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LEGISLATURE *of* THE STATE *of* KANSAS
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MEMORANDUM

To: Chairman Estes and Members of the Committee on Federal and State Affairs
From: Matt Sterling, Assistant Revisor of Statutes
Date: February 28, 2018
RE: House Bill 2502

HB 2502 amends the Cereal Malt Beverage Act and the taxation of the sale of cereal malt beverages. Under current law, the sale of beer containing no more than 6% alcohol is subject to the 8% liquor enforcement tax, but not retail sales tax when sold at a liquor store. Cereal malt beverages containing no more than 3.2% alcohol are only subject to the state and local retail sales tax when sold. Last session, legislation was passed that allows CMB licensees, starting on April 1, 2019, to sell beer containing no more than 6% alcohol by volume. HB 2502 would subject cereal malt beverage licensees to state and local taxes instead of the state liquor enforcement tax for sales of beer containing no more than 6% alcohol by volume.

The bill would place CMB licensees under the oversight of the Director of the Alcoholic Beverage Control (ABC) Division. The Director would be permitted to impose a fine of up to \$1,000 for each violation of the Cereal Malt Beverage Act. All money collected from fines would be deposited in the State General Fund.

The bill would clarify the market impact study required to be conducted by the director. Under current law, after 10 years, the director is required to conduct a market impact study of the sale of beer containing no more than 6% alcohol by volume and submit the report to the legislature prior to the adjournment of the 2029 session. The bill would clarify that this market impact study would be conducted based on information available to the director.

Under current law, each applicant for a retailer's license or renewal of a license is issued a state stamp by the director after submitting an application and paying a fee. The bill would clarify that the director may refuse to issue a stamp if the applicant or licensee is not current in the payment of any fines imposed by the director relating to such license or a license previously issued pursuant to Cereal Malt Beverage Act, the Kansas Liquor Control Act or the Club and Drinking Establishment Act.