

SESSION OF 2016

SUPPLEMENTAL NOTE ON SENATE BILL NO. 326

As Amended by House Committee on Federal
and State Affairs

Brief*

SB 326 would increase the amount of beer that could be manufactured with a microbrewery license, allowing production of between 100 and 60,000 barrels of domestic beer in a calendar year for each microbrewery license issued in the state. The bill also would specify that if a licensee has 10 percent or greater ownership interest in one or more entities that also hold a microbrewery license, the aggregate number of domestic barrels manufactured by all licenses under such common ownership could not exceed 60,000 barrels. Under current law, each license allows the production of between 100 and 30,000 barrels of beer in a calendar year.

The bill would specify that a microbrewery licensee that also is licensed as a club or drinking establishment could sell and transfer domestic beer to that club or drinking establishment. Microbrewery licensees with 10 percent or greater ownership interest in one or more entities that also hold a microbrewery license would be allowed to manufacture and transfer domestic beer between the microbrewery licenses with common ownership for storage or sale.

Background

At the hearing before the Senate Committee on Federal and State Affairs, a representative of the Kansas Craft Brewers Guild appeared in support of the bill. He testified that increasing the cap on microbrewery production would allow

*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 microbreweries in the state to continue growing as microbreweries, keeping jobs, production facilities, and income in the state. Written testimony in support of the bill was submitted by a representative of Tallgrass Brewing Company.

The Interim Director of the Division of Alcoholic Beverage Control, Department of Revenue, offered neutral testimony on the bill. She requested if the Legislature moves forward with the bill, production should not be increased beyond 60,000 barrels per year under a microbrewery license in the future.

No testimony in opposition to the bill was presented at the hearing.

The Senate Committee amended the bill by adding language specifying that if a licensee has 10 percent or greater ownership interest in one or more other microbrewery licenses, the aggregate number of domestic barrels manufactured by licensees under such common ownership could not exceed 60,000 barrels. The Senate Committee also amended the bill to specify that a microbrewery licensee that also is licensed as a club or drinking establishment could sell and transfer domestic beer to that club or drinking establishment. Another amendment added language stating that microbrewery licensees with 10 percent or greater ownership interest in one or more other microbrewery licenses would be allowed to manufacture and transfer domestic beer between those microbreweries licenses for storage or sale.

At the hearing before the House Committee on Federal and State Affairs, a representative of the Kansas Craft Brewers Guild testified in support of the bill. The Interim Director of Alcohol and Beverage Control, Department of Revenue, presented neutral testimony on the bill. No testimony in opposition to the bill was presented at the hearing.

The House Committee amended the bill to clarify that the 60,000 barrel limit would apply to licensees who have a 10 percent or greater ownership interest in one or more entities that also hold a microbrewery license, rather than a 10 percent or greater ownership interest in one or more microbrewery licenses. The House Committee also amended the bill by adding language that would allow licensees with 10 percent or greater ownership interest in one or more entities that also hold a microbrewery license to manufacture and transfer domestic beer among such microbrewery licenses with common ownership for storage or sale.

According to the fiscal note prepared by the Division of the Budget, the Department of Revenue estimates the bill, as introduced, could potentially raise liquor gallonage tax receipts. However, the Department of Revenue does not have data on the number of additional barrels above 30,000 that microbreweries might produce, so it cannot provide a precise estimate of the amount of additional tax receipts that may result from the changes proposed in the bill. Any fiscal effect associated with the bill is not reflected in *The FY 2017 Governor's Budget Report*.