HOUSE No. 3329

The Commonwealth of Massachusetts

PRESENTED BY:

Kay Khan

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act to promote healthy alternatives to sugary drinks.

PETITION OF:

NAME:	DISTRICT/ADDRESS:	DATE ADDED:
Kay Khan	11th Middlesex	1/20/2017
Cory Atkins	14th Middlesex	2/1/2017
Christine P. Barber	34th Middlesex	2/2/2017
Mike Connolly	26th Middlesex	1/31/2017
Michelle M. DuBois	10th Plymouth	1/31/2017
Tricia Farley-Bouvier	3rd Berkshire	2/2/2017
Jonathan Hecht	29th Middlesex	1/27/2017
Jason M. Lewis	Fifth Middlesex	1/25/2017
Rady Mom	18th Middlesex	2/2/2017
Angelo J. Puppolo, Jr.	12th Hampden	1/31/2017
David M. Rogers	24th Middlesex	2/3/2017
Chris Walsh	6th Middlesex	1/31/2017

HOUSE No. 3329

By Ms. Khan of Newton, a petition (accompanied by bill, House, No. 3329) of Kay Khan and others for legislation to establish a tiered system of tax incentives to promote healthy alternatives to sugary drinks. Revenue.

The Commonwealth of Alassachusetts

In the One Hundred and Ninetieth General Court (2017-2018)

An Act to promote healthy alternatives to sugary drinks.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

- 1 SECTION 1. The Massachusetts General Laws, as appearing in the 2014 Official Edition,
- 2 are hereby amended by inserting after chapter 64N the following new chapter:-
- 3 Chapter 64O. SUGARY DRINK TAX
- 4 Section 1. Definitions.
- 5 (a) For the purposes of this section, the following words shall have the following
- 6 meanings:
- 7 (1) "Beverage for medical use" means a beverage suitable for human consumption and
- 8 manufactured for use as an oral nutritional therapy for persons who cannot absorb or metabolize
- 9 dietary nutrients from food or beverages, or for use as an oral rehydration electrolyte solution for
- infants and children formulated to prevent or treat dehydration due to illness. "Beverage for
- medical use" shall also mean a "medical food" as defined in section 5(b)(3) of the Orphan Drug

Act (21 U.S.C. 360ee(b)(3)); this Act defines medical food as "a food which is formulated to be consumed or administered enterally under the supervision of a physician and which is intended for the specific dietary management of a disease or condition for which distinctive nutritional requirements, based on recognized scientific principles, are established by medical evaluation." "Beverage for medical use" shall not include drinks commonly referred to as "sports drinks" or any other common names that are derivations thereof.

- (2) "Bottle" means any closed or sealed container regardless of size or shape, including, without limitation, those made of glass, metal, paper, plastic or any other material or combination of materials.
- (3) "Bottled sugary drink" means any sugary drink contained in a bottle that is ready for consumption without further processing such as, without limitation, dilution or carbonation.
- (4) "Caloric sweetener" means any caloric substance suitable for human consumption that humans perceive as sweet and includes, without limitation, sucrose, fructose, glucose, fruit juice concentrate or other sugars. "Caloric sweetener" excludes non-caloric sweeteners. For purposes of this definition, "caloric" means a substance which adds calories to the diet of a person who consumes that substance.
- (5) "Commissioner" means the commissioner of revenue and his or her authorized agents and employees.
 - (6) "Commonwealth" means the commonwealth of Massachusetts.
- 31 (7) "Consumer" means a person who purchases a sugary drink for consumption and not 32 for sale to another.

33 (8) "Department" means the department of public health.

