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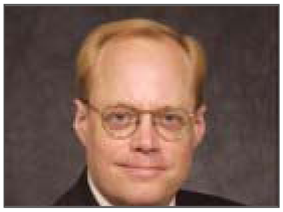

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Sneaker Taxes, Really? What Will They Tax Next?

If soda taxes raise revenue and curb obesity, do sneaker taxes discourage fitness? Shopping for athletic shoes in Illinois could soon involve paying more at the cash register, though is supposed to promote athletics. The Illinois bill would impose a 25-cent tax on the purchase of athletic shoes. The tax would apply to any "shoe designed primarily for sports or other forms of physical activity." See State Legislator Wants 25-Cent Tax on Athletic Shoes to Help Fund Youth Job Training.

The Athletic Shoe Retailer Tax was proposed by House Bill 978 sponsored by state Rep. William Davis (D-Hazel Crest). He said the tax would be used to help fund programs by YouthBuild USA, a non-profit organization operating in 46 states including Illinois. "The tax would bring in an estimated $3 million a year in revenue for youth programs," Davis said. See Illinois Sneaker Tax Gets Thumbs Up from Parents, Kids.

Revenue linked to programs can make sense, though funding programs this way may not. Taxes on cigarettes and alcohol counter social and health costs. London's city center driving congestion charges reduce pollution and traffic. A soda tax generates revenue and reduces obesity. Apart from health concerns, soda taxes could generate billions.

Faced with budget deficits, an eroding tax base and the legal and political impediments to raising tax rates, soda is an easy target. Soda taxes are sin taxes, targeting what legislators view as socially irresponsible behavior. We already tax alcohol, cigarettes and candy. Such taxes have the dual purpose of raising revenue and decreasing the targeted conduct.

They are technically imposed on producers or sellers but are usually passed on to buyers. These are like sales taxes but as they are more targeted, are usually referred to as excise taxes. Suspect services can be targeted too. For example, a 10% federal tanning tax went into effect in July 2010, and was projected to raise $2.7 billion over 10 years from the nation's 20,000 indoor tanning salons. See Tan Tax Causes Confusion. The IRS even issued guidance about tanning salon points akin to frequent flier miles useful for more tanning or for lotions and facials. See IRS Chief Counsel Advice 201128024.

Ironically, some sin taxes are so successful at decreasing the targeted behavior that they may raise little money. The tanning tax could be a case in point, since tax collections have evidently been quite small. As for the sneaker tax, it could represent a new wave of targeted taxes that earmark revenue for particular use. Perhaps it is the wave of the future, but some people see it as dangerous precedent. What will they tax next?

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