

SESSION OF 2016

**SUPPLEMENTAL NOTE ON SUBSTITUTE FOR SENATE
BILL NO. 277**

As Recommended by Senate Committee on
Federal and State Affairs

Brief*

Sub. for SB 277 would allow a microbrewery to manufacture and distribute not more than 100,000 gallons of hard cider. Under current law, microbreweries may manufacture only beer.

The bill would define "hard cider" as any alcoholic beverage that:

- Contains less than 8.5 percent alcohol by volume;
- Has a carbonation level that does not exceed 6.4 grams per liter; and
- Is obtained by the normal alcoholic fermentation of the juice of sound, ripe apples or pears, including such beverages containing sugar added for the purpose of correcting natural deficiencies.

The bill would require no less than 30 percent of products used by a microbrewery to manufacture hard cider be Kansas-grown products, except when a lesser proportion is authorized by the Director of Alcoholic Beverage Control (Director). This lesser proportion of Kansas-grown products would be authorized based on the Director's findings and judgment and would be determined based on the annual production of hard cider.

*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>

The bill also would amend the definition of “wine” to include hard cider and any other product commonly known as a subset of wine.

The bill would be effective on January 1, 2017, and after publication in the statute book.

Background

The Senate Committee deleted the original contents of SB 277 and inserted the contents of HB 2467, as amended by the Senate Committee, into a substitute bill.

SB 277 Background

SB 277 as introduced would have permitted microbreweries to manufacture and sell hard cider and mead (an alcoholic beverage created by fermenting honey with water and sometimes various fruit, spices, grains, or hops).

At the hearing before the Senate Federal and State Affairs Committee, Senator Wilborn appeared in support of the bill. The Interim Director of Alcohol Beverage Control (ABC), Division of Revenue, and a representative of the Kansas Craft Brewers Guild appeared as neutral on the bill.

The Senate Committee struck the original contents of the bill and inserted the contents of HB 2467, as amended by the Senate Committee. The Senate Committee then placed those contents into a substitute bill.

According to the fiscal note provided by the Division of the Budget on SB 277 as introduced, the Department of Revenue indicates enactment of the bill could potentially increase revenues from liquor taxes if a microbrewery chose to manufacture hard cider or mead, but any increase in revenues would be negligible.

HB 2467 Background

At the hearing before the House Federal and State Affairs Committee, Representative Todd and a representative of the Kansas Craft Brewers Guild appeared in support of the bill and testified there is a demand for Kansas-made hard ciders.

The Interim Director of ABC appeared as neutral on the bill. The conferee testified about concerns relating to the status of farm wineries if the bill is enacted and technical concerns regarding definitions in federal law.

The House Committee amended the bill by changing the definition of wine to include hard cider and any other product commonly known as a subset of wine. The House Committee also changed the effective date of the bill to January 1, 2017, and after publication in the statute book.

At the hearing before the Senate Federal and State Affairs Committee, Representative Todd and a representative of the Kansas Craft Brewers Guild appeared in support of the bill. The Interim Director of ABC appeared as neutral on the bill.

The Senate Committee amended the bill by adding a requirement that no less than 30 percent of products used by a microbrewery to manufacture hard cider be Kansas-grown products, except when a lesser proportion is authorized by the Director of ABC, based on Director's findings and judgment and determined based on the annual production of hard cider. The Senate Committee then inserted the amended contents of the bill into SB 277 and created a substitute bill.

According to the fiscal note prepared by the Division of the Budget on HB 2467 as introduced, the Department of Revenue estimates the bill has the potential to increase liquor enforcement and liquor excise taxes if a microbrewery does manufacture hard cider, but that any increase in revenue would be negligible.