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To: House Committee on Commerce, Labor and Economic Development

From: Eric Smith, Legal Counsel

Date: February 13, 2015

Re: Neutral testimony on HB 2200

Thank you for allowing the League of Kansas Municipalities to provide neutral testimony on HB 2200. The League does not have a position on the underlying policy of where alcohol is sold. We would, however, like to provide some information for you to consider, because the proposed changes in HB 2200 would impact how liquor is taxed and how money is distributed.

Currently, only cereal malt beverage products may be sold in grocery stores and convenience stores. Sales taxes are imposed on these products and the money is distributed as such. Package liquor stores, on the other hand, impose the liquor enforcement tax. A portion of these funds is distributed to cities and counties.

As grocery stores and convenience stores begin to sell alcoholic liquor as provided for in HB 2200, sales of cereal malt beverage products will decline and eventually end altogether. Because of this decline, cities and counties will lose the revenue they currently receive from the sales tax on cereal malt beverage products. To mitigate these losses, the proponents of HB 2200 have included a provision to establish the local cereal malt beverage sales tax fund. The bill provides that these funds will be distributed along with local sales tax distributions based upon a weighted population formula.

The League appreciates the creation of this fund. We have a concern, however, that if the funds become subject to appropriation, they could be used for other purposes. As HB 2200 is currently written, it appears that the funds are an automatic transfer and not subject to appropriation. The League requests that this language remain intact to ensure that those funds remain targeted for the purposes intended in this bill.

Thank you again for the opportunity to provide written testimony on HB 2200.