

Date: February 28, 2018

To: Senate Federal & State Affairs Committee

From: Erik Sartorius
Executive Director

Re: HB 2502 – Testimony in Support

Thank you for allowing the League of Kansas Municipalities to appear before the Committee and present testimony regarding House Bill 2502 on behalf of our member cities. HB 2502 corrects and clarifies a few elements of the “uncork” alcohol legislation passed in 2017. We are most focused on language clarifying taxation of “strong beer” when it is allowed to be sold in convenience and grocery stores in 2019.

Currently, when cereal malt beverage (CMB) is sold in grocery stores and convenience stores, both state and local option sales taxes are imposed upon CMB. Package liquor stores, on the other hand, collect the liquor enforcement tax imposed by the state and sales taxes are not levied.

Many expect grocery and convenience stores sales of CMB to fall or go away entirely when they are allowed to sell “strong beer” (containing not more than 6% alcohol by volume). Our concern has been that because of this, cities and counties will lose the revenue they currently receive from sales tax collected on CMB.

As changes to these alcohol laws were contemplated over the past several years, one point of agreement had always been that cities’ and counties’ revenues should not be harmed by the changes. However, last year’s legislation left “strong beer” sales at convenience and grocery stores subject to the liquor enforcement tax. Doing so will prevent local governments from collecting revenue on those sales.

Working with several parties over the past several months, the League believes HB 2502 contains a solution that essentially will allow all parties to act as they have been when the product sold has been CMB. Section 5, subsection (hhh) of HB 2502 clarifies that “strong beer” shall have state and local sales tax applied to it when sold by a CMB licensee. CMB licensees, who are used to remitting sales taxes, will continue to do so for “strong beer” as they have for CMB. Package liquor stores, meanwhile, will continue to collect the liquor enforcement tax.

The League supports HB 2502. We believe this legislation provides solutions and clarification to the few issues that have been raised since the passage of House Sub. for SB 13 last year. We ask the Committee to forward HB 2502 to the full Senate and recommend it for passage.