



**AgEcon** SEARCH  
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

*The World's Largest Open Access Agricultural & Applied Economics Digital Library*

**This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.**

**Help ensure our sustainability.**

Give to AgEcon Search

AgEcon Search

<http://ageconsearch.umn.edu>

[aesearch@umn.edu](mailto:aesearch@umn.edu)

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

**WP 2014-16**  
**May 2014**



# Working Paper

Charles H. Dyson School of Applied Economics and Management  
Cornell University, Ithaca, New York 14853-7801, USA

## **The Salience of Excise vs. Sales Taxes on Healthy Eating: An Experimental Study**

Xiu Chen, Harry M. Kaiser, Bradley J. Rickard

It is the Policy of Cornell University actively to support equality of educational and employment opportunity. No person shall be denied admission to any educational program or activity or be denied employment on the basis of any legally prohibited discrimination involving, but not limited to, such factors as race, color, creed, religion, national or ethnic origin, sex, age or handicap. The University is committed to the maintenance of affirmative action programs which will assure the continuation of such equality of opportunity.

# **The Salience of Excise vs. Sales Taxes on Healthy Eating: An Experimental Study**

Xiu Chen, Graduate Student,  
Harry M. Kaiser, Professor  
Bradley J. Rickard, Assistant Professor  
Charles H. Dyson School of Applied Economics and Management  
Cornell University  
Ithaca, NY 14853, United States

## **Abstract**

Based on a laboratory experiment conducted with 131 adult non-students subjects, we empirically examine the salience of an excise and sales tax on changing consumers' eating behavior. We compare the caloric and nutrient content of the meals selected by the subjects using a difference-in-difference regression model to determine the efficacy of the policy treatments. The results indicate that an inclusive tax (i.e., an excise tax) has a significantly stronger effect on reducing some undesirable nutritional factors such as calories, calories from fat, carbohydrates, cholesterol, added sugar and sodium compared with an exclusive tax (i.e., a sales tax).

*Keywords:* Obesity, Tax salience, Excise tax, Sales tax

May 2014

# **The Salience of Excise vs. Sales Taxes on Healthy Eating: An Experimental Study**

## **I. Introduction**

Obesity among U.S. adults has reached epidemic proportions. As reported in 2013, the adult obesity rate in the United States is 34.9% (National Center for Health Statistics [NCHS], 2013). The prevalence of obesity among middle-aged adults was 39.5% in the United States in 2011-2012 (Ogden et al. 2013). According to the World Health Organization [WHO], obesity is a major risk factor for a number of chronic diseases, including heart disease, stroke, type II diabetes and certain types of cancer. One study estimates that the current direct and indirect costs of obesity are more than \$190 billion annually in the United States (Institute of Medicine [IOM], 2013). The WHO (2013) states that the fundamental cause of people being overweight or obese is an energy imbalance between calories consumed and expended, and an increased intake of foods that are high in fat is undoubtedly one of the major contributions.

In order to reduce obesity, economic incentives/disincentives have been implemented to promote healthy diets. Chief among these policies is a tax on unhealthy foods. The Rudd Center for Food Policy and Obesity at Yale (2013) suggest two methods for raising prices of unhealthy foods: 1) tax foods with poor nutrients profiles; and 2) tax broader categories of unhealthy food and beverages, such as carbonated drinks and snacks. Most of the states and cities in the United States implementing tax policies to fight obesity have adopted the first method and levied taxes on the soft drink category. For example, San Francisco supervisors have introduced a

2-cents-per-ounce tax on sugary drinks sold in the city. More recently, the second method of levying unhealthy food tax (also known as a “fat tax”) is also being discussed, proposed, and even implemented in several countries. In 2011, Denmark imposed the world’s first fat tax on foods with more than 2.3% saturated fats; but the policy was abolished in 2012. These food taxes are collected in the form of a higher sales tax rate compared to the regular food tax rate, or an additional excise tax. Among the thirty-three states in the United States that levy taxes on soft drinks, twenty-five of them apply only the sales tax to the category, one applies only an excise tax, and seven apply both excise and sales taxes (Zheng, McLaughlin, and Kaiser, 2013).

The difference between a sales and an excise tax is key to understanding how they induce different consumer behaviors. The fundamental difference is whether the tax is levied at the point of production or the point of sale. Sales taxes are typically expressed in tax-exclusive terms (Tax Policy Center, 2008), because a sales tax is not reflected by the posted-price, but rather is added at the register upon checkout. Conversely, the amount of an excise tax is included in the posted price, so an excise tax typically has higher “salience” than a sales tax. The economic literature has investigated and compared the efficacy of these two types of taxes. Miao, Beghin and Jensen (2010) suggest that both a sales tax on sweetened goods and a sweetener input tax can reduce added sweetener consumption, but the latter policy causes about five times less consumer surplus loss than the former. Chetty, Looney and Kroft (2009) find that consumers tend to under-react to taxes that are not included in posted prices because of the difficulty in computing the gross

after-tax price. Relatedly, Zheng, McLaughlin and Kaiser (2013, henceforth ZMK) focus on the effect of imperfect tax knowledge, and conclude that a sales tax change does not reduce demand as much as an excise tax change of the same magnitude. While these and other studies are useful in understanding tax salience, there is an absence of empirical research on the impact of applying the taxes on food and beverage demand.

Accordingly, the goal of this research is to empirically study the effect of an excise vs. sales tax on consumer tax salience on the demand for food and beverages. As defined by Chetty, Looney and Kroft (2009), the “salience” of a tax indicates the simplicity of calculating the gross-of-tax price of a good. To achieve our goal, we designed a controlled laboratory experiment conducted with 131 adult, non-student subjects that were asked to select lunch items from a cafeteria menu. Each subject was randomly assigned to a control group or one of the two treatments: (1) 20% excise tax on unhealthy foods and beverages and (2) 20% sales tax on unhealthy foods and beverages. We examine taxes that are levied on unhealthy foods. A difference-in-difference regression model is used to determine the efficacy of the various policy treatments in terms of reducing calories, fat, added sugar, cholesterol, and sodium intake. The results confirm our hypothesis that while both taxes reduce caloric and other nutrient intake, an inclusive tax (i.e., the excise tax) has a more significant impact on consumers’ eating behavior, caloric intake and nutrient intake than an exclusive tax (i.e., a sales tax).

The remainder of the paper is organized as follows. Section 2 summarizes the related

literature. Section 3 presents the theoretical framework developed from ZMK. Section 4 presents the experimental design. Section 5 presents the data and the difference-in-difference model, and discusses the estimation results. Section 6 concludes.

