiscal health of the nation and should be seriously considered by policymakers and our political leaders," Dr. Joyner says.

**Alternate Sources:**

***Learnvest***, “Why Sin Taxes are So Good” Feb 1, 2013

**…Cigarettes**

Smoking costs the U.S. nearly $200 billion in health care costs and lost productivity each year. All 50 states have a cigarette tax, ranging from $0.17 per pack in Missouri to $4.35 in New York. Stacked on top of this are separate taxes from the federal government, as well as many cities (New York City has a $5.85 total tax) and even some counties…. In 2009, the federal cigarette tax rose from $0.39 to $1.01 per pack, lifting cigarette prices by 22% overnight. The tax reduced the number of smokers by about 3 million from 2009 to 2012, according to surveys from the Centers for Disease Control and Prevention.

Unfortunately, the cigarette tax is regressive–it hits low-income people the hardest. Families earning less than $50,000 a year make up half the U.S. population, and two-thirds of smokers. …An easy fix to New York’s (and most other states’) low-income problem would be to use the tax revenue to provide free resources to help smokers quit. But like many states, New York funnels most of the tax revenue into the broader state budget.[6] According to a [report by the American Lung Association](http://www.stateoftobaccocontrol.org/sotc-2013-report.pdf), 42 states, plus D.C., failed to invest even 50% of what is recommended by the CDC in proven prevention programs.

**Alcohol**

As of September 2011, every state except New Hampshire taxes spirits…

According to the CDC, alcohol abuse costs an estimated $224 billion a year. The immediate and visceral effects of alcohol abuse (drunk driving accidents, especially among teens) means that taxing is widely accepted–82% of adults favor an increase of five cents per drink in the tax on beer, wine and liquor to pay for underage drinking prevention and alcohol treatment programs, according to the [Center for Science in the Public Interest](http://www.cspinet.org/booze/rwjfsurvey.htm).

Studies indicate that alcohol taxes can lower the costs of alcohol abuse by decreasing car crashes and fatalities, incidents of liver disease and violence. A 2012 [report by the Center on Alcohol Marketing and Youth (CAMY)](http://www.camy.org/press/PDFs-In%20the%20News/Alcohol%20Taxes%20Reduce%20Youth%20Drinking.pdf) estimates that every $0.10 increase in the Maryland tax on an alcoholic drink would reduce alcohol consumption by 4.8%, and save $249 million in alcohol-related costs.

**Junk Food and Soda**

Both Denmark and Hungary have introduced a fat tax or junk food tax, and France taxes sweetened drinks. Is the U.S. close behind?

Obesity-related illnesses cost $147 billion to treat in 2008. Lab studies have found that junk food and sugary sodas produce addictive behavior in animals that’s similar to cocaine. However, the externalities of sugary soda aren’t as obvious as those of cigarettes and alcohol–there’s no such thing as secondhand fat.

In a 2012 study, Oxford researchers recommended a 20% tax on sugary drinks, which they estimated would reduce obesity in adults by 3.5%. They chose to target sugary drinks because taxing junk food just prompts consumers to switch to another type of unhealthy food–[as the Danes’ tax demonstrated](http://www.forbes.com/sites/realspin/2012/11/27/taxes-on-fatty-foods-and-their-unintended-consequences/)–but taxing sugary drinks prompts a switch to water.

