



City of Philadelphia

City Council
Chief Clerk's Office
402 City Hall
Philadelphia, PA 19107

BILL NO. 160176

Introduced March 3, 2016

**Councilmember Henon
for
Council President Clarke**

**Referred to the
Committee of the Whole**

AN ORDINANCE

Amending Title 19 of The Philadelphia Code, entitled "Finance, Taxes and Collections," by adding a new Chapter 19-4100, entitled "Sugar-Sweetened Beverage Tax," under certain terms and conditions.

THE COUNCIL OF THE CITY OF PHILADELPHIA HEREBY ORDAINS:

SECTION 1. Title 19 of The Philadelphia Code is hereby amended as follows:

TITLE 19. FINANCE, TAXES AND COLLECTIONS.

* * *

CHAPTER 19-4100. SUGAR-SWEETENED BEVERAGE TAX.

§ 19-4101. Definitions. In this Chapter, the following words and phrases shall have the following meanings, unless the context clearly indicates otherwise:

(1) Dealer. Any person engaged in the business of selling sugar-sweetened beverage for retail sale within the City, including but not limited to restaurants; retail stores; street vendors; owners and operators of vending machines; and distributors who engage in retail sales.

(2) Distributor. Any person who supplies sugar-sweetened beverage to a dealer.

(3) Sugar-sweetened beverage.

City of Philadelphia

BILL NO. 160176 continued

(a) Any non-alcoholic beverage that lists as an ingredient any form of caloric sugar-based sweetener, including, but not limited to, sucrose, glucose or high fructose corn syrup.

(b) Any non-alcoholic syrup that lists as an ingredient any form of caloric sugar-based sweetener, including, but not limited to, sucrose, glucose or high fructose corn syrup, and that is intended to be mixed with water to prepare a beverage.

(c) Notwithstanding subsections (a) and (b), sugar-sweetened beverages shall not include:

(.1) Baby formula.

(.2) Any product, the primary ingredient of which is milk.

(.3) Unsweetened drinks to which a purchaser can add, or can request that a seller add, sugar, at the point of sale.

(d) Sugar-sweetened beverages include, but are not limited to, soda; non-100%-fruit drinks; sports drinks; flavored water; energy drinks; pre-sweetened coffee or tea; and non-alcoholic beverages intended to be mixed into an alcoholic drink.

(e) The Department is authorized to promulgate regulations to clarify the inclusion or exclusion of particular products; and to exclude particular products with respect to which, because of their ingredients or other administrative or health-related reasons, exclusion would be consistent with sound public policy and the purposes of this Ordinance.

(4) Supply. Sell, distribute, transfer or supply.

§ 19-4102. Distributor Licenses; Purchases from Licensed Distributors.

(1) No dealer may sell at retail, or hold out or display for sale at retail, any sugar-sweetened beverage acquired by the dealer on or after January 1, 2017, unless:

(a) The sugar-sweetened beverage was purchased by the dealer from a licensed distributor; and

(b) The dealer complied with the notification requirements of § 19-4104; and received confirmation from the licensed distributor of such notification, as well as

City of Philadelphia

BILL NO. 160176 continued

confirmation that the distributor is a licensed distributor, all in form prescribed by the Department.

(2) Upon application by any distributor in form prescribed by the Department of Licenses and Inspections, the Department of Licenses and Inspections shall issue a distributor license to a distributor, regardless whether the distributor does or does not do business in the City. Acquisition of such license shall not subject a distributor otherwise not liable for payment of business income and receipts tax to the payment of business income and receipts tax.

§ 19-4103. Imposition and Rate of the Sugar-Sweetened Beverage Tax.

(1) Effective January 1, 2017, and thereafter, a tax is imposed upon each of the following: the supply of any sugar-sweetened beverage to a dealer; the acquisition of any sugar-sweetened beverage by a dealer; and the delivery to a dealer in the City of any sugar-sweetened beverage. The tax is to be paid as provided in § 19-4105 (liability for payment of tax) and § 19-4107 (waivers).

(2) The tax authorized by this Section shall be assessed at the following rates:

(a) Three cents (\$.03) per ounce of beverage, except for beverage supplied in the form of syrup.

(b) Twenty-seven cents (\$.27) per ounce of syrup.

