

Revenue Fact Sheet:

Philadelphia Beverage Tax

Understanding the Philadelphia Beverage Tax

The Philadelphia Beverage Tax (PBT) was introduced in January 2017 to provide the City of Philadelphia with additional resources for the provision of free Pre-K, community schools and debt service for capital improvements to parks, libraries, and recreation centers. The funds were directed to the General Fund with the understanding that this revenue stream alone would not be enough to support the programs in perpetuity.

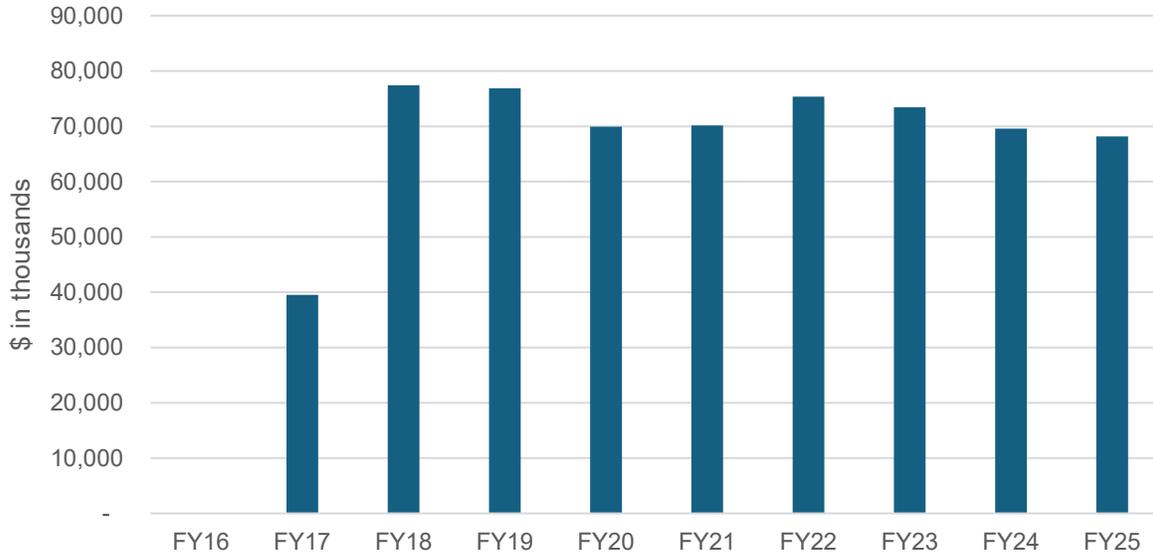
The tax, assessed per ounce of sweetened beverage, applies to all sweetened beverages and syrups used to create regular and diet/zero-calorie sweetened beverages (sugar and non-sugar). The rate of 1.5 cents per ounce, which results in a \$1.01 tax on a 2-liter bottle and a \$0.18 tax on a 12-ounce can, has been unchanged since collections began. At the time of introduction, the PBT differed from soda taxes implemented elsewhere around the globe, with the driving force being its revenue generation potential rather than health benefits derived from reduced consumption, although that was viewed a bonus.

Where does the Philadelphia Beverage Tax come from?

The Philadelphia Beverage Tax isn't a sales tax; it isn't something added to the retail price paid to the consumer (even if it might look like that at the store). Local jurisdictions in Pennsylvania cannot tax items already taxed by the Commonwealth without state-level authorization. Sales Taxes are a percentage of the retail price, due from the buyer but most often collected and remitted by a retailer. The PBT is a tax on distribution by volume and is often collected and remitted by the distributor (which can be the manufacturer or bottler who sells to stores, restaurants, movie theaters, bars, sports arenas, and other locations where sweetened beverages are sold). While the tax is due from the dealer (the entity that sells the drink to the consumer), allowing distributors to collect and remit simplifies the process of tax administration by having a smaller number of larger taxpayers that are typically better equipped to handle the paperwork involved.

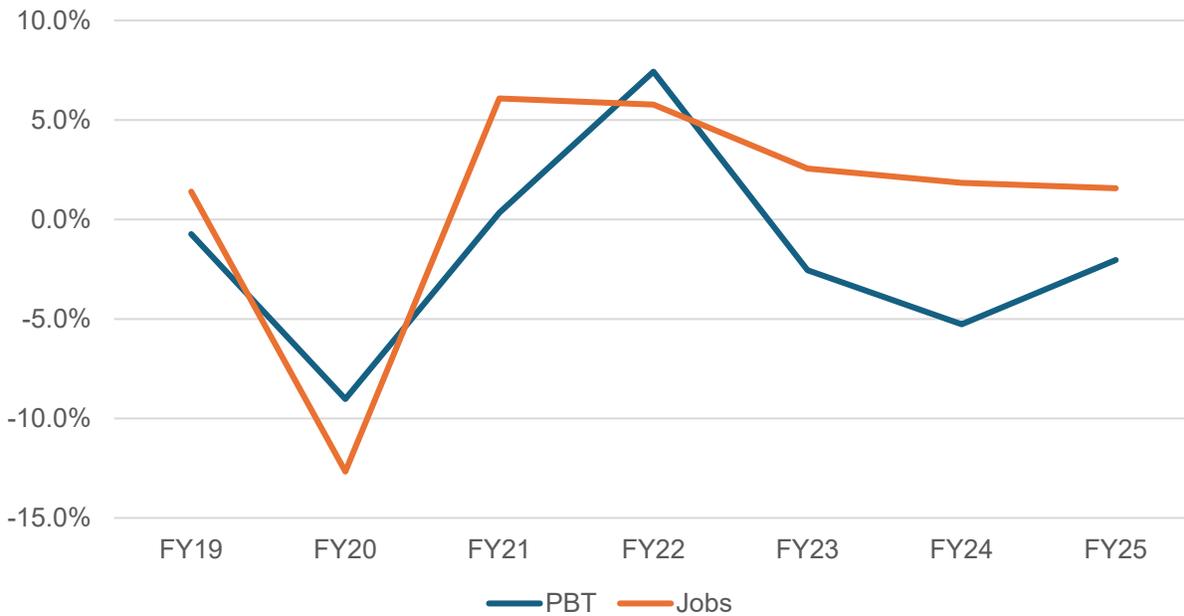
10-Year Trend

PBT collection has never grown year-over-year except in the second year, which had 12 months of collections versus 6, and the COVID-recovery period in FY21 and FY22.