- (9) "Distributor" means any person, including manufacturers and wholesale dealers, who receives, stores, manufactures, bottles and/or distributes bottled sugary drinks, syrups or powders, for sale to retailers doing business in the commonwealth, whether or not that person also sells such products to consumers.
- 38 (10) "Fund" means the Children's Health Promotion Fund, established pursuant to section39 5.
 - (11) "Milk" means natural liquid milk regardless of animal or plant source or butterfat content; natural milk concentrate, whether or not reconstituted; or dehydrated natural milk, whether or not reconstituted.
 - (12) "Natural fruit juice" means the original liquid resulting from the pressing of fruits, or the liquid resulting from the dilution with water of dehydrated natural fruit juice.
 - (13) "Natural vegetable juice" means the original liquid resulting from the pressing of vegetables, or the liquid resulting from the dilution with water of dehydrated natural vegetable juice.
 - (14) "Non-caloric sweetener" means any non-caloric substance suitable for human consumption that humans perceive as sweet and includes, without limitation, aspartame, acesulfame-K, neotame, saccharin, sucralose and stevia. "Non-caloric sweetener" excludes caloric sweeteners. For purposes of this definition, "non-caloric" means a substance that contains fewer than 5 calories per serving.

- (15) "Person" means any natural person, partnership, cooperative association, limited
 liability company, corporation, personal representative, receiver, trustee, assignee or any other
 legal entity.
 - (16) "Place of business" means any place where sugary drinks, syrups or powders are manufactured or received for sale in the commonwealth.

- (17) "Powder" means any solid mixture of ingredients used in making, mixing, or compounding sugary drinks by mixing the powder with any one or more other ingredients, including without limitation water, ice, syrup, simple syrup, fruits, vegetables, fruit juice, vegetable juice, carbonation or other gas.
- (18) "Retailer" means any person who sells or otherwise dispenses in the commonwealth a sugary drink to a consumer whether or not that person is also a distributor as defined in this section.
- (19) "Sale" means the transfer of title or possession for valuable consideration regardless of the manner by which the transfer is completed.
- (20) "Sugary drink" means any nonalcoholic beverage, carbonated or noncarbonated, which is intended for human consumption and contains any added caloric sweetener. As used in this definition, "nonalcoholic beverage" means any beverage that contains less than one-half of one percent alcohol per volume.
- (21) "Syrup" means a liquid mixture of ingredients used in making, mixing, or compounding sugary drinks using one or more other ingredients including, without limitation,

- water, ice, a powder, simple syrup, fruits, vegetables, fruit juice, vegetable juice, carbonation or other gas.
 - (22) "Water", means no-calorie, and non-flavored or flavored with natural fruit essence or natural flavor. The source of the water may be artesian, mineral, spring or well. "Water" may be carbonated, still, distilled or purified, including distilled, demineralized, deionized or reverse osmosis.
- 79 Section 2. Tax imposed.

75

76

77

78

80

81

83

86

87

88

89

- (a) There is hereby imposed an excise tax on every distributor for the privilege of selling the products governed by this chapter in the commonwealth, calculated as follows:
- 82 (1) The tax shall be calculated using the following tiered system.
 - (i.) Beverages with less than 5 grams of sugar per 12 fluid ounces will not be taxed.
- 84 (ii.) Beverages with 5 grams or more but less than 20 grams of sugar per 12 fluid ounces 85 will be taxed at a rate of \$0.01 per ounce.
 - (iii.) Beverages with 20 grams of sugar or more per 12 fluid ounces will be taxed at a rate of \$0.02 per ounce.
 - (2) Syrups and powders sold or offered for sale to a retailer for sale in the State to a consumer, either as syrup or powder or as a sugary drink derived from that syrup or powder, are taxable. Syrups and powders shall be taxed using the following tiered system:
- 91 (i.) If the beverages made from the syrup or powder have less than 5 grams of sugar per 92 12 fluid ounces, the syrup or powder will not be taxed.

(ii.) If the beverages made from the syrup or powder have 5 grams or more but less than 20 grams of sugar per 12 fluid ounces, the syrup or powder will be taxed at a rate equal to \$0.01 per ounce for each gallon of sugary drink produced from that syrup or powder.

(iii.) If the beverages made from the syrup or powder have 20 grams of sugar or more per 12 fluid ounces, the syrup or powder will be taxed at a rate equal to \$0.02 per ounce for each gallon of sugary drink produced from that syrup or powder.