## **II. An Overview on the Debate over Fat Taxes**

The idea of levying an “overweight fee” dates back to 1940s (Engber, 2009), but was not well known until the 1980s when Brownell (1980) proposed that revenue from junk-food taxes be used to subsidize more healthful foods and fund nutrition campaigns. In 1994, Brownell argued that healthy foods cost more than unhealthy foods in a New York Times, Op-Ed piece and proposed the concept of a “fat tax”. Since then, the idea of adopting food tax policies to combat obesity has been discussed worldwide. Kim and Kawachi (2006) and Powell et al. (2009) find that changes in the relative prices of healthy and unhealthy foods impact consumption patterns and lower obesity levels. Brownell and Frieden (2009) argue that taxes on fattening foods have three justifications: (1) the contribution of unhealthful diets to the illnesses cited previously creates an externality to health care costs; (2) food nutritional information is asymmetric between consumers and food firms; and (3) the revenue generated from such taxes can increase societal benefits by promoting healthy diets. The authors believe that a tax on sweetened beverages would encourage consumers to switch to more healthful beverages and hence reduce caloric intake. Along the similar lines, Chaloupka et al. (2011a) argue that a sizeable tax on sugar-sweetened beverages would not only lead to significant reduction in calorie intake, but



would also generate significant new revenues that can be used to support obesity prevention effort. Chaloupka et al. (2011b) furthermore argue that the revenue generated by such a tax would further enhance the effectiveness of a large tax on sweetened beverages.

However, these results are not universally accepted in the literature, notably among economists that believe existing evidence on the effectiveness of fat taxes is mixed. Cash et al. (2007) suggest that the economic evidence on food price interventions to improve healthy diets is far from complete; therefore the impact of such policies is unclear. Chouinard et al. (2007) argue that fat taxes are extremely regressive, and would cause greater welfare losses on the elderly and poor. Similarly, Engber (2009) contends that a fat tax would fall disproportionately on poorer people who tend to consume more fattening food and who are more sensitive to price. Gandel (2011) casts doubt on the efficacy of taxing unhealthy food, suggesting that taxes have little impact on altering consumer behavior. Fletcher et al (2011a) argue that policymakers can improve sugar-sweetened beverage tax by expanding its scope and motivation. They suggest that expanding the scope of a tax to include all calorie-dense foods besides sugar-sweetened beverages would enhance the effectiveness of such policy, and motivating it as a way to improve population health instead of just reducing obesity would lead to a more desirable outcome. Fletcher et al (2011b) believe that to achieve a broader goal of improving population health requires a more comprehensive policy that includes not only the sugar sweetened beverage tax, but also other restrictions. An empirical study by Lusk and Schroeter (2013) suggests that a soda

tax is very unlikely to be welfare enhancing, unless it is justified on the grounds that abandon standard rationality assumptions.

Among the supporters of fat tax policies, the question of which stage, production or sale, should the tax be levied at has attracted much attention. Engelhard et al. (2009) argue that although an “upstream” tax can avoid administrative complications for stores, a sales tax has countervailing advantages, including generating revenue that rises with inflation, and allowing for a short-term tax exemption. Brownell and Frieden (2009), however, point out that by levying tax as a percentage of the retail price, sales tax policies would actually encourage the purchase of larger containers at a lower unit price; while an excise tax structured as a fixed cost per ounce would be more effective in reducing consumption. The authors also indicate that as manufacturers pass the excise tax along to customers, the amount of the tax would be included in the price consumers see when making selection, and therefore cause a greater drop in consumption than a sales tax.

In order to examine how an exclusive tax such as a sales tax would lead to sub-optimizing shopping behavior, Chetty, Looney and Kroft (2009) conduct an experiment and an observational study, according to which they conclude that salience is an important determinant of the effect of a tax. To explain their empirical findings, they introduce small cognitive costs into the neoclassical model of consumer choice and show that small cognitive costs can significantly affect the welfare consequences of tax policies. Likewise, Feldman and Ruffle (2012) test the

equivalence of tax-inclusive and tax-exclusive prices, and show based on data generated from a lab experiment that people buy more under a tax-exclusive regime than under an equivalent tax-inclusive regime. But as in each round of their experiment, they either include the tax in the prices of all items, or exclude it from the prices of all items, their results does not reveal the effect of consumers' knowledge about the tax status. ZMK examines such effect. They focus on food and beverage demand, and develop a theoretical framework to examine the effect of a change in sales or excise taxes. They assume that while consumers have good knowledge of the tax rate, they are sometimes inattentive to sales tax, and may have misperception of the tax status of some items. They find that although both the effects of a sales tax and an excise tax are influenced by imperfect tax knowledge, the effect that an excise tax change has on demand is largely comparable with that of a price change, while a sales tax fails to affect demand as much as an excise tax of the same magnitude.

While these studies provide a solid theoretical foundation and empirical evidence on the effect of tax salience on consumer demand, the research summarized here contributes to the scarce empirical literature on the impact of tax salience on healthy eating behavior. The principle purpose of this research is to conduct a luncheon experiment to provide empirical evidence for the conclusions drawn from the theoretical model of ZMK. Compared to the existing empirical studies, this research uses a controlled laboratory experiment where subjects are given adequate time to make a more careful purchasing decision than they do in a field study, thus it better

reveals the actual effect of tax salience on consumer's selection. This is the first paper, to our knowledge, to examine the impact of tax salience concentrating on healthy and unhealthy food consumption using data generated from a controlled laboratory experiment. The theoretical model and the structure of the experiment are described below.

### **III. Theoretical Framework**

The ZMK model is based on the assumption that although consumers have good knowledge of the sales tax rate, they may have misperceptions concerning the tax status (whether the product is taxable or exempt) of each item. In the model presented below, it is assumed that there are four types of consumers<sup>1</sup>:

*A. Consumers who know the tax status on food and beverage items before and after the tax change;*

*B. Consumers who know the tax status before the tax change but misperceive it after the tax change;*

*C. Consumers who misperceive the tax status before the tax change but correct it after the tax change;*

*D. Consumers who misperceive the tax status before and after the tax change.*

---

<sup>1</sup> ZMK divides consumers into four groups by taking into consider whether consumers have correct information of the change of tax rate. As both the excise and sales tax rates are clearly stated in all the treatment groups of our experiment, we classify consumers only according to their knowledge of the tax status. To simplify our model, we do not take SNAP users into account.

To evaluate the impact of tax on the demand for food and beverages, ZMK follow Chetty et al. (2009) and develop a log-linearized demand function. Adopting the notation in ZMK, let  $x(p, r)$  denote total demand for food and beverages that is subject to an unhealthy food tax, and  $p$  denote the shelf price and  $r$  the tax rate. Accordingly, the demand function before the tax change is:

$$(1) \ln x_c(p, r) = \ln (\alpha p^\beta [1 + V_b(r)^{\theta\beta}])$$

where  $V(r)$  indicates consumers' perceived tax rate before the change in policy,  $\theta$  measures the degree of consumers' underreacting to a tax, and  $\beta$  is the price elasticity of the demand. The subscript  $c$  indicates the four consumer types,  $c = 1, 1; 1, 0; 0, 1; 0, 0$  for type A, B, C, D respectively. The subscript  $b = 1$  if consumers belong to type A and type B, and  $b = 0$  otherwise.

Similarly, the demand function after the tax change  $x'(p, r')$  is:

$$(2) \ln x'_c(p, r') = \ln (\alpha p^\beta [1 + V'_c(r')^{E(\theta)\beta}])$$

where  $r'$  the new tax rate after the change of the policy.  $E(\theta) = 1$  if an excise tax is imposed, and  $E(\theta) = \theta$  if a sales tax is imposed.

