



Nick Jordan, Secretary
Debbi Beavers, Interim Director

Sam Brownback, Governor

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 Senate Bill 277

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). The ABC would support adopting the TTB definition for consistency.

The TTB also clearly classifies hard cider and mead as wine products 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. Manufacturing mead requires a Basic Permit.

Because the rights of the microbrewery would allow manufacturing hard cider and mead, all microbreweries would be required to obtain either the IRC permit or the TTB Basic Permit.

Currently, only a farm winery or wine manufacturer may produce hard cider as Kansas observes the TTB classification of the product as wine. Clarification of the definition of wine would be required to ensure that farm wineries could continue to product 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 upon publication in the statue book. To remain consistent with the TTB, ABC recommends the bill become effective upon publication in the statute book after January 1, 2017.

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