For purposes of calculating the tax, the volume of sugary drink produced from syrups or powders shall be the larger of (i) the largest volume resulting from use of the syrups or powders according to any manufacturer's instructions, or (ii) the volume actually produced by the retailer, as reasonably determined by the commissioner;

- (3) The tax amounts set forth in this section shall be adjusted annually by the commissioner in proportion with the Consumer Price Index: All Urban Consumers for All Items for the Northeast Region Statistical Area as reported by the United States Bureau of Labor Statistics or any successor to that index.
- (4) Manufacturers, bottlers, wholesalers or distributors shall add the amount of the tax imposed by this section to the retail price of sugary drinks.
- (b) A retailer who sells bottled sugary drinks, syrups, or powders in the commonwealth to a consumer, on which the tax imposed by this section has not been paid by a distributor, is liable for the tax imposed in subsection (a) at the point of sale to a consumer.
- (c) The taxes imposed by this section are in addition to any other taxes that may apply to persons or products subject to this chapter.

Section 3. Report of Sales and Tax Remittances.

Any distributor or retailer liable for the tax imposed by this chapter shall, on or before the last day of March, June, October, and December of each year, return to the commissioner under oath of a person with legal authority to bind the distributor or retailer, a statement containing his or her name and place of business, the quantity of sugary drinks, syrups and powders subject to the excise tax imposed by this chapter sold or offered for sale in the 3 months immediately preceding the month in which the report is due, and any other information required by the commissioner, along with the tax due.

Section 4. Records of Distributors

Every distributor, and every retailer subject to this chapter, shall maintain for not less than 2 years accurate records, showing all transactions that gave rise, or may have given rise, to tax liability under this chapter. Such records are subject to inspection by the commissioner at all reasonable times during normal business hours.

Section 5. Exemptions.

- (a) The following shall be exempt from the tax imposed by this chapter:
- (1) Bottled sugary drinks, syrups, and powders sold to the United States Government and American Indian Tribal Governments;
- (2) Bottled sugary drinks, syrups, and powders sold by a distributor to another distributor that holds a permit issued pursuant to this chapter if the sales invoice clearly indicates that the sale is exempt. If the sale is to a person who is both a distributor and a retailer, the sale shall also

134	be tax exempt and the tax shall be paid when the purchasing distributor or retailer resells the	
135	product to a retailer or a consumer. This exemption does not apply to any other sale to a retailer;	
136	(3) Beverages sweetened solely with non-caloric sweeteners;	
137	(4) Beverages consisting of 100 per cent natural fruit or vegetable juice with no added	
138	caloric sweetener;	
139	(5) Beverages in which milk, or soy, rice or similar milk substitute, is the primary	
140	ingredient or the first listed ingredient on the label of the beverage;	
141	(6) Coffee or tea without added caloric sweetener;	
142	(7) Infant formula;	
143	(8) Beverages for medical use;	
144	(9) Water without any caloric sweeteners.	
145	Section 6. Unpaid Taxes and Debt.	
146	All taxes imposed under the provisions of this chapter remaining due and unpaid shall	
147	constitute a debt to the commonwealth, which may be collected from the person owing same by	
148	suit or otherwise.	
149	Section 7. Records of commissioner.	
150	At the end of each month, the auditor of the commonwealth shall carefully check the	
151	books and records of the commissioner and his accounts with any bank or banks, and shall verify	
152	the amounts collected pursuant to this chapter and paid into the Children's Health Promotion	

Fund. Any duty herein required of the auditor of the commonwealth may be performed by any duly trained clerk in his office, designated by the auditor of the commonwealth for that purpose.

Section 8. Exercise of Powers and Duties.

Whenever in this chapter any reference is made to any power or duty of the commissioner, the reference is construed to mean that the power or duty shall be exercised by the commissioner, under the supervision and direction of the commissioner.

Section 9. Rules and Regulations.

The commissioner is hereby empowered to make such rules and regulations, and provide such procedural measures, in cooperation with the auditor of the commonwealth, as may be reasonably necessary to accomplish the purposes of this chapter.

Section 10. Severability.