Since the total demand  $x = x_{1,1} + x_{1,0} + x_{0,1} + x_{0,0}$ , now the rate of change in the total demand can be derived as:

(3)

$$d \ln x = \beta \left\{ K_1 K'_1 \ln \frac{[1+V'_{1,1}(r)]^{E(\theta)}}{[1+V_1(r)]^\theta} + K_1 K'_0 \ln \frac{[1+V'_{1,0}(r)]^{E(\theta)}}{[1+V_1(r)]^\theta} + K_0 K'_1 \ln \frac{[1+V'_{0,1}(r)]^{E(\theta)}}{[1+V_0(r)]^\theta} + K_0 K'_0 \ln \frac{[1+V'_{0,0}(r)]^{E(\theta)}}{[1+V_0(r)]^\theta} \right\}$$

where  $K$  and  $K'$  are the knowledge parameters introduced by ZMK, indicating the knowledge levels of consumers about the tax status before and after the tax change, respectively.

Before the tax policy is implemented, there is no tax on all food items. Therefore  $V_1(r) = 0$  for type A and B consumers. But for the other consumers, who may misperceive the tax status and believe that there is a tax with rate  $r$ ,  $V_0(r) = r$ .

First, suppose that the government decides to levy an excise tax on unhealthy food and beverages. Since an excise tax is a price inclusive tax, there will be no under-reactions, and therefore  $E(\theta) = 1$  as defined. And  $V'_{1,1}(r') = V'_{1,0}(r') = V'_{0,1}(r') = r'$ , but  $[1 + V'_{0,0}(r')]^{D(\theta)} = (1 + r')^{D(\theta)}(1 + r)^\theta$  because for type D consumers, there is a misperceived sales tax in addition to the actual excise tax. Hence, the percentage change in the demand can be calculated by:

$$(4) d \ln x^e = \beta \{ \ln(1 + r') - \theta K_0 K'_1 \ln(1 + r) \}$$

Now consider the case where the government levies a sales tax on unhealthy food and beverages. In this case,  $V'_{1,1}(r') = V'_{0,1}(r') = r'$ , but  $V'_{1,0}(r') = V'_{0,0}(r') = 0$  because consumers

of type B and D misperceive the tax status after the tax change.  $E(\theta) = \theta$  as defined. Hence, the percentage change in the demand is:

$$(5) d \ln x^s = \beta \theta \{K'_1 \ln(1 + r') - K_0 \ln(1 + r)\}$$

To evaluate the difference between the impacts of an excise tax and that of a sales tax, we compare equation (4) and (5) in equation (6):

$$(6) d \ln x^e - d \ln x^s \\ = \beta(1 - \theta K'_1)[\ln(1 + r') + K_0 \ln(1 + r)]$$

which is greater than 0 since  $\theta < 1$  and  $K'_1 < 1$ . Hence, the result leads to the conclusion that a sales tax change does not reduce the demand as much as an excise tax change. This is the main hypothesis that we test with our experiment data and empirical model.

#### **IV. Experimental Design**

A total of 131 adult non-student subjects participated in the economic experiment. Subjects were paid \$20 cash, plus a \$10 voucher that could be spent exclusively on food items that they selected from the lunch menu used in the experiment<sup>2</sup>. The lunch menu contained food items in three main categories: entrées, beverages, and desserts. Each category consisted of relatively

---

<sup>2</sup> The list of food items and prices were from the menu of the "Trillium" dining hall where subjects could redeem the voucher and get their selected meals after the experiment.

healthy (e.g., veggie cup) and unhealthy (e.g., cheese burger) items.

Each subject viewed two menus. The first menu presented the base prices that were the same across the control and two treatment groups. The prices on the second menu varied by treatment (see the full list of food items and prices on each menu in Appendix, A1).

There were two parts in the experiment. In each part, subjects were asked to select food and beverage items from a lunch menu presented to them in the course of the experiment. They were asked to use the \$10 endowment of vouchers to pay for their lunch selections. The participants were told that they would complete a series of menus and that one of the completed menus was randomly drawn before the start of the experiment, and that the choice of lunch food items on this particular menu would be binding for them. If they spent less than \$10 on the drawn menu, they could not receive the excess in cash, and if they spent over \$10, they could use part of their \$20 cash payment in addition to the \$10 endowment to pay for the selected items on the drawn menu.

In Part 1, all subjects were asked to select lunch items from menu A. Prices on menu A were the same across all groups including the control and the two treatments.

In Part 2, the control group was presented with the exact same menu as menu A, while the two treatments were provided with different menus:

Treatment I. Inclusive tax treatment. Subjects in this group were provided menu B in this part,



where the prices of unhealthy items were increased by a 20% excise tax, while prices of other items remained the same as on menu A. We included a note at the top of subjects' computer screens that read: "A 20% 'unhealthy food' excise tax has been added to the price of unhealthy food and beverages."

Treatment II. Exclusive tax treatment. Subjects in this group were provided menu C in this part, where prices of all items were the same as on menu A, but with the following note on top of the screen: "A 20% 'unhealthy food' sales tax will be added to your purchase when you check out."

For subjects in the control group and in the two treatment groups, the menus were presented on the computer screen. For the control group and treatment I, the total price was presented to them at the bottom of the screen. For treatment II, the subtotal price before sales tax was presented to them at the bottom of the screen, but the after-tax price was not presented to them until they checked out, and they could not return to change their orders.

At the beginning of each part, participants were presented with written and oral instructions on how the computerized menus work. Subjects in the two tax treatments were also presented information about the taxes. During each part, participants were given ample time to complete their menus. After all parts were completed, participants were asked to complete a computerized questionnaire collecting their demographic information. The complete list of all the questions asked in the computerized survey is presented in appendix A2

## V. Data and Estimation

### *Model*

The econometric model we use to examine the impacts of the treatments on caloric intake and nutrient intake is a difference-in-difference (DID) model. As we have data on the same individuals in both pre- and post- periods, the original form of the DID model is applicable:

$$(7) \quad \Delta Y_i = \alpha_0 + \sum_{j=1}^2 \beta_j D_j + \alpha_1 X_i + \varepsilon_i$$

where  $\Delta Y_i$  is the difference in content of nutrient  $Y$  from menu 1 to menu 2 for individual  $i$ . We calculate  $\Delta Y_i$  by summing the nutrient  $Y$  of items selected by individual  $i$  on each menu, then subtracting the total value of it on menu 1 from that on menu 2. The term  $D_j$  is a series of treatment dummy variables, and  $X_i$  is a vector of control variables indicating the socioeconomic and demographic characteristics of individual  $i$ .

In this study we choose the following nutritional factors to focus on, according to the Report of Dietary Reference Intakes (2010) and Dietary Guidelines Advisory Committee Report (Agricultural Research Service (ARS), 2010): calories, empty calories, calorie from fat, carbohydrate, fiber, fat, cholesterol, protein, added sugar and sodium. Most of the nutritional information was obtained from the National Agricultural Library of USDA ([www.ndb.nal.usda.gov](http://www.ndb.nal.usda.gov)), and the Center for Nutrition Policy and Promotion (CNPP, <https://www.supertracker.usda.gov/default.aspx>), an organization of USDA. Some nutritional

information on beverages was obtained from either the manufacturer's official website (<http://www.pepsicobeveragefacts.com/>) or the nutritional label on the package.

We employ seemingly unrelated regression (SUR) estimation, due to the statistical inefficiency of multiple equation ordinary least squares (OLS) in estimating the treatment effects on correlated content of nutrients for each individual.

