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# MEMORANDUM

**TO**: Senator Ralph Ostmeyer, Chairman, Senate Committee on Federal and State Affairs

**FROM**: Debbi Beavers, Interim Director of Kansas Alcoholic Beverage Control

**DATE**: 16 February 2016

**SUBJECT**: Neutral Testimony on House Bill 2467

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Mr. Chairman and members of the committee. Thank you for the opportunity to testify as neutral. ABC is not opposed to this bill but does have several technical concerns that are outlined below.

This bill introduces a definition of hard cider that is slightly inconsistent with the federal definition under the Alcohol and Tobacco Tax and Trade Bureau (TTB) because it specifies that sugar may be added to correct deficiencies. The ABC would support adopting the TTB definition for consistency.

The TTB also clearly classifies hard cider as wine and does not allow wine products to be manufactured on the premise of a brewery. A brewery could apply for and obtain a permit under the Internal Revenue Code (IRC) to manufacture hard cider under 7% alcohol by volume (ABV) and a Basic Permit from the TTB if they wish to manufacture wine 7% ABV or more, then the brewery would also have to apply and qualify for an alternating proprietorship with the TTB to allow a microbrewery to manufacture hard cider.

Currently, only a farm winery or wine manufacturer may produce hard cider as Kansas observes the TTB classification of the product as wine. This bill clarifies the definition of wine so farm wineries would continue to produce hard cider. Under current Kansas law, at least 30% of the agricultural products used by a farm winery must come from Kansas. Microbreweries do not have this requirement. Therefore, farm wineries would be operating at a distinct disadvantage in the production of hard cider since they must meet this requirement. A Kansas wine manufacturer does not have any Kansas agricultural requirement.

Kansas has many hard cider products that are manufactured by farm wineries and out-of-state manufacturers that are registered as light wine and are taxed as light wine at $0.30 per gallon.

This bill would become effective on January 1, 2017 and its publication in the statue book to remain consistent with the TTB.

Thank you Mr. Chairman for the opportunity to testify as neutral.