(3) The tax shall be set out as a separate line item on any bills or invoices provided by a licensed distributor to a dealer.

§ 19-4104. Notification of Dealer Status.

(1) No dealer shall accept any sugar-sweetened beverage from a licensed distributor without first notifying the licensed distributor that such dealer is a dealer subject to this Chapter. Notice shall be provided in the form of a Commonwealth of Pennsylvania sale for purpose of resale exemption certificate, so long as such certificate clearly indicates that the dealer is located in Philadelphia; or in such other form as the Department may provide. Every dealer shall maintain copies of any notices provided to a licensed distributor, as provided in Code § 19-506.

(2) Upon receipt of notification pursuant to subsection (1) above, no licensed distributor shall supply any sugar-sweetened beverage to a dealer without providing to the dealer, contemporaneously, (i) confirmation of notification; and (ii) a receipt

City of Philadelphia

BILL NO. 160176 continued

detailing the amount of sugar-sweetened beverage supplied in the transaction and the amount of tax owing on such transaction; all in form satisfactory to the Department.

§ 19-4105. Liability for Payment of Tax.

(1) The tax shall be paid to the City by the licensed distributor; and the dealer shall not be liable to the City for payment of the tax; so long as the licensed distributor has received from the dealer notification pursuant to § 19-4104(1) that the recipient is a dealer.

(2) In addition to any penalties provided hereunder, a dealer who fails to provide the notification required by § 19-4104(1); and a dealer who sells at retail, or holds out or displays for sale at retail, any sugar-sweetened beverage in violation of § 19-4102(1), shall be liable to the City for payment of any tax owing under this Chapter, and shall file returns with the Department in form prescribed by the Department.

(3) Where a dealer is also a licensed distributor, no additional tax shall be owing on the supply of any sugar-sweetened beverage by such dealer/distributor to another dealer if the tax already has been imposed on the supply or delivery of the beverage to the dealer/distributor or the acquisition of the beverage by the dealer/distributor.

(4) In the event a court of competent jurisdiction rules in a decision from which no further appeal lies that a licensed distributor is not liable to the City for the tax with respect to any transaction or class of transactions, then the dealer to which the licensed distributor supplied the beverages associated with such transactions shall be liable to the City for the tax.

§ 19-4106. Administration.

(1) For each calendar quarter, no later than thirty days after the close of the quarter, or at such other times as the Department shall require:

(a) Every licensed distributor shall file with the Department a return setting out, in form satisfactory to the Department:

(.1) The amount of sugar-sweetened beverage (separately for fluid and syrup) supplied by the licensed distributor to any dealer.

(.2) The amount of tax owing on account of such sugar-sweetened beverage.

City of Philadelphia

BILL NO. 160176 continued

(b) Every licensed distributor shall pay to the Department such amounts as shown on the return or otherwise required by this Chapter.

(2) The Department may require licensed distributors and dealers to submit such other information as the Department deems necessary for proper administration of this tax.

§ 19-4107. *Waivers.*

(1) Upon a showing of extraordinary circumstances, where distribution channels would make purchase of sugar-sweetened beverage from a licensed distributor substantially impracticable, the Department, in its discretion, may grant a full or partial waiver to a dealer from the provisions of § 19-4102(1). In such case, as well as during the pendency of any application for waiver under this subsection, the tax shall be paid directly by the dealer to the Department, in such manner and using such forms as the Department shall prescribe. The Department may require an annual demonstration of continuing extraordinary circumstances in order to continue a waiver.

§ 19-4108. *Penalties.*

(1) In addition to any other penalties provided under this Title, a violation of § 19-4102(1) (sale of product purchased from other than a licensed distributor or without proper notification to a licensed distributor) shall constitute a Class II Offense under § 1-109; and each separate sale, transaction or delivery shall constitute a separate offense. A person who violates § 19-4102(1) more than one time in any twenty-four (24) month period shall be subject to suspension of his or her commercial activity license for such period of time as the Department of Licenses and Inspections deems appropriate.

SECTION 2. This Ordinance shall be effective immediately, and any tax imposed pursuant to this Ordinance shall apply in addition to any other applicable tax imposed under this Title.

Explanation:

[Brackets] indicate matter deleted.
Italics indicate new matter added.

City of Philadelphia

BILL NO. 160176 continued