

Approved 2/9/89
Date

MINUTES OF THE Senate COMMITTEE ON Federal and State Affairs

The meeting was called to order by Senator Edward F. Reilly at
Chairperson

11:05 a.m./~~p.m.~~ on February 7, 1989 in room 254-E of the Capitol.

All members were present except:

Senators McClure and Yost who were excused.

Committee staff present:

Mary Galligan, Legislative Research Department
Marty Robison, Secretary

Conferees appearing before the committee:

Lou Allen, Asst. Attorney General in the Consumer Division
Mark Wettig, Special Asst. to the Secretary of Revenue
Neal Whitaker, Kansas Beer Wholesalers Association
R.E. "Tuck" Duncan, Kansas Wine & Spirits Wholesalers Association

Chairman Reilly called the meeting to order.

Senator Morris moved the minutes of February 2 be approved. Senator Bond seconded and the motion passed.

A hearing was held for SB 70 which deals with regulating travel promoters.

Lou Allen, appearing in place of Arthur Weiss, told committee members that this bill was presented by the Attorney General to deal with "travel scams" for Kansas consumers. The bill would prohibit travel promoters from advertising their product unless they have actually made arrangements to provide the transportation they offer. A deposit of \$500,000 would be kept with the State Treasurer or a bank approved by the State Banking Commissioner. This definition of travel promoter applies only to scam artists (Attachment 1). Members were told that the penalty provisions would come under the Consumer Protection Act and are not contained in this bill.

A hearing was held for SB 86 which deals with the appeals process for liquor violations.

Mark Wettig said the Department proposed this in order to allow a scheduled hearing to occur despite a situation which would prevent the Secretary from attending. This bill would allow the Secretary "or his designee" to hold the hearing (Attachment 2).

Neal Whitaker appeared in support of SB 86 but would propose an amendment for the bonding of spirits, wine and beer wholesalers. They would offer requiring one bond for performance of \$15,000 (Attachment 3). Committee members were told that bonds are required as a guarantee for payment of taxes.

Staff from the Revenue Department said they would have no objection to one amount but would prefer a requirement of \$15,000 or one times the greatest liability of any month in the preceding year, whichever was greatest.

CONTINUATION SHEET

MINUTES OF THE Senate COMMITTEE ON Federal & State Affairs,
room 254-E, Statehouse, at 11:05 a.m./~~p.m.~~ on February 7, 1989.

Tuck Duncan asked the committee to amend this bill so that one bond would be required. If it is to relate to the amount of tax collected, it should be based on the average of collections for the prior calendar or license year, for each licensed premise (Attachment 4). His Association believes that the bond as required in K.S.A. 41-317 is sufficient. In response to questions, he stated that if the committee felt that was not sufficient or was concerned about getting the tax, their second suggestion would be to follow the current provisions of K.A.R. 14-7-4 which established the highest month. He would ask, however, that they be further defined to be based on some established formula.

Staff of the ABC agency was directed to prepare "either - or" language.

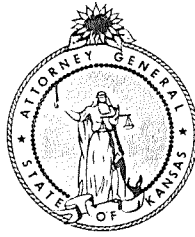
The meeting was adjourned at 11:40.

GUEST LIST

COMMITTEE: Senate Federal & State Affairs

DATE: 2/7/89

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Marion S. McMillan	Emporia KS	Leadership Emporia
Keith E. Davis	1019 Hwy Emporia KS	Leadership Emporia
Joyce C. Sidde	1811 Morningside, Emp. KS	"
Thimera Maxwell	519 W. 12th Emporia	"
Donna Neunkirk	2007 Meadowlark Ln Emporia	"
Lisa Gauxman	820 Quail Creek, Emporia	" "
Dick Joyler	Topeka	Life of Beer
Clifford O'Dempsey	Satanita, KS	SELF
GERALDINE DEMPSAY	JATANTA, KS	SELF
Bill Warner	Emporia, Ks.	Leadership Emporia
Terri Roberts	Topeka	Kansas State Nurses' Assn.
Maeb S Braun	Topeka	Atty. General's Office
M. LOP ADLEN	TOPEKA	" " "
Ken Baker	Topeka	KEMB
Neal Whitaker	Topeka	Kan. Beer Wholesalers
TUCK DUNCAN	TOPEKA	KS Wine & spirits wholesaler
TOM HANNA	✓	ABC
Jim Conant	Topeka	ABC
Dean Reynolds	Dept. of Topeka	Dept. of Revenue
Mark Wittig	Topeka	Revenue
Jean Barber	Topeka	Travel Industry
MYRNA PREISNER	TOPEKA	MARK I TRAVEL
Hazel Gibbs	Wichita	Legislative Intern