If any provision of this chapter, any rule or regulation made under this chapter, or the application of this chapter to any person or circumstance is held invalid by any court of competent jurisdiction, the remainder of the chapter, rule, or regulation, and the application of the provision to other persons or circumstances shall not be affected. The invalidity of any section or sections or parts of any section of this chapter shall not affect the validity of the remainder of the chapter.

SECTION 2. The Massachusetts General Laws, as appearing in the 2014 Official Edition, are hereby amended by inserting after Section 2I of Chapter 111 the following new chapter:-

Section 2J. CHILDRENS HEALTH PROMOTION FUND

(a) There shall be established and set up on the books of the commonwealth a separate fund to be known as the Children's Health Promotion Fund. The department of public health shall administer the fund. The fund shall consist of revenues from the commonwealth generated by the tax imposed by Chapter 64O, section 2. The fund shall be expended first for the implementation, administration, and enforcement of Chapter 64O. Unexpended balances shall be allocated in a proportion to be determined by the department of public health. Qualifying programs funded under Chapter 64O shall include but not be limited to

- 180 (i.) Expansion of Mass in Motion as funded in item 4513-1111 of section 2 of chapter
 181 133 of the acts of 2016.
 - (ii.) Expansion of the Prevention and Wellness Trust Fund established in section 2G of chapter 111.
 - (iii.) A municipal grant program for the fluoridation of public water supplies.
 - (iv.) Funding for the department of early education and care to support and promote nutrition programs for preschools, nursery schools, and child care facilities serving low-income communities.
 - (v.) Development and promotion of educational materials with the intent of educating citizens about the health effects of consuming sugary drinks and to promote the consumption of tap water.
 - (vi.) A municipal grant program for the creation and improvement of water fountains, improvement of water quality, and increasing water access in schools and municipal parks and facilities.

(vii.) Other evidence-based methods of improving children's health and wellness.

SECTION 3. The second paragraph of Section 1 of Chapter 71 of the General Laws, as appearing in the 2014 Official Edition, is hereby amended by adding the following sentence: -

- (a) The department of elementary and secondary education shall encourage school districts to implement instruction in media literacy skills from the third grade to the twelfth grade, and in any of the core subjects or other subjects, to equip students with skills for accessing, analyzing, evaluating, and creating all types of media. Instruction shall include, but not be limited to, teaching of skills for analyzing and evaluating advertising content for food, beverages, drugs and alcohol.
- SECTION 4. Chapter 71 of the General Laws, as appearing in the 2014 Official Edition, is hereby amended by inserting after section 97 the following section:-

Section 98. PROHIBITION OF MARKETING OF SUGARY DRINKS IN SCHOOLS

- (a) For the purposes of this section, the following words shall have the following meanings:
- (1) "Advertising" means an oral, written or graphic statement or representation, including a company logo or trademark, made for the purpose of promoting the use or sale of a product by the producer, manufacturer, distributer, seller or any other entity with a commercial interest in the product.
- (2) "Brand" means a corporate or product name, a business image or a mark, regardless of whether it may legally qualify as a trademark used by a seller or manufacturer to identify goods or services and to distinguish them from competitors' goods.

(b) Except as provided in subsection (c), the department of education shall prohibit at any school within the commonwealth:

- (1) The advertising of any beverage that may not be sold on the school campus during the school day or of any corporate brand, unless every beverage product manufactured, sold or distributed under the corporate brand name, or by any of the corporate brand's subsidiaries and affiliated corporations, can be served or sold on the school campus during the school day.

 Advertising is prohibited on any property or facility owned or leased by the school district or school and used at any time for school-related activities, including, but not limited to, school buildings, athletic fields, facilities, signs, scoreboards, or parking lots, or any school buses or other vehicles, equipment, vending machines, uniforms, educational material or supplies. For purposes of this statute, beverages that may not be sold on the school campus during the school day are those that do not meet the minimum nutrition standards for foods sold outside the school meal programs as set forth by the United States Department of Agriculture under the Healthy, Hunger-Free Kids Act of 2010 and federal regulations implementing the Act [42 U.S.C. section 1779(b)];
- (2) the participation in a corporate incentive program that rewards children with free or discounted beverages that may not be sold on the school campus during the school day when they reach certain academic goals; or
- (3) the participation in corporate-sponsored programs that provide funds to schools in exchange for consumer purchases of beverages that may not be sold on the school campus during the school day.
 - (c) The restriction on advertising in subsection (b) shall not apply to

