

March 11, 2016

Memorandum:

To: The Commerce, Labor and Economic Development Committee

From: Thomas M. Palace Executive Director PMCA of Kansas

Re: Written Testimony Supporting HB 2718

Mr. Chairman and Members of the Commerce, Labor and Economic Development Committee:

My name is Tom Palace. I am the Executive Director of the Petroleum Marketers and Convenience Store Association of Kansas (PMCA of Kansas), a statewide trade association representing over 300 independent Kansas petroleum distribution companies and convenience store retailers throughout Kansas.

PMCA appreciates the opportunity to speak in support of HB 2718 and want to thank the Beer Wholesalers Association for introducing this bill to the Kansas Legislature.

Convenience stores have, for years, initiated legislation to allow Cereal Malt Beverage (CMB) retailers the ability to sell strong beer to their customers. Although HB 2718 does not go far enough to allow CMB retailers to sell “strong beer” any time soon, the bill does however, provide for an alternative if CMB tax revenue declines over a period of time.

HB 2718 is a defensive move on behalf of the Beer Wholesalers to assist their customers/retailers should CMB sales decline. This action is in response to the movement in Oklahoma and Colorado that would allow convenience stores to sell strong beer. There are only five states that require the sale of CMB (3.2% alcohol measured by weight) and breweries will have to make tough decisions if Oklahoma and Colorado are successful in their legislative efforts.

If sales tax revenues derived from the CMB gallonage tax decline not less than 25%, when compared to the previous year’s calendar month triggers the opportunity for retailers to apply for a “beer license.” This action can only occur upon approval of the Secretary of Revenue. This action is important to put in place now, allowing the Secretary to establish rules and regulations before this event occurs. It also puts in place a statute should the decline of tax revenue occur when the legislature is not in session.

If sales tax revenues don’t decline...nothing happens! Kansas beer laws don’t change!

Kansas certainly does not want to go backwards and eliminate a product that is currently being sold by convenience stores. CMB sales in Kansas generate close to \$2 million in sales tax revenue and total beer sales generate over \$5 million in gallonage tax annually. Obviously consumers purchase beer in convenience stores, and if breweries decide to limit products they want to keep in their inventory, convenience stores want to be in position to continue selling beer products to their customers.

Mr. Chairman, the debate as to whether or not convenience stores should sell “real beer” is not the main issue with HB 2718. Legislative activity in other states (that looks favorable today), could impact items that we sell in Kansas today...and maybe nothing happens in the end. But HB 2718 is a defensive move that would allow beer sales to continue at convenience stores if economic conditions change and there is a significant reduction or discontinuation of CMB.

Thank you.