STATE OF KANSAS

OFFICE OF THE ATTORNEY GENERAL

2ND FLOOR, KANSAS JUDICIAL CENTER, TOPEKA 66612-1597

ROBERT T. STEPHAN
ATTORNEY GENERAL

MAIN PHONE: (913) 296-2215
CONSUMER PROTECTION: 296-3751
TELECOPIER: 296-6296

TESTIMONY OF ARTHUR R. WEISS

DEPUTY ATTORNEY GENERAL
CONSUMER PROTECTION DIVISION

BEFORE THE SENATE COMMITTEE ON FEDERAL & STATE AFFAIRS

HEARING ON SENATE BILL 70

FEBRUARY 7, 1989

Mr. Chairman and Members of the Committee:

Attorney General Stephan requested the introduction of this bill to attack a problem which has touched hundreds of Kansas consumers. Many of us have received or know someone who has received a postcard in the mail proclaiming that they have been selected or chosen to receive a "free" vacation. These cards attempt to get the consumer to give his or her credit card number over the telephone to an operator working out of a boiler room reading from a prepared script.

Such "travel scams" steal billions of dollars nationwide from consumers every year. The U. S. Postal Inspection Service has identified 80 such boiler rooms operating in Miami alone. A typical boiler room can bring in 4.5 million dollars in six months.

SF 23A
2-7-89

Attachment 1

Anyone who has a credit card is a possible victim. These scams transcend educational, political, ethnic and geographical groups. Victims have included students, government prosecutors, businessmen, court personnel and legislators. Attorney General Stephan has received hundreds of complaints from Kansas consumers who have been bilked of their money through these scams.

This bill would prohibit travel promoters from advertising their product unless they have actually made arrangements to provide the transportation they offer. The promoter would not receive any money until such time as he provides the consumer with the disclosures set forth in section four of this bill. The travel promoter would be required to keep on deposit with the State Treasurer or a bank approved by the State Banking Commissioner cash or securities satisfactory to the Attorney General in the amount of \$500,000. Further, the travel promoter would be required to submit a list to the Attorney General of names and addresses of the promoter's selling agents. In lieu of the deposit of cash or securities, the promoter may give a surety bond. The monies deposited by the promoter would be used to provide restitution to consumers in the event the promoter could not furnish the services he advertises.

I wish to point out that the definition of travel promoter has been specifically tailored to touch only the scam artists. The definition would not include air carriers, sea

carriers, an officially appointed agent of an air carrier who is a member in good standing of the Airline Reporting Corporation (your local travel agent), non-profit tax exempt organizations such as alumni associations, or those who sell primarily ground transportation.

This bill is a front line defense for Kansans against travel scam artists. Unfortunately, by the time a consumer realizes he has been the victim of a travel scam, these boiler rooms have closed. Refunds are virtually impossible. However, with this bill, immediately after an unregistered scam artist begins sending postcards to Kansas consumers, the Attorney General would be able to seek the relief granted under the Consumer Protection Act to stop further promotions until such time as the promoter complied with the law. This would enable the Attorney General to stop these travel scams before Kansas consumers are bilked of their hard earned monies.

We would like to point out that exemption #5 in lines 44 and 45 for the National Tour Association should be removed. It may not be appropriate to exempt a specific association, as it may be an unlawful delegation of legislative authority.

Thank you.

MEMORANDUM

TO: The Honorable Edward F. Reilly, Chairman
Senate Committee on Federal and State Affairs

FROM: Mark E. Wettig
Special Assistant to the Secretary

DATE: February 7, 1989

SUBJECT: Senate Bill 86, As Introduced

I appreciate the opportunity to appear before you today in support of legislation requested by the Department of Revenue. Senate Bill 86 is the result of a Department recommendation to amend the administrative appeal process for liquor violations.

BACKGROUND

Anytime the Director of the ABC issues an order denying, suspending or revoking a license or assessing a civil monetary penalty, the Director's order may be appealed to the Secretary of Revenue. There were 9 appeal cases heard by the Secretary in Calendar Year 1988 and 3 thus far this year. K.S.A. 41-321 requires the Secretary to hold a hearing within 30 days of the date of filing of the appeal. The schedules of the Secretary, ABC's Assistant Attorney General, the appellant, the appellant's attorney, the court reporter and all witnesses must be coordinated within this 30-day period.