### ***Results***

Table 1 presents the means and standard deviations of the socio-economic and demographic characteristics, as well as the total caloric consumption of meals selected by participants across all treatment groups. Some of the socio-economic and demographic variables statistically significantly affected the intake of some of the nutritional factors. For example, participants with an income level of more than \$160,000 consumed fewer calories. It is also shown in Table 1 that while participants in the control group selected more items on menu 2 than on menu 1, participants in the two treatments selected fewer. The mean change in calorie content for participants was negative across all groups, and the inclusive tax treatment had the biggest reduction in calorie consumption.

The detailed numerical summary of the change in food selection is presented in Table 2. It is interesting to note that subjects in the inclusive tax and exclusive tax treatments actually made less change to their eating patterns than subjects in the control group. But in the two treatments, a

bigger proportion of subjects who changed their eating pattern became less unhealthy compared to the control group. This was particularly evident in the entrée category, where among subjects who changed their eating patterns, 92% became less unhealthy in the inclusive tax treatment, and 80% in the exclusive tax treatment. Meanwhile, if we look into the percentage of being less healthy, the numbers are very similar across treatments in the snack category. That is, although 41% of all subjects changed their eating patterns in the snack category, which was more than any other food categories, these changes were not primarily due to the treatments.

Table 3 presents the results from the SUR estimation comparing each treatment with the control group based on the entire menu. While both inclusive tax and exclusive tax had a negative impact on caloric consumption, only the inclusive tax was statistically significant. Subjects in this treatment consumed 156 fewer calories, which represented a 27.7% decrease compared to the control group<sup>3</sup>.

As defined by the USDA, empty calories are “calories from food components such as added sugars and solid fats that provide little nutritional value”. Empty calorie gives us a better understanding of people’s intake of actual nutritional value. However, although the inclusive tax had a negative effect on empty calorie content while the exclusive tax did not, neither of these effects was significant. One similar nutrient is calories from fat; here only the inclusive tax treatment had a significant negative impact resulting in a 35.5% reduction.

---

<sup>3</sup> Unless otherwise specified, all estimated percentage changes cited in this paper are based on the comparison to second menu selection of the control group, or selections in corresponding food category of the second menu of the control group.

Some other nutritional factors such as carbohydrate, fat, cholesterol, added sugar and sodium are also considered undesirable nutrients, because they are generally over-consumed and thus are contributing to obesity and other health problems among the U.S population. Most of these nutritional factors changed significantly in the inclusive tax treatment except for fat. For example, compared to the content of the second menu selection in the control group, subjects in the inclusive tax treatment consumed 13 less grams (49.2%) of added sugar and 25 less milligrams (42.4%) of cholesterol, a major determinant of cardiovascular disease and type II diabetes (ARS, 2010). On the other hand, the exclusive tax had no significant impact on the content of these undesirable nutrients except for carbohydrates.

Nutrients such as fiber and protein are considered beneficial in diets (ARS, 2010). Neither of the two treatments showed a significant positive impact on fiber or protein content. In fact, the inclusive tax treatment actually reduced protein by 6 grams compared to the control group, and the exclusive tax treatment reduced fiber by 1 gram, and both of which were statistically significant. There has been research indicating that low protein diets will cause overeating (Gosby et al. 2011), and an increased intake of dietary fiber would be useful for the treatment of obesity (Smith, 1987). Hence, one perverse result in both tax policies is the reduction in the content of such beneficial nutrients.

The separate estimation results from the DID model for the three main food categories are presented in Table 4. In the beverage category, calories, carbohydrates and added sugar changed

significantly in the inclusive tax treatment, but not in the exclusive tax treatment, which was consistent with the results in Table 3. Calorie content was reduced by 60.7% for beverages. What is worth noting is that the inclusive tax treatment also had a significant negative impact of 9 grams (32.9%) on empty calorie content this time, while the exclusive tax treatment still had no impact on it. That is, an inclusive tax treatment was more effective in reducing the intake of food with little nutritional value than was the exclusive tax.

When considering only the entrée category, calorie content significantly decreased by 122 kcal (25.3%) in the inclusive tax treatment. Nutritional factors that changed significantly were cholesterol and protein in the inclusive tax treatment, with cholesterol content decreasing 29 milligrams (42.8%), and protein content decreasing by 7 grams (27.2%) compared to the control group. The direction of the estimated treatment effect on protein was still opposite from the desired direction.

If we consider the snack category only, none of the nutritional factors changed significantly in either treatment. The result is not surprising since it is consistent with our finding from Table 2.

Neither the inclusive tax nor the exclusive tax treatment had a significant impact on the contents of calories from fat, fiber, fat and sodium in any of the food categories. None of the nutritional factors changed significantly in any of the food categories in the exclusive tax treatment.

Table 5 presents the estimation results considering the entire menu, and using a DID model that compares the two treatments with each other without the control group. Table 5 helps us to determine if the impacts in the inclusive tax treatment and in the exclusive tax treatment are significantly different. The change in calorie content was not significantly different between the two treatments. However, this time empty calorie intake in the inclusive tax treatment changed significantly compared to the exclusive tax treatment, with 52 fewer empty calories (49.9%)<sup>4</sup> consumed in the inclusive tax treatment than in the exclusive tax treatment. Fat and cholesterol content changed significantly in inclusive tax treatment, with fat content reduced by 6 grams (26.2%) and cholesterol content reduced by 22 milligrams (36%). Researchers have concluded that a reduction in fat intake reduces the gap between total energy intake and total energy expenditure and thus would help reduce obesity (Bray and Popkin, 1998). Others have shown that the greater body weight the higher was the rate of cholesterol synthesis (Miettinen, 1971). Hence, the significant reduction in empty calorie, fat and cholesterol reinforces our conclusion that an inclusive tax had a substantially stronger impact than an exclusive tax on reducing the content of undesirable nutritional factors.

### ***Discussion***

We examined the impact of two types of taxes: an unhealthy food excise (inclusive) tax and a sales (exclusive) tax. Generally speaking, the inclusive tax had a stronger impact on the

---

<sup>4</sup> Percentage changed here is estimated by the comparison to the second menu selection of the exclusive tax treatment.

nutritional content of the meal: the inclusive tax, which the subjects experienced as a 20% unhealthy food excise tax, led to the reduction of some undesirable nutritional factors such as calories, calories from fat, carbohydrates, cholesterol, added sugar and sodium. On the other hand, the exclusive tax, which the subjects experienced as a 20% unhealthy food sales tax, only led to a significant reduction of carbohydrates. The reason for this can be explained by the theoretical model: people lack the knowledge of tax status, and they tend to under-react to a tax that was not reflected in the shelf price for two reasons. First, because the items that were taxed were not specified on the menu, people in the exclusive tax treatment were less clear about the exact tax status of each item than people in the inclusive tax treatment, although the name of the tax (i.e., “unhealthy food tax”) was presented at the top of the menu. Second, even for items that people were certain about the tax status, they underestimated the after-tax price due to the complexity of calculating the amount of the tax.

While both treatments had a negative impact on at least some undesirable nutritional factors, there were also unintended consequences of the taxes. Most notably, both tax treatments had negative impacts on the contents of beneficial nutrients such as protein and fiber, and some of these impacts were statistically significant. One possible explanation is that for some subjects, the tax treatments nudged them into eating less, so instead of switching from an unhealthy item to a healthy one, they actually purchased fewer items in response to the tax. Additionally, the more uncertain subjects were about the tax, the fewer items they would purchase (Table 1).