238 controlled by the local education agency, school, faculty, or its students; 239 (2) Advertising on clothing with brand images work on school grounds; or 240 (3) Advertising contained on product packaging. 241 SECTION 5. Chapter 111 of the General Laws is hereby amended by inserting after 242 section 235 of the following section:-243 Section 236. LIMITATION ON BEVERAGES IN CHILDREN'S MEALS 244 (a) For the purposes of this section, the following words shall have the following 245 meanings: 246 (1) "Chain restaurant" a retail food establishment that prepares, serves, and vends food 247 directly to the consumer that (a) operates 10 or more establishments in the commonwealth or (b) 248 is a restaurant franchisee where the franchisor and the franchisees of that restaurant together 249 operate 10 or more establishments in the commonwealth. (2) "Chain restaurant franchisee," an individual, corporation, partnership or other entity, 250 251 or group of individuals or entities, that operates one or more restaurants in the commonwealth 252 under a franchise agreement with another individual, corporation, partnership or other entity, or 253 group of individuals or entities. 254 (3) "Chain restaurant franchisor," an individual, corporation, partnership or other entity, 255 or group of individuals or entities, that grants a franchisee the right to operate one or more fast

(1) Advertising on broadcast, digital, or print media, unless the media are produced or

237

256

food restaurants in the commonwealth under its trademark or trade name.

257 (4) "Children's Meal" means a combination of food item or items and a beverage, sold together at a single price, primarily intended for consumption by children.

- (5) "Default Beverage" means the beverage automatically included as part of a children's meal, absent a specific request by the purchaser of the children's meal for an alternative beverage.
- (b) A chain restaurant may only sell a children's meal if the default beverage is one of the following:
- (1) Water, sparkling water or flavored water, with no added natural or artificial sweeteners;
- (2) Nonfat or 1 per cent milk or non-dairy milk alternative containing no more than 130 calories per container and/or serving as offered for sale; or
- (3) 100 per cent juice, with no added sweeteners, in a serving size of no more than 8 ounces.
- (c) (1) The department of public health and local boards of health acting under the supervision of the department of public health shall implement, administer and enforce this section. The department of public health is hereby authorized to issue all rules and regulations consistent with this section and shall have all necessary powers to carry out the purpose of this section.
- (2) All chain restaurants shall report, upon enactment of this chapter and annually, thereafter, to the department of public health whether they offer children's meals and if so, that they understand their obligations under this section. Such reporting must be done on a form

prescribed by the department of public health and must be signed by a responsible agent or officer of the chain restaurant in order to confirm that the information provided on the form is accurate and complete. Failure to comply with this subsection shall constitute a violation of this section.

(d) Restaurants in violation of this section shall for the first offense be punished by a fine of not more than \$100; and for any subsequent offense shall be punished by a fine of not less than \$100 nor more than \$500.

SECTION 6. Chapter 94 of the General Laws is hereby amended by inserting after section 330 the following section:-

Section 331. REQUIRING LABELS ON CERTAIN SUGARY DRINK ADVERTISEMENTS

- (a) For the purposes of this section, the following words shall have the following meanings:
- (1) "Advertiser" means any person who is any of the following "(a) in the business of manufacturing, distributing, or selling sugary drinks, including without limitation, a retailer; (b) is in the business of placing or installing advertisements, or who provides space for the display of advertisements; or (c) is an agent or contractor of a Person described in (a) or (b) assisting such Person with the manufacture, distribution or sale of sugary drink, the placement or installation of advertisements or the provision of space for advertisements. The term "advertiser" shall not include the employees of a person, including, without limitation, employees of agent or contractors, except that it shall include individuals acting as sole proprietors.

299 (2) "Sugary drink" is defined as stated in chapter 64O.