WHY RECOMMENDATION WAS MADE

The Department proposed amending K.S.A. 41-321 in order to allow a scheduled hearing to occur despite an emergency type situation which would prevent the Secretary from attending. The amendment would also have the effect of allowing the Secretary to excuse himself due to a conflict of interest, either on his own motion or that of the appellant's counsel.

I would be happy to answer any questions which you may have.

SF & SA
2-7-89
Attachment 2



TESTIMONY

BEFORE

THE SENATE FEDERAL AND STATE AFFAIRS COMMITTEE

ON

SENATE BILL 86

Mr. Chairman, Members of the Committee:

Kansas Beer Wholesalers Association appears today in support of Senate Bill 86 as a further modification of changes made in Kansas laws by 1987 Substitute for Substitute for Senate Bill 141, commonly known as "liquor by the drink." We would like to propose an additional amendment for Senate Bill 86 concerning bonding of spirits, wine, and beer wholesalers.

During the debate on Senate Bill 141 this committee discussed the bonding provisions. It was my understanding at that time that the committee intended to consolidate all bonds into one bond for wholesalers for licensure and taxation. What actually happened was wholesalers became covered by K.S.A. 41-317, which requires a \$2,000 or \$15,000 bond; K.S.A. 41-409, which requires a beer wholesaler to provide a bond of \$5,000 or three times the highest months excise tax liability; and K.A.R. 14-7-4, which requires spirits wholesalers to provide a bond in the amount of one time the highest months tax liability, but not less than \$15,000. The regulation is supported by K.S.A. 41-501, which gives the director the authority to require a bond.

As you well know, in the insurance industry times have changed and bonds have become increasingly difficult to secure.

Testimony before the Senate Federal and State Affairs
Committee on Senate Bill 86
February 7, 1989

What once was a \$25.00 bond now costs in excess of \$450.00.

One KBWA member, because of the statute requiring three times his highest monthly tax, will have to provide a bond of \$250,000 at a cost of \$2,500 annually, plus face the requirement of a complete annual accountant's audit. The requirement by the insurance companies that a firm be audited on an annual basis is estimated to cost \$50,000 per year.

We certainly see the need to provide the state the security of a performance bond. However, to my knowledge since wholesalers were legal in this state in 1937, a bond has never been collected. It is our recommendation, in order to simplify what has become an extremely complicated process, that you require one bond for performance of \$15,000.

Thank you for the opportunity to present this request.

NW/km

K · A · N · S · A · S
WINE & SPIRITS
WHOLESALE ASSOCIATION, INC.

To: Senate Federal and State Affairs Committee
From: R.E. "Tuck" Duncan
Kansas Wine and Spirits Wholesalers Association
RE: Proposed amendment to SB86

We respectfully request that the committee amend SB86 to clarify the bonding requirements for beer, wine and spirits wholesalers. When the Liquor Control Act was revised in 1987 we believed that the matter of bond requirements was being simplified, yet rather it was made more complex.

There are three statutes and two regulations which affect this matter. The provision in the 1987 revision that was to simplify this area is found at K.S.A. 41-317 (Sec. 26, House Substitute for Substitute Senate Bill 141, attached). This states that only one bond is required in an amount equal to the highest applicable bond. This section also requires "payment of all taxes" as a condition to the bond.

K.S.A. 41-502 (not amended by 141) provides for a tax bond on spirits to be established by rule and regulation (see attached). The regulation establishing this bond is K.A.R. 14-7-4 (attached), provides for a bond equal to the highest month's liability. K.S.A. 41-409 provides for a beer bond equal to three times the highest month's beer tax liability. (attached) K.A.R. 14-7-8 refers to this same provision.

We believe that the bond as required in K.S.A. 41-317 is sufficient, and that the 1987 revisions intended that there be only one bond in the amounts set forth in the statute.

We propose that one (1) bond be required. That if it is to relate to the amount of tax collected, it be based on the average of collections for the prior calendar or license year, for each licensed premise. We believe this can be accomplished by repealing the provisions of K.S.A. 41-409 and 41-502 referenced above, with clarifying language being added to K.S.A. 41-317. The Department of Revenue can then modify K.A.R. 14-7-4 and 14-7-8 as necessary in accordance with the policy established by the Legislature.

Thank you for your attention to and consideration of this matter.