The first full year of PBT collections was FY18. Between then and FY25, the compound annual growth rate was -1.8 percent, with collections declining from \$77.4 million in FY18 to \$68.2 million in FY25. This decline was expected given trends for reduced sugary drink consumption generally, even without the added cost of a tax. The negative trend is at odds with performance of all General Tax revenue over the same time period, which had a compound annual growth rate of 3.8 percent. The decline wasn't a straight line for the PBT in its first eight years. The COVID-19 pandemic had dramatic effect on collections as many of the places sweetened beverages are consumed were closed or operating at reduced capacity, on top of fewer commuters and tourists being present in the city, on top of the economic contraction. The PBT had volatility of 4.7 percent from FY19 to FY25, while overall General Fund revenues experienced 7.5 percent volatility. PBT experienced its biggest single-year decline in FY20, at nine percent, and had a bit of a comeback by FY22, before resuming its expected trend of annual declines from FY23 to FY25, when collections hit an all-time low of \$68.2 million in annual collections.

PBT annual growth/decline rates were consistent with changes in employment levels during the pandemic.

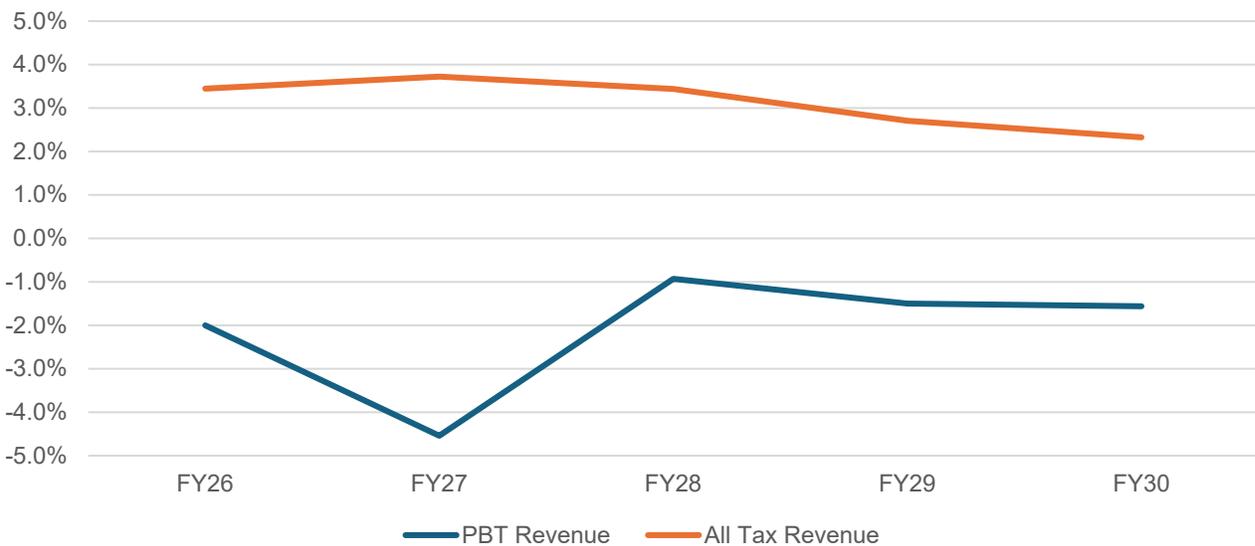


Source: [Bureau of Labor Statistics, Quarterly Census of Employment and Wages](#)

Looking Ahead

In the coming five years, the City anticipates less volatility in Philadelphia Beverage Tax collections than over the past eight years while projecting predictable annual declines. The current estimate for FY26 is \$66.8 million, 1.1 percent of all General Fund Tax collections. The PBT is expected to have a compound annual growth rate of -2.1 percent from FY26 to FY30, leading to FY30 collections of \$61.3 million, and shrinking the share of General Fund revenues from this source to 0.9 percent. Even hosting World Cup matches and the Major League Baseball All-Star Game, as well as events related to the nation’s 250th birthday, isn’t expected to result in a spike in collections.

Philadelphia expects declines in PBT collections each year from FY26 to FY30, but not enough to erase expected growth in tax revenue generally.



The Big Picture

Even with the disruption of the pandemic, the PBT has performed as expected and provides a substantial amount of revenue, although a tax with expected built-in contractions is an anomaly. To sustain General Fund expenditures without changing the tax rate or base, the City will need to look elsewhere for additional funds.

Where to Learn More

For additional details on **Philadelphia Beverage Tax** revenue and the City's financial outlook:

- See PICA's [Staff Report on the Five-Year Plan for FY26-30](#) and past Staff Reports at picapa.org.
- Find the City's revenue projections and budget documents on the [Office of the Director of Finance](#) website.
- Visit the City of Philadelphia's [Office of the Director of Finance](#) website for City budget documents.