

# Stop Subsidizing Childhood Obesity

## Eliminate the Tax Deductibility of Advertising/Marketing of Unhealthy Foods and Beverages to Children

Rates of childhood obesity have tripled over the last 30 years, with one third of American children currently overweight or obese.<sup>1</sup> Obesity costs \$190 billion per year (21% of total annual healthcare expenditures),<sup>2</sup> 40 percent of which is paid by taxpayers through Medicare and Medicaid.<sup>3</sup>

The **Stop Subsidizing Childhood Obesity Act** would amend the Internal Revenue Service Code to remove the tax deductibility of expenses associated with advertising and marketing foods and beverages of poor nutritional quality to children. Amending the tax code would provide an incentive for companies to decrease unhealthy food marketing to children and could raise \$550 million in federal revenue each year.

Despite the high rates and high costs of obesity, the federal government allows companies to write-off expenses for marketing and advertising unhealthy foods and beverages. Companies are permitted to deduct these expenses from their taxable income—**providing a government subsidy for marketing unhealthy food to children.**



In these times of tight budgets and high deficits, government savings and potential offsets are needed. **Eliminating the tax deductibility of expenses associated with unhealthy food advertising and marketing could raise \$550 million a year.**

Currently, 18 companies voluntarily participate in self-regulation through the Council of Better Business Bureaus (CBBB) Children's Food and Beverage Advertising Initiative (CFBAI).<sup>4</sup> In addition, 6 confectionary companies participate in CBBB's Children's Confection Advertising Initiative (CCAI) that have pledged not to market to children under 12.<sup>5</sup> The Stop Subsidizing Childhood Obesity Act would provide an incentive for more companies to participate in self-regulation through the CFBAI. Companies that do not market unhealthy foods to children would not experience a change in their taxes.

Companies **disproportionately market junk food to minority youth which contributes to health disparities.** For example, Black youth see twice as many ads for candy, sugary drinks, and snacks compared to White youth. Latino youth view disproportionately more Spanish-language TV ads for unhealthy foods; only 6% of food ads on Spanish-language TV are for healthier foods.<sup>6</sup>

### Advertising and childhood obesity

While numerous factors contribute to children's poor diets, food marketing plays a key role. The National Academy of Medicine (formerly, the Institute of Medicine) found that food and beverage advertising affects children's food preferences, diets, and overall health.<sup>7</sup>

Unhealthy diets increase children’s risk of developing diet-related diseases, such as heart disease, cancer, and diabetes. One study estimates that halting TV advertising of unhealthy foods and beverages to children could reduce the number of overweight children by 18%.<sup>8</sup>

- Each year, food and beverage companies spend approximately \$2 billion marketing their products to children under 18.<sup>9</sup> In 2013, children ages 2-11 and adolescents ages 12-17, respectively, saw an average of 13 and 16 food- and beverage-related TV advertisements per day (approximately 4,700 and 6,000 food-related ads per year).<sup>10</sup>
- In addition to television ads, unhealthy food is marketed to children through the Internet, schools, celebrities, displays and promotions in retail including preferential placement, product packages, characters, toys, and clothing.
- The number of TV ads for unhealthy foods has decreased slightly in recent years, however, the vast majority of products are still too high in fats, sodium, and/or added sugars.<sup>11,12</sup> Approximately 84% of food-related ads seen by children are for products high in saturated fat, sugars, or sodium.<sup>13</sup>

Removing the tax deductibility of expenses associated with marketing and advertising foods and beverages of poor nutritional quality to children could decrease childhood obesity by 5-7%—that would mean **700,000 to 1 million fewer obese children.**<sup>8</sup> A study from Harvard University researchers estimates closing this deduction could save up to \$260 million in healthcare costs over ten years.<sup>14</sup>

Businesses also are not allowed to deduct the following expenses from their taxable income:

- Advertising expenses by foreign broadcasters for ads aired in the U.S. (unless country allows such deductions for ads in their country by U.S. advertisers) [IRS code, sec. 162(j)]
- Health insurance costs for those who are self-employed if a person is eligible for a subsidized health plan by their own, spouse’s, or dependents’ employer [IRS code, sec. 162(l)]
- State and federal political campaign donations [IRS code, sec. 162(e)]

For information on the Stop Subsidizing Childhood Obesity Act, please contact the Center for Science in the Public Interest (CSPI) at [nutritionpolicy@cspinet.org](mailto:nutritionpolicy@cspinet.org).