41-502. Collection and payment of tax; tax stamps or crowns; increased bond, when; procedure for paying tax on wine and brandy. Payment of the tax provided for in K.S.A. 41-501 and amendments thereto shall be evidenced by tax stamps or crowns to be

affixed to each original package of alcoholic liquor, except wine and brandy, for use in this state. It is the duty of each manufacturer and distributor at wholesale before delivery of any alcoholic liquor, except wine and brandy, to a licensed purchaser to affix a stamp or crown firmly to each original package at the rate of gallonage provided for in such section, in such amounts as the contents of each original package bears to one gallon, subject to all the conditions of K.S.A. 41-401 to 41-409, inclusive, and amendments thereto. The secretary of revenue may adopt rules and regulations pursuant to K.S.A. 41-210 and amendments thereto which: (a) require that such tax stamps or crowns be affixed to each original package of alcoholic liquor, except wine and brandy, at the place where such original package is manufactured or filled; (b) permit the cancellation of attached stamps or crowns by the distributor; and (c) permit credit or replacement to be issued to such distributor for stamps or crowns so canceled or destroyed.

In lieu of the affixture of stamps to each original package as the means of payment or evidencing payment of any of the taxes imposed by K.S.A. 41-501 and amendments thereto, the secretary of revenue may prescribe, by rules and regulations adopted pursuant to K.S.A. 41-210 and amendments thereto and designed to protect the revenue of this state, a method of reporting, paying and collecting such tax on any alcoholic liquors without the use of stamps. The rules and regulations also may provide for a distributor to file a bond greater in amount than that now prescribed by law, the exact amount to be fixed by the director as provided in such rules and regulations, conditioned on the distributor's compliance with the provisions of the act and payment of all taxes, fines and forfeitures which may be assessed against such distributor.

If the rules and regulations prescribe a method other than the affixture to original packages of alcoholic liquor of stamps or other visible evidence of the payment of such tax, the tax imposed upon such alco-

Sec. 26. On and after January 1, 1988, K.S.A. 41-317 is hereby amended to read as follows: 41-317. (a) Applications for all licenses under this act shall be upon forms prescribed and furnished by the director and shall be filed with the director in duplicate. Each application shall be accompanied by a state registration fee of \$50 for each initial application and \$10 for each renewal application to defray the cost of preparing and furnishing standard forms incident to the administration of this act and the cost of processing the application. Each application shall also be accompanied by a deposit of a certified or cashier's check of a bank within this state, United States post office money order or cash in the full amount of the license fee required to be paid for the kind of license applied for, which license fee shall be returned to the applicant if the application is denied. All registration fees shall be paid into the state treasury by the director and shall be credited to the state general fund. All license fees received by the director, including fees received for licenses to manufacture beer, regardless of its alcoholic content, shall be paid into the state treasury by the director and shall be credited to the state general fund.

(b) Every applicant for a manufacturer's, ~~alcoholic liquor distributor's~~, beer distributor's, nonbeverage user's, microbrewery, farm winery or retailer's license shall file with the application a joint and several bond on a form prescribed by the director and executed by good and sufficient corporate sureties licensed to do business within the state of Kansas to the director, in the following amounts:

- (1) For a manufacturer, \$25,000;
- (2) for an alcoholic liquor a spirits distributor, \$15,000;
- (3) for a beer or wine distributor or a retailer, \$2,000;
- (4) for nonbeverage users, \$200 for class 1, \$500 for class 2, \$1,000 for class 3, \$5,000 for class 4 and \$10,000 for class 5; and
- (5) for a microbrewery or a farm winery, \$2,000.

If a distributor holds or applies for more than one distributor's license, only one bond for all such licenses shall be required, which bond shall be in an amount equal to the highest applicable bond.

(c) All bonds required by this section shall be conditioned on the licensee's compliance with the provisions of this act and payment of all taxes, fines and forfeitures which may be assessed against the licensee.

holic liquor by K.S.A. 41-501 and amendments thereto shall be paid on or before the 15th day of the calendar month next succeeding the month in which the distributor acquires possession of such alcoholic li-