- (3) "Sugary drink advertisement" means any advertisement, including, without limitation, any logo, that identifies, promotes or markets a sugary drink for sale or use that is any of the following: (a) on a poster, paper or a billboard; (b) in or on a stadium, arena, transit shelter or any other structure; (c) in or on a bus, car, train, pedicab or any other vehicle; or (d) on a wall, or any other surface material.
- (b) Any advertiser who posts a sugary drink advertisement shall place on the sugary drink advertisement the following label: "WARNING: Drinking beverages with added sugar(s) contributes to obesity, diabetes, and tooth decay." The word "WARNING" shall appear in capital letters. The Warning shall be enclosed in a rectangular border within the printed advertisement that is the same color as the letters of the Warning and that is the width of the first downstroke of the capital "W" of the word "WARNING." The Warning shall occupy at least 20% of the area of each sugary drink advertisement and the text shall be printed in a size and manner so as to be clearly legible to the intended viewer of the sugary drink advertisement. The text of the warning shall be positioned such that the Warning and the other information on the sugary drink advertisement had the same orientation, such that text in the sugary drink advertisement and the Warning are read in the same direction. The Warning shall be indelibly printed on or permanently affixed to each sugary drink advertisement.
- (c) The department of public health shall promulgate regulations related to this section, including, but not limited to, determining reasonable exemptions to this section.
 - (d) The following shall be exempt from the requirement imposed in this section:
 - (1) Containers or packages for sugary drinks;

(2) Any menus or handwritten listings or representations of foods or beverages that may be served or ordered for consumption at a retail establishment;

- (3) Any display or representation of, or other information about, a sugary drink, including, without limitation, any logo on a vehicle if the vehicle is being used by any person who is in the business of manufacturing, distributing or selling the sugary drink in the performance of such business;
- (4) Any other advertisements determined by the department of public health as referenced in subsection (c).
- (e) Advertisers in violation of this section shall for the first offense be punished by a fine of not more than \$100; and for any subsequent offense shall be punished by a fine of not less than \$100 nor more than \$500.
- SECTION 7. (a) Notwithstanding any general or special law to the contrary, there shall be established a Special Commission on Access to Drinking Water in Public Places. The Commission shall evaluate the public health benefits of and options for expanding access to drinking water in public places, including but not limited to parks, playgrounds, schools, libraries, other public buildings, bicycle and pedestrian paths, stadiums, arenas, and commercial, cultural and other properties generally open to the public.
- (b) The Commission shall consist of 13 members, 1 of whom shall be the commissioner of public health or a designee, who shall serve as chair, 1 of whom shall be the commissioner of elementary and secondary education or a designee, 1 of whom shall be the executive director of the Massachusetts School Building Authority or a designee, 1 of whom shall be the secretary of transportation or a designee, 1 of whom shall be the commissioner of environmental protection

or a designee, 1 of whom shall be the commissioner of conservation and recreation or a designee, 1 of whom shall be the administrator of the Board of Building Regulations and Standards or a designee, 1 of whom shall be the executive director of the Massachusetts Water Resources Authority or a designee, 1 of whom shall be a representative of a public health advocacy organization, 1 of whom shall be a representative of a water access advocacy organization, 1 of whom shall be the director of the Prevention Research Center on Nutrition and Physical Activity at Harvard University School of Public Health or a designee.

(c) The Commission shall first convene within 60 days of the effective date of this Act, and not less than bi-monthly thereafter, and shall file a report with the Joint Committee on Public Health no later than 180 days after first convening. The report shall (a) present current scientific evidence on the health and other benefits of adequate water consumption, including but not limited to consumption by school-age children; (b) present currently available data on water consumption among Massachusetts residents by age, place of residence, gender, race, income, and other demographic factors; (c) evaluate current laws, regulations, and policies regarding access to drinking water in public places in Massachusetts; (d) evaluate current obstacles to access to drinking water in public places in Massachusetts; and (e) make recommendations for changes to policies, regulations, and legislation in order to expand access to drinking water in public places in Massachusetts. The commission shall be empowered to hold regular public meetings, fact-finding hearings and other public forums as it considers necessary. Members shall not receive compensation for their services.