Therefore, the consumption of beneficial nutrients such as fiber and protein decreased as the number of items ordered decreased.

If we investigate the impacts by food categories, the impact of the inclusive tax was still stronger than the exclusive tax in each category. This treatment had the strongest impact on beverage items, with more nutrients affected in this category than in any of the others, while the nutritional composition of the snack category was barely affected by either of the treatments. In addition, although both treatments positively affected the fiber content in the entrée category, neither of these effects was significant – the effect of the taxes on beneficial nutrients was still perverse in all food categories.

By comparing the change in selected nutritional factors in the inclusive tax treatment with that in the exclusive tax treatment, we examined if the impacts of these two policies were significantly different. While the inclusive tax had a negative impact on most of the undesirable nutritional factors compared to the exclusive tax, the nutrients that changed significantly between the treatments were quite different from those between the treatments and the control group. The DID model comparing the two treatments yielded different results for factors such as empty calories and fat. The inclusive tax treatment had a significantly stronger impact in reducing empty calories, fat and cholesterol than the exclusive tax treatment. However, the change in calories was not significantly different between the treatments. A tax-inclusive price being more informative could be one possible reason. As people were more familiar with calories than with

most of the specific nutrients, subjects would avoid high-calorie items in both treatments, so the change in calorie content was not significantly different. Since the inclusive tax better informed people which item was indeed unhealthy, it helped in reducing the content of empty calories, cholesterol and other undesirable nutrients that people were less familiar with.

## **VI. Conclusions**

This research focused on the impact of two types of taxes on consumers' purchasing behavior. In order to identify the more effective policy for reducing obesity, we empirically examined the impact of an inclusive tax and an exclusive tax on consumption patterns by conducting a laboratory experiment. Based on our estimation results, both inclusive and exclusive tax had negative impacts on the consumption of undesirable nutritional factors such as cholesterol and added sugar, but the inclusive tax was much more effective than the exclusive tax. This effect was robust to the entire menu, the beverage category and the entrée category. By comparing the change in nutrient content for the two treatments, the results indicated that the effect of the inclusive tax was significantly stronger than exclusive tax. However, both taxes had the unintended consequence of also reducing the consumption of some beneficial nutrients including fiber and protein, which might compromise the dietary balance.

To obtain a better understanding of how the policies changed the nutritional composition by food categories, we examined the change of nutrient content within each category and found that in the inclusive tax treatment, compared to items selected in the other two categories, the

nutritional composition of selected beverages changed more significantly. This result provides support for the efficacy of soft drink tax policies that have been implemented in 33 states in the United States.

Our study contributes to the existing literature by providing empirical evidence to support theoretical models of how tax salience affects healthy eating. One major result of our study is that an inclusive tax policy has a significantly stronger effect than an exclusive tax. This finding provides an important policy implication for framing the unhealthy food tax policy to reduce obesity. That is, an excise tax works not only in encouraging people to eat healthier, but more importantly guiding people to eat a less unhealthy meal that includes undesirable nutritional factors.

One important caveat of this study is it was conducted in a laboratory setting, which may not correspond to behavior in the real world for several reasons. First, in the experiment, the rate of unhealthy food tax was presented to the subjects both orally and in written form, while in reality, people are less clear about the exact tax rate. Second, in a laboratory setting, participants are aware that their decision will be thoroughly investigated, which is not true in the real world. Third, the measured effect is a one-shot only effect, and it may not persist over time. Thus our results should be viewed as an upper bound for the actual effect of various tax policies and serve as an indication of the relative effects of the proposed measures (Levitt and List, 2007). Consequently, the results generated from our laboratory experiment should be generalized with

caution.

Despite the effect of limitations, the caloric intake and nutrient intake of this lab study provide the first comparison of excise taxes and sales taxes. Further research is needed to study the long-term effects and examine the change in nutritional quality across all meals in a day. Overall, to our knowledge, this is the first study that involves empirical evidence to suggest a well-designed unhealthy food excise tax policy might be more effective than an unhealthy food sales tax policy in reducing obesity.

## References

- Abend, L. (2011, October). Beating butter: Denmark imposes the world's first fat tax. Retrieved 22 April 2014, from <http://content.time.com/time/world/article/0,8599,2096185-1,00.html>
- Agricultural Research Service (ARS). (2010). Dietary guidelines for Americans, 2010. *Washington, DC: United States Department of Agriculture, United States Department of Health and Human Services*
- Agricultural Research Service (ARS). (2010). Report of the dietary guidelines advisory committee on the dietary guidelines for Americans, 2010. To the secretary of agriculture and the secretary of health and human services. *Washington, DC: United States Department of Agriculture, United States Department of Health and Human Services.*
- Allais, O., Bertail, P., & Nichele, V. (2010). The effects of a fat tax on French households' purchases: a nutritional approach. *American Journal of Agricultural Economics, 99*, 228-244
- Andreyeva, T., Chaloupka, F., & Brownell, K. (2011). Estimating the potential of taxes on sugar-sweetened beverages to reduce consumption and generate revenue. *Preventive Medicine, 52*, 413-416.
- Battle, E., & Brownell, K. (1996). Confronting a rising tide of eating disorders and obesity: treatment vs. prevention and policy. *Addictive Behaviors, 21*, 755-765.
- Bray, G., & Popkin, B. (1998). Dietary fat intake does affect obesity! *The American Journal Of Clinical Nutrition, 68*, 1157-1173.
- Brownell, K., & Frieden, T. (2009). Ounces of prevention—the public policy case for taxes on sugared beverages. *New England Journal Of Medicine, 360*(18), 1805-1808.
- Cash, S., & Lacañilao, R. (2007). Taxing food to improve health: economic evidence and arguments. *Agricultural And Resource Economics Review, 36*(2), 174.
- Chaloupka, F., Powell, L., & Chriqui, J. (2011a). Sugar-sweetened beverages and obesity prevention: Policy recommendations. *Journal Of Policy Analysis And Management, 30*(3), 662-664.
- Chaloupka, F., Powell, L., & Chriqui, J. (2011b). Sugar-sweetened beverages and obesity: The potential impact of public policies. *Journal Of Policy Analysis And Management, 30*(3), 645-655.