quors made taxable by the provisions of K.S.A. 41-501 and amendments thereto. The reporting and payment thereof within the time prescribed by this section and in the manner prescribed by the rules and regulations shall constitute a compliance with the provisions of K.S.A. 41-501 and amendments thereto. If the rules and regulations provide for a method of reporting, paying and collecting such tax on alcoholic liquors without the use of stamps, the director, in accordance with rules and regulations adopted by the secretary of revenue pursuant to K.S.A. 41-210 and amendments thereto prior to putting such method into effect, shall require each original container to be marked or identified in some distinctive manner to reflect that such original package was filled and first offered for sale in this state. On and after the effective date of the rules and regulations authorizing the payment of the tax as provided in this section, it shall not be unlawful for the holder of a retailer's license to receive or possess any alcoholic liquor in any original package upon which the stamps evidencing the payment of such tax are not affixed. In the case of wine and brandy, the tax imposed upon such wine and brandy by K.S.A. 41-501 and amendments thereto shall be paid on or before the 15th day of the calendar month next succeeding the month in which the distributor acquires possession of such wine and brandy made taxable by the provisions of such statute. The recording and payment thereof, within the time prescribed by this section and in the manner prescribed by the secretary of revenue, shall constitute compliance with the provisions of such statute. Notwithstanding any other provision of this act to the contrary, the affixture of stamps or crowns shall not be required, nor shall it be required that either the original package or shipping container of wine and brandy be marked in a distinctive manner to reflect that such original package or shipping container was filled and first offered for sale in this state.

Sec. 38. On and after January 1, 1988, K.S.A. 41-409, as amended by section 37 of this act, is hereby amended to read as follows: 41-409. (a) Before commencing or continuing business, every manufacturer or distributor of beer or cereal malt beverage, every beer distributor and every importer of beer shall file with the director a notice in writing, which states: (1) The name of the person, company, corporation or firm, (2) the name of the members of any such company or firm, (3) the places of residence of such persons, and (4) a legal description of the premises on which the office of the manufacturer or distributor is situated and of the title thereto and the name of the owner thereof; and (5) the geographic territory within which the distributor will distribute beer or cereal malt beverage to licensed retailers, clubs and drinking establishments. No manufacturer or distributor or other supplier of beer or cereal malt beverage shall enter into an agreement for the distribution of a brand of beer or cereal malt beverage with more than one distributor of beer or cereal malt beverage for all or any part of such geographic territory. Such geographic territory shall be the territory agreed upon by the manufacturer and the distributor and it may not be changed or modified without the written consent of all parties thereto. No supplier or distributor shall terminate or modify an agreement for the distribution of a brand of beer or cereal malt beverage or alter the geographic territory designated in an agreement unless such supplier or distributor files written notice thereof with the director not less than 30 days prior to the termination, modification or alteration. Upon receipt of such notice, the director shall notify immediately all affected parties of the impending termination, modification or alteration by certified mail. Any supplier or distributor aggrieved by a termination, modification or transferral made under this section may file an appropriate action in any district court of this state having venue, alleging that the termination, modification or transferral violates the agreement between the supplier and the distributor involved. There shall also be filed with such notice a verified copy of any contractual arrangement between the manufacturer and distributor, the importer and the distributor, and the distributor and the retailer, club or drinking establishment.

(b) Every such manufacturer or distributor of beer or cereal malt beverage and every beer distributor, on filing notice of the manufacturer's or distributor's intention to commence or continue business as required by this section, shall execute a bond to the state of Kansas to be approved by the director in a sum equal to three times the amount of the tax which, in the opinion of the director, such manufacturer or distributor will be liable to pay during any one month and in no event less than \$5,000 and conditioned that: (1) The manufacturer or distributor will pay, or cause to be paid the taxes or duties required to be paid the state of Kansas under the Kansas liquor control act on all beer or cereal malt beverage made or brewed or distributed by or for the manufacturer or distributor, before it is sold or removed for consumption or sale from the premises owned or controlled by the manufacturer or distributor in such manner and at such time as the director may prescribe pursuant to rules and regulations adopted under the Kansas liquor control act; (2) the manufacturer or distributor will keep, or cause to be kept, books and records and make reports in the manner and for the purposes specified by rules and regulations adopted under the Kansas liquor control act, which shall be open to inspection by the director and the proper agents of the direc-

tor; (3) the manufacturer or distributor will in all respects faithfully comply with all the requirements of the laws of the state of Kansas and the rules and regulations relating to the manufacture and distribution of beer and cereal malt beverage; and (4) the manufacturer or distributor will execute a new bond once in four years, or whenever required to do so by the director in the amount determined under this subsection, and conditioned as provided by this subsection, which bonds shall be in lieu of any former bond or bonds of such manufacturer or distributor in respect to all liability accruing after its approval by the director.

(c) The director may require under rules and regulations adopted as provided in this act that beer and cereal malt beverage be kept, received and withdrawn from bonded warehouses; as other alcoholic liquors are kept, received and withdrawn as provided under the Kansas liquor control act, whenever the director deems that the public interest demands.