<sup>1</sup> Ogden CL, Carroll MD, Kit BK, Flegal KM. “Prevalence of childhood and adult obesity in the United States, 2011-2012.” *Journal of the American Medical Association* 2014, vol. 311, pp. 806-814.  
<sup>2</sup> Cawley J, et al. “The Medical Care Costs of Obesity: An Instrumental Variables Approach.” *Journal of Health Economics* 2012, vol. 31, pp. 219-230.  
<sup>3</sup> Trogdon JG, Finkelstein EA, Feagan W, Cohen JW. “State- and Payer-Specific Estimates of Annual Medical Expenditures Attributable to Obesity.” *Obesity* 2012, vol. 20, pp.214-220.  
<sup>4</sup> Children’s Food and Beverage Advertising Initiative. Available at: <https://www.bbb.org/council/the-national-partner-program/national-advertising-review-services/childrens-food-and-beverage-advertising-initiative/>.  
<sup>5</sup> New Responsible Advertising Commitment by Confectionery Companies. March 16, 2016. Available at: <http://www.bbb.org/council/news-events/news-releases/2016/03/new-responsible-advertising-commitment-by-confectionery-companies/>.  
<sup>6</sup> University of Connecticut Rudd Center. “Food advertising targeted to Hispanic and Black youth: Contributing to health disparities.” August, 2015. Available at: <http://www.uconnruddcenter.org/targeted-marketing>.  
<sup>7</sup> Institute of Medicine. *Food Marketing to Children and Youth: Threat or Opportunity?* Washington, D.C.: The National Academies Press, 2007.  
<sup>8</sup> Chou S, Rashad I, Grossman M. “Fast-food Restaurant Advertising on Television and Its Influence on Childhood Obesity.” *Journal of Law and Economics* 2008, vol. 51, pp. 599-617. Available at: <https://www.cspinet.org/images/fastfoodadvertising.pdf>.  
<sup>9</sup> Federal Trade Commission (FTC). *Marketing Food to Children and Adolescents: A Review of Industry Expenditures, Activities, and Self-regulation*. Washington, D.C.: FTC, 2008.  
<sup>10</sup> Dembek C, Harris L, Schwartz M. *Trends in Television Food Advertising to Young People: 2013 Update*. Yale Rudd Center for Food Policy & Obesity. May 2014. Available at: [http://www.uconnruddcenter.org/resources/upload/docs/what/reports/RuddReport\\_TVFoodAdvertising\\_6.14.pdf](http://www.uconnruddcenter.org/resources/upload/docs/what/reports/RuddReport_TVFoodAdvertising_6.14.pdf).  
<sup>11</sup> Kunkel D, McKinley C, Wright P. *The Impact of Industry Self-Regulation on the Nutritional Quality of Foods Advertised on Television to Children*. Oakland, CA: Children Now, December 2009. Available at: [http://www.childrennow.org/uploads/documents/adstudy\\_2009.pdf](http://www.childrennow.org/uploads/documents/adstudy_2009.pdf).  
<sup>12</sup> Batada A and Wootan MG. *Better-For-Who? Revisiting Company Promises on Food Marketing to Children*. CSPI, 2009. Available at: <http://cspinet.org/new/pdf/pledgereport.pdf>.  
<sup>13</sup> Powell LM, Schermbeck RM, Chaloupka FJ. “Nutritional Content of Food and Beverage Products in Television Advertisements Seen on Children’s Programming.” *Childhood Obesity* 2013, vol. 9, pp. 524-531.  
<sup>14</sup> Gortmaker S, et al. “Three Interventions that Reduce Childhood Obesity are Projected to Save More than They Cost to Implement.” *Health Affairs* 2015, vol. 34, no. 11, pp. 1932-1939.