- Chetty, R., Looney, A., & Kroft, K. (2009). Salience and taxation: theory and evidence. *American Economic Review*, 99(4), 1145-1177.
- Chouinard, H., Davis, D., LaFrance, J., & Perloff, J. (2007, June). Fat taxes: big money for small change, *Forum For Health Economics & Policy*, 10(2), 1-30.
- Couch, K. (2011). Introduction: Health policy and sugar-sweetened beverages. *Journal Of Policy Analysis And Management*, 30(3), 644-644.
- Edwards, R. (2011). Commentary: soda taxes, obesity, and the shifty behavior of consumers. *Preventive Medicine*, 52(6), 417-418.
- Engber, D. (2014). What a fat tax really means for America. *Slate Magazine*. Retrieved 22 April 2014, from [http://www.slate.com/articles/health\\_and\\_science/science/2009/09/let\\_them\\_drink\\_water.html](http://www.slate.com/articles/health_and_science/science/2009/09/let_them_drink_water.html)
- Engelhard, C., Garson, A., & Dorn, S. (2009). Reducing obesity: Policy strategies from the tobacco wars. *Washington, DC: Urban Institute*. Retrieved On August 13, 2009.
- Finkelstein, A. (2009). E-ztax: Tax salience and tax rates. *The Quarterly Journal Of Economics*, 124(3), 969-1010.
- Fletcher, J., Frisvold, D., & Tefft, N. (2011a). Are soft drink taxes an effective mechanism for reducing obesity?. *Journal Of Policy Analysis And Management*, 30(3), 655-662.
- Fletcher, J., Frisvold, D., & Tefft, N. (2011b). The proof is in the pudding: Response to Chaloupka, Powell, and Chriqui. *Journal Of Policy Analysis And Management*, 30(3), 664-665.
- Francisco, K. (2014). Soda wars bubble up across the country. *TIME.com*. Retrieved 22 April 2014, from <http://time.com/8758/soda-wars-bubble-up-across-the-country>
- French, S., Jeffery, R., Story, M., Hannan, P., & Snyder, M. (1997). A pricing strategy to promote low-fat snack choices through vending machines. *American Journal Of Public Health*, 87(5), 849-851.
- Friedman, R., & Brownell, K. (2012, October). Sugar-sweetened beverage taxes: An undated policy brief. *Yale Rudd Center for Food Policy & Obesity*
- Gandel, S. (2014). Denmark levies first-ever fat tax, should the U.S.? | *TIME.com*. *TIME.com*. Retrieved 22 April 2014, from <http://business.time.com/2011/10/05/denmark-levies-first-ever-fat-tax-should-the-u-s/>

- Gosby, A., Conigrave, A., Lau, N., Iglesias, M., Hall, R., & Jebb, S. et al. (2011). Testing protein leverage in lean humans: a randomized controlled experimental study. *Plos One*, 6(10).
- Horgen, K., & Brownell, K. (2002). Comparison of price change and health message interventions in promoting healthy food choices. *Health Psychology*, 21(5), 505.
- Jacobson, M., & Brownell, K. (2000). Small taxes on soft drinks and snack foods to promote health. *American Journal Of Public Health*, 90(6), 854.
- Kim, D., & Kawachi, I. (2006). Food taxation and pricing strategies to “thin out” the obesity epidemic. *American Journal Of Preventive Medicine*, 30(5), 430-437.
- Krishna, A., & Slemrod, J. (2003). Behavioral public finance: tax design as price presentation. *International Tax And Public Finance*, 10(2), 189-203.
- Levitt, S., & List, J. (2007). Viewpoint: On the Generalizability of Lab Behaviour to the Field (A propos de la possibilite de generaliser les comportements de laboratoire `a ce qui se passe sur le terrain). *Canadian Journal Of Economics*, 347-370.
- Lusk, J., & Schroeter, C. (2013). When do tax increases increase consumer welfare? Reply to Neill. *Health Economics*, 22(10), 1284-1286.
- McGuire, S. (2012). Institute of Medicine. 2012. Accelerating progress in obesity prevention: solving the weight of the nation. Washington, DC: The National Academies Press. *Advances In Nutrition: An International Review Journal*, 3(5), 708-709.
- Miao, Z., Beghin, J., & Jensen, H. (2012). Taxing Sweets: Sweetener Input Tax or Final Consumption Tax?. *Contemporary Economic Policy*, 30(3), 344-361.
- Miettinen, T. (1971). Cholesterol production in obesity. *Circulation*, 44(5), 842-850.
- Ogden, C., & Carroll, M. (2010). Prevalence of overweight, obesity, and extreme obesity among adults: United States, trends 1960-1962 through 2007-2008. *National Center For Health Statistics*, 6, 1-6.
- Powell, L., & Chaloupka, F. (2009). Food prices and obesity: evidence and policy implications for taxes and subsidies. *Milbank Quarterly*, 87(1), 229-257.
- Ruffle, B., & Feldman, N. (2012). The impact of tax exclusive and inclusive prices on demand. Working paper. *Washington, DC: Federal Reserve Board*
- Smith, U. (1986). Dietary fibre, diabetes and obesity. *International Journal Of Obesity*, 11, 27-31.
- Zheng, Y., McLaughlin, E., & Kaiser, H. (2013). Taxing food and beverages: theory, evidence, and policy. *American Journal Of Agricultural Economics*, 95(3), 705-723.

Table 1. Descriptive Statistics of Selected Variables by Treatment<sup>5</sup>

		<i>Treatment</i>			
		All	Control	Inclusive tax	Exclusive tax
<b>Female</b>		0.817 (0.388)	0.825 (0.385)	0.875 (0.334)	0.744 (0.441)
	<b>Less than 20</b>	0.176 (0.382)	0.1 (0.304)	0.208 (0.410)	0.209 (0.412)
	<b>21-30</b>	0.221 (0.417)	0.225 (0.423)	0.146 (0.357)	0.302 (0.465)
<b>Age</b>	<b>31-40</b>	0.344 (0.477)	0.375 (0.490)	0.333 (0.476)	0.326 (0.474)
	<b>41-50</b>	0.252 (0.436)	0.3 (0.464)	0.292 (0.459)	0.163 (0.374)
	<b>over 50</b>	0.374 (0.486)	0.325 (0.474)	0.313 (0.468)	0.488 (0.506)
<b>Married</b>		0.481 (0.502)	0.25 (0.439)	0.521 (0.505)	0.419 (0.499)
<b>Children</b>		1.122 (1.110)	1.15 (1.099)	1.167 (1.038)	1.047 (1.214)
	<b>Caucasian</b>	0.870 (0.498)	0.911 (0.158)	0.854 (0.144)	0.844 (0.213)
	<b>African American</b>	0.031 (0.436)	0.022 (0.267)	0.024 (0.202)	0.044 (0.213)
<b>Race</b>	<b>Asian</b>	0.069 (0.254)	0.067 (0.152)	0.049 (0.144)	0.044 (0)
	<b>Hispanic</b>	0.008 (0.150)	0 (0)	0.024 (0.213)	0 (0)
<b>Smoke</b>		0.008 (0.087)	0 (0)	0.021 (0.144)	0 (0)
<b>Vegetarian or vegan</b>		0.061 (0.240)	0.1 (0.303)	0.063 (0.245)	0.023 (0.152)
<b>Alcohol</b>		0.061 (0.240)	0.075 (0.267)	0.104 (0.309)	0 (0)
	<b>Less than \$40,000</b>	0.435 (0.498)	0.45 (0.503)	0.395 (0.494)	0.465 (0.505)
<b>Income level</b>	<b>\$40,001-\$80,000</b>	0.252 (0.436)	0.25 (0.439)	0.271 (0.449)	0.233 (0.427)
	<b>\$80,001-\$120,000</b>	0.069 (0.254)	0.1 (0.304)	0.021 (0.144)	0.093 (0.294)
	<b>Only high school</b>	0.191 (0.394)	0.15 (0.362)	0.208 (0.410)	0.209 (0.412)
<b>Education</b>	<b>Undergraduate degree</b>	0.282 (0.452)	0.3 (0.494)	0.271 (0.449)	0.279 (0.454)
	<b>Graduate degree</b>	0.053 (0.226)	0.075 (0.267)	0.042 (0.202)	0.047 (0.213)
<b>Change in caloric consumption</b>		-66.557 (272.222)	-5.275 (379.282)	-109.896 (192.952)	-75.186 (233.656)
<b>Change in # of items ordered from menu 1 to menu 2</b>		-0.038 (0.635)	0.341 (0.693)	-0.042 (0.504)	-0.163 (0.615)
<b># of subjects</b>		131	40	48	43

<sup>5</sup> Means are shown and standard deviations are below in parenthesis.



