

MINUTES OF THE HOUSE FEDERAL AND STATE AFFAIRS COMMITTEE

The meeting was called to order by Chairman William Mason at 1:30 p.m. on February 9, 2004 in Room 313-S of the Capitol.

All members were present.

Committee staff present:

Russell Mills, Legislative Research Department  
Mary Torrence, Revisor of Statutes Office  
Dennis Hodgins, Legislative Research Department  
Rose Marie Glatt, Secretary

Conferees appearing before the committee:

Representative Stanley Dreher  
Tom Groneman, Executive Director, Alcoholic Beverage Control  
Amy Campbell, KS Association of Beverage Retailers  
Richard Cram, Director of Policy and Research, KS Dept. Of Revenue  
John Davis, KS Association of Beverage Retailers  
Rebecca Rice, Kansas Clubs and Associates  
Ron Hein, Kansas Restaurant & Hospitality Association  
Phil Bradley, Kansas Licenses Beverage Association

Others attending:

See Attached List.

Without objection, Representative Novascone introduced three bills. Two regarding the fairness in construction act for public and private works and the third relating to the bond requirement for public works contracts over \$40,000.

Without objection, Representative Brunk introduced two bills. The first bill would provide an extension to the 20 year time limit placed on environmental TIF districts and the financing of environmental TIF projects. The second recommends changes to the definition of conviction for purposes of sentencing for domestic battery.

**HB 2656 - Issuance of liquor retailer licenses in townships regardless of size**

Russell Mills, Legislative Research, briefed the Committee on the contents of the bill. **HB 2656** is an act concerning alcoholic liquor; relating to retail sales outside the corporate limits of cities. The bill would amend and repeal the existing section relating to townships having a population of more than 5,000.

**PROPONENTS:**

Representative Dreher, a prime sponsor of the bill, stated that the bill would allow liquor stores to keep their liquor license if they were located inside a township having a population less than 5,000 or an unincorporated city (Attachment 1). The Bill requires a resolution by the County Commissioners before a license could be issued.

Chairman Mason noted that the fiscal note on **HB 2656** was \$700 in 2005. The Department would have to revise its tax forms, however could absorb the cost within its existing resources.

Tom Groneman, Executive Director, Alcoholic Beverage Control, rose in support of the bill stating the agency had inadvertently issued off-premise licenses in townships that did not meet the population requirements (Attachment 2). Deleting the population requirement would allow them to renew the applications as they come due.

## CONTINUATION SHEET

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### OPPONENTS:

Amy Campbell, KS Association of Beverage Retailers, appeared in opposition to **HB 2656** (Attachment 3). KABR does not support changes to the liquor control act and suggests the Committee consider the following four points.

- The five licenses that were issued due to an agency oversight should be protected, not punished.
- The implications for cities which do not have liquor stores
- The cities which have elected to not allow the sale of packaged liquor would be faced with the possibility of a liquor store sitting just outside the city limits.
- The implications if local option Sunday sales are passed

She suggested that more research is needed to determine the full impact of the bill. Discussion followed regarding the ramifications of Sunday sales and the recourse of businesses that would be put out of business due to the agency's error.

The Chairman closed the hearing on **HB 2656**.

### **HB 2680 - Delinquent taxes precluding renewal of licenses under liquor control act and club drinking establishment act**

Russell Mills, Legislative Research, briefed the Committee on the contents **HB 2680**. It contains two policy changes, the first regarding the issuance of a license to anyone who is not current in the payment of all taxes imposed, and the second deals with the Club and Drinking Establishment Act regarding corporations organized under laws other than this state.

### PROPONENTS:

Richard Cram, Director of Policy & Research, testified on behalf of Secretary Joan Wagon. He introduced Laura Graham, Assistant Attorney General with ABC, Jeff Scott, Executive Manager of Compliance and Enforcement and Dedra Platt, Civil Tax Enforcement Manager for the Division of Taxation in attendance.

Mr. Cram explained that **HB 2680** was proposed to step up the department's tax compliance efforts, in order to minimize the amount of delinquent tax liability (Attachment 4). He gave examples of liquor licensee noncompliance citing that 16 states require some sort of tax clearance before issuing or renewing liquor licenses. He discussed the advantages to the department as well as licensees if the corporate applicant were no longer required to be organized under the laws of Kansas.

The fiscal effect would be negligible as the cost of issuing new or renewal liquor licenses could be absorbed within the agency's current budget. There is no anticipated fiscal effect to revenues because the amounts owed are already accounted for in the agency's budget.

He answered questions regarding the processes the Department followed, in their attempt to collect delinquent taxes including the notification procedure regarding delinquent taxes. In response to questions about the actual number of businesses that are or have been delinquent in their tax payments, Mr. Cram agreed to provide an upcoming report reflecting those figures. Currently there are 3,667 licensees in Kansas.

John Davis, Kansas Association of Beverage Retailers, stated that KABR supports the collection of tax revenues, however he questioned why **HB 2680** only targets liquor stores. There does not seem to be a distinct reason for the oversight so they requested that all licensees be held to the same standard for the collection of taxes (Attachment 5).

### OPPONENTS:

## CONTINUATION SHEET

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Rebecca Rice, Legal Counsel, Kansas Clubs and Associates, expressed opposition to **HB 2680** stating that there is no evidence that supports identifying liquor licensees as more likely than other state licensees to fail to pay taxes owed (Attachment 6).

Ron Hein, Kansas Restaurant and Hospitality Association, stated that they support the concept of the bill, provided that the provisions of **HB 2680** are *only* applicable to the taxes on the business which operates a club or drinking establishment (Attachment 7). Attached was suggested language from SB 465( 2002) that would address that issue. He encouraged the legislature to apply similar standards for other business licensees of the state.

Technicalities of the bill were discussed and Mr. Cram stated that the intent of the bill was to collect delinquent sales and withholding taxes. They would be agreeable to clarifying language.

Philip Bradley, Executive Director, Kansas Licensed Beverage Association, raised three concerns on **HB 2680** (Attachment 8). Remedies that the Senators adopted to address those concerns were delineated in his testimony. He raised a technical question on page 5, lines 24-29 regarding the implied exemption of military and fraternal organizations from paying taxes.

The Chairman closed the hearing on **HB 2680**. The meeting adjourned at 2:55 p.m. The next meeting is February 12, 2004.