

# The Vermont Legislative Research Service



policy makers use to levy an excise tax. One is to generate a reliable stream of revenue. Following the Ramsey rule, governments seeking a steady stream of revenue will get products with greater price inelasticity (that is products for which supply and demand are not greatly affected by changes in price)

<sup>2</sup> If consumer behavior does not change much with the tax, then this gives states a predictable source of revenue without affecting the economy significantly. The second justification for excise taxes is as user fees for public goods provisions where taxpayers directly benefit. This means the excise tax revenue funds goods that consumers need but the market fails to supply. And, finally, excise taxes may be levied as corrective taxes on products that usually have negative effects.

## Soda and Obesity





Would a Tax on SSBs Reduce Consumption?

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Current Sugar-Sweetened Beverage Excise Taxes

United States







