

KANSAS ASSOCIATION OF BEVERAGE RETAILERS

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Testimony to support HB 2502

Chairman Bud Estes and members of the Senate Federal and State Affairs Committee –

In April 2017, the Kansas Association of Beverage Retailers (KABR) endorsed House Substitute for SB 13, now known as the Beer Compromise. There were many reasons for the compromise proposal, but the strongest was to retain the clear State priority for the safe and efficient regulation of the sale of alcoholic liquor and the role of the independent liquor store as the retailer of higher alcohol beer and wine and spirits.

At that time, we believed that some details of the plan might require follow-up legislation. During the interim, representatives of KABR participated in meetings facilitated by the Division of Alcoholic Beverage Control to develop rules and regulations and possible cleanup language.

Support State Authority and Scope of Ten-Year Report

The Kansas Association of Beverage Retailers (KABR) respectfully supports language to further clarify the authority of the Division of Alcoholic Beverage Control to enforce the legislation and the language defining information to be included in the ten-year impact report to the Legislature.

Neutral on Sales Tax

KABR is neutral on the tax policy established in HB 2502. As many of you will recall, cereal malt beverage is currently subject to sales tax while strong beer is subject to the 8% enforcement tax. How the tax will be levied has a fiscal impact on the State, cities and counties. It also has an impact on the competitive price of the product at retail.

As a result, the retailers across the state have differing opinions on the question of how the product should be taxed.

Therefore, KABR is neutral on the tax policy established in HB 2502, but reserves the option to change that position if there are amendments.

Background: Contents of the 2017 Compromise

Beginning April 1, 2019 –

- CMB retailers will sell beer up to 6 percent alcohol by volume,
- Liquor retailers may sell all current beer, wine, and spirits products plus cereal malt beverage,
- Liquor retailers may sell other products up to 20% of gross sales,
- Liquor retailers may sell tobacco products and lottery tickets, except that the sale of tobacco

products and lottery shall not be included in the 20% limitation,

- The Division of Alcoholic Beverage Control will enforce the law in both retail environments,
- The Division of Alcoholic Beverage Control will issue an impact study ten years after implementation to report the market impact of the law change,
- The Uncork proponents agree that ten years will be a reasonable time to measure the impact on the industry without further legislation to expand the locations where liquor products are sold,
- Statutes and regulations are modified to include application of trade practice, nondiscrimination and price rules to CMB and liquor licensees,
- CMB retailers will continue to be licensed by cities and counties, liquor stores will continue to be licensed by the state,
- Distributors may require minimum orders for delivery, as well as retaining current definitions for CMB and beer for purposes of their franchise agreements,
- Kansas will retain the separate retail licenses for the sale of stronger alcohol products v. limited alcohol beer.

Today and after April 2019, the Kansas independently owned retail liquor stores are the state regulated off premise retailer of higher alcohol beer and all wine and spirits products. It is imperative that Kansas retain this important role for our independently owned Kansas retail liquor stores for the sake of public safety and for our small businesses.

It is unfortunate that Oklahoma and Colorado are moving away from this efficient and effective regulatory model.

We hope that legislators will fully understand the significance of this proposal and the tenuous agreement it represents.

Respectfully submitted by Amy Campbell, Executive Director

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