

SESSION OF 2006

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2955

As Amended by House Committee on
Federal and State Affairs

Brief*

HB 2955 would create the Flavored Malt Beverage Act. The bill would clarify that flavored malt beverage products, currently classified as liquor but taxed as malt beverages, would be classified and taxed as malt beverages. The bill also would impose a labeling requirement on flavored malt beverage products in compliance with federal rules and regulations.

The bill would amend the current statute that defines cereal malt beverage to include "flavored malt beverage" within the definition.

Background

The Kansas Department of Revenue has indicated that, in the absence of direction from the Kansas Legislature, it would tax flavored malt beverage products as liquor since these products may contain alcohol that was originally distilled and is part of the flavoring.

A representative of the Kansas Wine & Spirits Wholesalers Association, a representative of the Kansas Beer Wholesalers Association, and a representative of Diageo North America, Inc. testified in support of the bill at the Committee hearing.

There were no opponents of the bill who testified at the Committee hearing.

The House Committee amended the bill to include "flavored malt beverage" within the statutory definition of cereal malt beverage.

The Division of Budget prepared a fiscal note on HB 2955. HB 2955 and SB 590 contained identical language prior to the amendment by the House Committee. The Department of Revenue stated that the

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

passage of this bill would require revisions to tax publications and a notice of the changes to retailers at an estimated cost of \$4,000. However, these costs would be absorbed by the Department. This bill also would require modifications to the automated tax system. The required programming for this bill by itself would be performed by existing staff of the Department of Revenue. However, if the combined effect of implementing this bill and other enacted legislation exceeds the Department's programming resources, or if the time for implementing the changes is too short, expenditures for outside contract programmer services beyond the Department's current budget may be required.