(d) No beer or cereal malt beverage manufactured or distributed within this state shall be sold under the provisions of this act until the manufacturers or distributors of such beer or cereal malt beverage furnish satisfactory evidence to the director that such beer or cereal malt beverage is brewed from alcoholic fermentation of an infusion of pure hops or pure extract of hops, and pure barley malt or other wholesome grains or cereals, and wholesome yeast, and pure water, and are free from all harmful substances, preservatives and adulterants.

ARTICLE 7 - TAX; TAX STAMPS

14-7-8. Beer; manufacturer's contract and bond; reports. The director may enter into a contract with any beer manufacturer or supplier of beer who desires to do business in the state of Kansas. The contract shall extend to such manufacturer the privilege of paying the state of Kansas the tax as set forth by the Kansas liquor control act, as amended, in K.S.A. 1965 Supp. 41-501, and in the manner as provided by the rules and regulations of the director, in particular, 14-7-3. Nonlicensed manufacturers or suppliers of beer, in addition to entering in the contract shall submit a corporate surety bond issued by a company authorized to transact business in the state of Kansas, and in the sum as set forth in K.S.A. 41-409, on behalf of the state of Kansas for the payment of all taxes or duties required to be paid to the state of Kansas, and such bond shall be countersigned by a Kansas resident agent for the surety. All beer manufacturers or suppliers shall appoint an agent residing in Kansas, upon whom process may be served relating to any action growing out of this contract and to supply documentary evidence of the appointment of such agent to the director. The manufacturer shall make such monthly reports and in such form as required by the director. (Authorized by K.S.A. 41-211, 41-409, 41-505, K.S.A. 1965 Supp. 41-210, 41-501; effective Jan. 1, 1966.)

ARTICLE 7 - TAX; TAX STAMPS

14-7-4. Alcoholic liquor other than beer; payment of tax; penalty; bond required; credit. (a) The tax on alcoholic liquor, other than beer, as levied by the act and payable by a distributor, shall be paid by the distributor on or before the 15th day of the calendar month succeeding the month in which the distributor acquires possession of any alcoholic liquors upon which the tax has not been paid. The payment shall be by check and shall be accompanied by a report to the director, upon forms to be furnished by the director. The report shall show separately the exact total amount, in gallons or in fractions of gallons, of the following types of alcoholic beverages received by the distributor during the preceding month:

(1) Wine and other dilute alcoholic beverages containing 14% or less of alcohol by volume;

(2) Wine and other dilute beverages containing more than 14% of alcohol by volume; and

(3) Alcohol and spirits of more than 100 proof.

(b) Any sheriff who possesses alcoholic liquor, except beer, that is to be sold under an order of a court which has jurisdiction, and upon which the tax has not been paid, shall file a report, upon forms to be furnished by the director, that provides the description and the amount of all alcoholic liquors to be sold. The tax that is due and owing upon such liquor shall be paid out of the money received by the sheriff at the sale. The tax shall be remitted with the report, by cash, certified check, bank draft, post office or express money order.

(c)(1) In addition to the bond required by the act, every licensed distributor shall furnish a bond payable to the director for the term of the license of the distributor. The bond shall be in a penal sum fixed and in a form approved by the director, shall be executed by the distributor as principal and by a corporate surety authorized to do business in the state of Kansas as surety and shall be conditioned upon the payment of the tax and penalties imposed by the act and this section upon such distributor.

(2) Any distributor may furnish, in lieu of this required bond, one or more certificates of deposit, corporate stock certificates, revenue bonds, or similar forms of collateral in the required amount. Such collateral shall be deposited in an escrow account to be held by any recognized professional escrow agent. The escrow agreement shall be submitted upon a form provided by the director. All escrow agreements shall be subject to the director's approval.

(3) In fixing the amount of the bond, the director shall require a bond equivalent in amount to the distributor's estimated highest monthly tax liability. However, the total amount of the bond required to be given by the distributor shall not be less than \$15,000. The additional bond may be combined with the surety bond required by K.S.A. 41-317.

(d) No licensed distributor shall accept any money from a manufacturer or another distributor to be used for the payment of the tax on alcoholic liquors. No distributor or manufacturer shall advance any money to a licensed distributor for the purpose of paying that tax. (Authorized by K.S.A. 41-210; implementing K.S.A. 1983 Supp. 41-502; effective Jan. 1, 1966; amended Jan. 1, 1968; amended Jan. 1, 1973; amended Jan. 1, 1974; amended May 1, 1984; amended May 1, 1985.)