Table 2. Summary of change in food selection from Menu 1 to Menu 2

Eating pattern	Change in unhealthy level <sup>1</sup>	Number of Subjects															
		Whole Menu				Beverage				Entrée				Snack			
		C	I	E	T	C	I	E	T	C	I	E	T	C	I	E	T <sup>2</sup>
Less unhealthy <sup>3</sup>	<-2	5	7	4	16		2		2	2		1	3		1		1
	-2	8	7	3	18	1	3	1	5	8	1	4	13	3	3	2	8
	-1	8	6	5	19	5	4	1	10	4	10	3	17	11	7	8	26
Neutral <sup>4</sup>	0	8	24	26	58	31	29	40	100	12	36	33	81	19	31	27	77
Unhealthier <sup>5</sup>	1	3	2	3	8	2	9		11	7	1		8	6	6	6	18
	2	5	1	2	8	1	1	1	3	5		2	7	1			1
	>2	3	1		4					2			2				
% of change		80%	50%	40%	56%	22%	40%	7%	24%	70%	25%	23%	38%	52%	35%	37%	41%
- To less unhealthy		66%	83%	71%	73%	67%	47%	67%	55%	50%	92%	80%	66%	67%	65%	63%	65%
- To unhealthier		34%	17%	29%	27%	33%	53%	33%	45%	50%	8%	20%	34%	33%	35%	37%	35%
Total # of subjects		40	48	43	131	40	48	43	131	40	48	43	131	40	48	43	131

<sup>1</sup> Change in unhealthy level is calculated as follow: (# of unhealthy items in menu 2- # of healthy items in menu 2) - (# of unhealthy items in menu 1- # of healthy items in menu 1)

<sup>2</sup> C: Control group. E: Exclusive treatment. I: Inclusive treatment. T: Total.

<sup>3</sup> The difference between unhealthy items and healthy items selected is decreased from menu 1 to menu 2. The eating habit is assigned “Less unhealthy”.

<sup>4</sup> The difference between unhealthy items and healthy items selected in menu 1 equals to that in menu 2. The eating habit is assigned “Neutral”..

<sup>5</sup> The difference between unhealthy items and healthy items selected is increased from menu 1 to menu 2. The eating habit is assigned “Unhealthier”.

Table 3. Estimation results from DID model based on the entire menu; comparing each treatment with the control group

Variable

	Calories	Empty Calories	Calorie from fat	Carbohydrate	Fiber
<b>Inclusive tax treatment</b>	<b>-155.893***</b> <b>(57.846)</b>	-12.055 (21.203)	<b>-29.031*</b> <b>(17.972)</b>	<b>-20.822***</b> <b>(6.365)</b>	-0.144 (0.524)
<b>Exclusive tax treatment</b>	-69.693 (60.430)	24.478 (22.150)	2.300 (18.775)	<b>-15.728**</b> <b>(6.649)</b>	<b>-1.078*</b> <b>(0.548)</b>

  

	Fat	Cholesterol	Protein	Added Sugar	Sodium
<b>Inclusive tax treatment</b>	-5.528 (3.654)	<b>-25.445**</b> <b>(11.292)</b>	<b>-6.447**</b> <b>(3.217)</b>	<b>-12.831***</b> <b>(4.891)</b>	<b>-249.167*</b> <b>(147.853)</b>
<b>Exclusive tax treatment</b>	0.347 (3.818)	-1.573 (11.797)	-1.877 (3.361)	-6.047 (5.110)	66.687 (154.458)

  

<b># of Observations</b>	131				
<b>Socio-economic dummies</b>	gender, age, race, marital status, children, income level, educational level				
<b>Other dummies</b>	alcohol and smoking habits, vegan or vegetarian, self-assessed weight status, preferences over organic food				

Standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Table 4. Estimation results from DID model for the three main food categories; comparing each treatment with the control group

<b>Beverage Only</b>					
	<b>Calories</b>	<b>Empty Calories</b>	<b>Calorie from fat</b>	<b>Carbohydrate</b>	<b>Fiber<sup>6</sup></b>
<b>Inclusive tax treatment</b>	<b>-28.771*</b> <b>(16.424)</b>	<b>-31.962*</b> <b>(16.626)</b>	0.818 (3.481)	<b>-7.827**</b> <b>(3.834)</b>	-
<b>Exclusive tax treatment</b>	-19.173 (17.158)	-17.144 (17.369)	-3.957 (3.636)	-3.314 (4.006)	-

  

	<b>Fat</b>	<b>Cholesterol</b>	<b>Protein</b>	<b>Added Sugar</b>	<b>Sodium</b>
<b>Inclusive tax treatment</b>	0.076 (0.374)	0.360 (1.031)	0.255 (0.728)	<b>-9.222**</b> <b>(3.874)</b>	-2.741 (9.914)
<b>Exclusive tax treatment</b>	-0.369 (0.390)	-1.196 (1.077)	-0.611 (0.761)	-0.677 (4.047)	-13.195 (10.357)

  

<b>Entrée Only</b>					
	<b>Calories</b>	<b>Empty Calories</b>	<b>Calorie from fat</b>	<b>Carbohydrate</b>	<b>Fiber</b>
<b>Inclusive tax treatment</b>	<b>-122.564*</b> <b>(77.166)</b>	-1.854 (18.629)	-22.484 (17.680)	-7.478 (5.464)	0.295 (0.389)
<b>Exclusive tax treatment</b>	9.822 (80.613)	16.611 (19.461)	7.662 (18.469)	-0.792 (5.708)	0.073 (0.407)

  

	<b>Fat</b>	<b>Cholesterol</b>	<b>Protein</b>	<b>Added Sugar</b>	<b>Sodium</b>
<b>Inclusive tax treatment</b>	-6.657 (4.833)	<b>-29.418**</b> <b>(14.598)</b>	<b>-7.280*</b> <b>(4.221)</b>	-1.757 (1.114)	-303.985 (200.749)
<b>Exclusive tax treatment</b>	1.468 (5.048)	2.884 (15.250)	0.506 (4.410)	0.256 (1.164)	137.658 (209.716)

Standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

<sup>6</sup> Multicollinearity occurs when estimating the treatment effects on fiber, due to the low or zero fiber content of beverage items.

