



Nick Jordan, Secretary  
Dean Reynoldson, Director

Sam Brownback, Governor

## MEMORANDUM

**TO:** Representative Mark Hutton, Chairman, House Committee on Commerce, Labor and Economic Development

**FROM:** Dean Reynoldson, Director of Kansas Alcoholic Beverage Control

**DATE:** 13 February 2015

**SUBJECT:** House Bill 2200

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Mr. Chairman and members of the committee. Thank you for opportunity to provide testimony on House Bill 2200.

Section 14 would remove the prohibition against corporations holding retail liquor store licenses effective July 1, 2015 rather than July 1, 2018 - when grocery stores and convenience stores could obtain retailer licenses. Likewise the prohibition against owning more than one liquor store would be eliminated on July 1, 2015 rather than July 1, 2018. We wanted to bring that to your attention in the event it may have been an oversight.

Section 14 would exempt any stockholder owning up to 25% of the stock of a corporation holding a retailer's license from the requirement to meet licensing requirements. For drinking establishments, all stockholders owning more than 5% of company stock must qualify. This is referred to as "beneficial interest." In other words, if there is a prospective owner who owns 10% of the company who is a convicted felon or has had a previous license revoked, Kansas law would necessitate denial of the application for the drinking establishment license. Section 14, however, puts the "beneficial interest" level at 25% rather than 5%. This would allow an unqualified person to own one quarter of the business rather than 5%. In theory, four convicted felons could partner up and qualify or 4 people who have had licenses previously revoked could,

together, get a license. Since the Liquor Control Act was passed in 1949, one of the consistent objectives has been to keep the criminal element out of the liquor business. Keeping the industry clean is a top priority of ABC. We respectfully suggest adopting the language from the club and drinking establishment act, specifically K.S.A. 41-2623, for licensing qualifications of corporations, trusts and LLCs.

Thank you Mr. Chairman for your time.