Table 4 (continued)

<b>Snack Only</b>					
	<b>Calories</b>	<b>Empty Calories</b>	<b>Calorie from fat</b>	<b>Carbohydrate</b>	<b>Fiber</b>
<b>Inclusive tax treatment</b>	-4.610 (30.400)	4.784 (6.970)	1.627 (2.910)	1.138 (4.554)	-0.252 (0.390)
<b>Exclusive tax treatment</b>	-23.207 (31.768)	0.263 (7.281)	-0.300 (3.040)	-3.300 (4.757)	-0.584 (0.407)

  

	<b>Fat</b>	<b>Cholesterol</b>	<b>Protein</b>	<b>Added Sugar</b>	<b>Sodium</b>
<b>Inclusive tax treatment</b>	-0.648 (1.333)	2.765 (2.399)	-0.121 (0.388)	-1.100 (2.745)	-13.229 (24.740)
<b>Exclusive tax treatment</b>	-0.757 (1.392)	0.293 (2.506)	-0.245 (0.406)	-2.611 (2.868)	-17.400 (25.845)

Standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Table 5. Estimation results from DID model based on the entire menu; comparing the inclusive tax treatment with exclusive tax treatment

Variable

	Calories	Empty Calories	Calorie from fat	Carbohydrate	Fiber
<b>Inclusive tax treatment</b>	-50.329 (47.579)	<b>-51.611**</b> <b>(21.820)</b>	-30.187 (18.935)	3.931 (6.409)	-0.145 (0.486)
	Fat	Cholesterol	Protein	Added Sugar	Sodium
<b>Inclusive tax treatment</b>	<b>-5.680**</b> <b>(2.830)</b>	<b>-21.534**</b> <b>(9.686)</b>	-3.275 (2.730)	-4.781 (4.842)	-137.584 (122.615)
<b># of Observations</b>	91				
<b>Socio-economic dummies</b>	gender, age, race, marital status, children, income level, educational level				
<b>Other dummies</b>	alcohol and smoking habits, vegan or vegetarian, self-assessed weight status, preferences over organic food				

Standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

## Appendix

### A1. Items and respective prices in control and treatments

Items	Price	
	(1)	(2)
Diet Pepsi (20 oz.)	\$1.85	\$1.85
Pepsi (20 oz.)	\$1.85	\$2.22
Gatorade Low Calorie	\$2.15	\$2.15
Mountain Dew (20 oz.)	\$1.85	\$2.22
Unsweetened Iced Tea LIPTON	\$2.15	\$2.15
Original Iced Tea LIPTON	\$2.15	\$2.58
Tropicana Lemonade	\$1.85	\$2.22
Propel Zero	\$2.25	\$2.25
Grabba Whole Milk	\$1.49	\$1.79
Grabba Fat Free Milk	\$1.49	\$1.49
Ocean Spray Juice Drink	\$2.15	\$2.58
Bottled Water	\$1.95	\$1.95
Green Salad (Sesame or Balsamic Dressing)	\$7.49	\$7.49
Green Salad with Tuna (Sesame or Balsamic Dressing)	\$7.49	\$7.49
3 Chicken Fingers	\$5.69	\$6.83
Cheese Pizza (personal pan 6")	\$4.25	\$5.10
Pepperoni Pizza (personal pan 6")	\$4.75	\$5.70
Bacon Cheeseburger	\$6.27	\$7.07
Turkey Burger	\$4.49	\$4.49
Garden Burger	\$4.49	\$4.49
French Fries	\$1.99	\$2.39
Tuna Salad Sandwich	\$4.99	\$4.99
Chicken or Steak Fajita Quesadilla	\$6.79	\$8.15
Lo-Mien Noodle Bowl with Chicken	\$4.99	\$4.99
Veggie Cup	\$2.99	\$2.99
Seaweed Salad	\$4.99	\$4.99
Tempura Vegetable Roll	\$6.49	\$6.49
SunChips (small bag)	\$1.09	\$1.31
Fresh Apple	\$1.00	\$1.00
Fresh Banana	\$1.00	\$1.00
Fresh Orange	\$1.00	\$1.00
5 Pack Cookies	\$1.89	\$2.27
Brownie	\$1.59	\$1.99

(1) Posted and total price for items on menu 1 and menu 2 of control, and menu 1 of exclusive tax treatment and inclusive tax treatment. Posted price for items on menu 2 of exclusive tax treatment

(2) Posted and total price for items on menu 2 of inclusive tax treatment. Total price for items on menu 2 of exclusive tax treatment.

## A2. Socio-demographic questions and answer option list

#	Question	Answer Options/Description
1	What is your gender?	Drop-down list: - male - female
2	What is your age?	Drop-down list: - 20 or less - 21-30 - 31-40 - 41-50 - 51 or more
3	What is the highest level of education you have achieved?	Drop-down list: - High School - Undergraduate degree - Associate degree - Graduate degree or higher
4	How would you describe yourself?	Drop-down list: - Caucasian - African American - Asian/Asian American - Hispanic - Native American - Other
5	What is your family household income level?	Drop-down list: - Less than \$40,000 - \$40,001-\$80,000 - \$80,001-\$120,000 - \$120,001-\$160,000 - Over 160,000 - Decline to answer
6	What is your marital status?	Drop-down list: - single - married - divorce
7	How many children do you have?	Drop-down list: - no - one - two - three - four - more than four
8	Do you smoke?	Drop-down list: - yes - no
9	Are you a vegetarian or a vegan?	Drop-down list: - yes - no
10	Do you drink alcoholic beverages?	Drop-down list: - yes - no
11	How would you describe your health condition?	Drop-down list: - underweight - normal weight - slightly overweight - overweight - obese
12	Do you often buy organic products?	Drop-down list: - yes - no

**OTHER A.E.M. WORKING PAPERS**

WP No	Title	Fee (if applicable)	Author(s)
2014-15	'Local' producer's production functions and their importance in estimating economic impacts		Jablonski, B.B.R. and T.M. Schmit
2014-14	Rising Inequality in Asia and Policy Implications		Zhuang, J., Kanbur, R. and C. Rhee
2014-13	Heterogeneous firms and informality: the effects of trade liberalization on labor markets		Becker, D.
2014-12	Minimum Wage Effects at Different Enforcement Levels: Evidence from Employment Surveys in India		Soundararajan.V.
2014-11	Thresholds, Informality, and Partitions of Compliance		Kanbur, R. and M. Keen
2014-10	On the Political Economy of Guest Workers Programs in Agriculture		Richard, B.
2014-09	Groupings and the Gains from Tagging		Kanbur, R. and M. Tuomala
2014-08	Economic Policy in South Africa: Past, Present, and Future		Bhorat, H., Hirsch, A., Kanbur, R. and M. Ncube
2014-07	The Economics of China: Successes and Challenges		Fan, S., Kanbur, R., Wei, S. and X. Zhang
2014-06	Mindsets, Trends and the Informal Economy		Kanbur, R.
2014-05	Regulation and Non-Compliance: Magnitudes and Patterns for India's Factories Act		Chatterjee, U. and R. Kanbur
2014-04	Urbanization and Agglomeration Benefits: Gender Differentiated Impacts on Enterprise Creation in India's Information Sector		Ghani, E., Kanbur, R. and S. O'Connell
2014-03	Globalization and Inequality		Kanbur, R.
2014-02	Should Mineral Revenues be Used for Countercyclical Macroeconomic Policy in Kazakhstan?		Kyle, S.

Paper copies are being replaced by electronic Portable Document Files (PDFs). To request PDFs of AEM publications, write to (be sure to include your e-mail address): Publications, Department of Applied Economics and Management, Warren Hall, Cornell University, Ithaca, NY 14853-7801. If a fee is indicated, please include a check or money order made payable to Cornell University for the amount of your purchase. Visit our Web site (<http://dyson.cornell.edu/research/wp.php>) for a more complete list of recent bulletins.