

Approved: Feb. 19, 1993  
Date

## MINUTES OF THE SENATE COMMITTEE ON FEDERAL AND STATE AFFAIRS

The meeting was called to order by Chairman Lana Oleen at 11:05 a.m. on January 21, 1993 in Room 254-E of the Capitol.

All members were present except: Sen. Gooch (excused)  
Sen. Hensley (excused)  
Sen. Jones (excused)

Committee staff present: Mary Galligan, Legislative Research Department  
Jeanne Eudaley, Committee Secretary

Conferees appearing before the committee:  
Jim Conant, Chief Administrative Officer, ABC  
Phil Wilkes, Attorney, ABC

Others attending: See attached list

Sen. Oleen opened the meeting by introducing pages participating in the International Exchange Students Program from the countries of Russia, Germany and Switzerland. She then introduced Jim Conant, who introduced ABC staff present. Mr. Conant gave an overview of the ABC (Attachment 1), which included a statutory history of the ABC and FY 92 accomplishments. He pointed out that ABC is the law enforcement arm of the Department of Revenue and that they provide training for other law enforcement officers. He also answered questions regarding bingo and the fact that Liquor Control Investigators are cross trained and are used in enforcement of bingo regulations. Committee staff requested statistics on bingo regulation. Mr. Conant referred to an organizational chart (Attachment 2) and discussed personnel in the department. He continued by referring to the Overview of the Kansas Liquor Industry (Attachment 3) and answering questions regarding licensing structure, 3.2 beer and on-premises, off-premise consumption. Sen. Oleen asked questions regarding license rates and how they compare with other states, and Mr. Conant related problems enforcing regulations with Class A Private Clubs (not-for-profit). He also state that Kansas' license rates are very reasonable and are a bargain at \$250 to \$500 per year and compare favorably with other states. He discussed tax structure on the distribution and sale of alcoholic beverages. In answer to a question regarding forfeiture, Mr. Conant stated that when there is a violation, the KBI makes the arrest; the ABC accesses the tax through tax warrants. He stated the KBI and the ABC work in a cooperative effort; they are not in competition.

Mr. Conant introduced Phil Wilkes, who presented bingo statistics (Attachment 4) and related tax collection information to the committee. Sen. Oleen asked the costs of bingo licenses, and Mr. Wilkes replied it costs \$25.00 per year and \$100 per year for a premises license. He stated there are no major problems with crime and enforcement of bingo, but they deal with minor infractions only.

Committee adjourned at 11:55.

GUEST LIST

COMMITTEE: Senate Federal & State Affairs

DATE: JAN. 21, 1993

| NAME (PLEASE PRINT) | ADDRESS  | COMPANY/ORGANIZATION                     |
|---------------------|----------|--|
| Jack DUNCAN         | Topeka   | KWSWA                                    |
| Jack West           | Topeka   | ABC                                      |
| Phil Wilkes         | "        | "  |
| BERNIE NURWOOD      | Lawrence | ABC                                      |
| Robert Engler       | Topeka   | ABC                                      |
| Jim Conant          | Topeka   | "  |
| Jim Farnsworth      | Topeka   | "  |
| Neal Whitaker       | Topeka   | Ks Beer Wholesaler                       |
| Ronald D. McKeigh   | Topeka   | Governor's Office of Drug Abuse Programs |
| Dave Schneider      | Topeka   | KFLAIB                                   |
| Jennifer Hordor     | Emporia  | Anten-Sn-Hardley                         |
| MICHELLE ROIFE      | TOPEKA   | sen Boock (Lindell)                      |
| FRANCES KASTNER     | "        | Ks Food Dealers ASSN                     |
| Rebecca Pin         | Topeka   | KRLDA                                    |
| John C. Peterson    | Topeka   | Arkansas Busch                           |
| Jim Cogges          | ST LOUIS | GRUPTKIP                                 |
| Walt Darling        | TOPEKA   | Ks Div. of Budget                        |
| John C. Bottenberg  | TOPEKA   | KWSWA                                    |
| STEVE KEARNEY       | "        | PETE MCGILL ASSN                         |
| Lake I/Ted          | EP       | John E. Burt V. KSA                      |
|                     |          |  |
|                     |          |  |
|                     |          |  |
|                     |          |  |
|                     |          |  |

Attach. 1  
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PROGRAM TITLE: Division of Alcoholic Beverage Control (6400)

PROGRAM EXPLANATION:

The Alcoholic Beverage Control Program administers and enforces the Liquor Control Act, the Club and Drinking Establishment Act, the Cereal Malt Beverage and Malt Beverage Products Act and statutes relating to licensing and taxation of bingo games in Kansas. The Division promulgates policies and procedures; ensures an orderly market for the distribution and sale of alcoholic beverages; conducts effective field enforcement activities, including auditing and inspection of bingo licensees; collects gallonage taxes; and conducts administrative hearings on violations. The Division also houses the Department of Revenue's Criminal Tax Fraud Unit. This unit is responsible for investigating suspected illegal activity relating to the reporting and payment of drug, liquor, sales and other taxes collected by the Department. There are three subprograms: Division Administration, Licensing and Reporting, and Investigation and Inspection.

STATUTORY HISTORY:

- 1948 Kansas voters approved a constitutional amendment authorizing the Legislature to "regulate, license and tax the manufacture and sale of intoxicating liquor... (and) regulate the possession and transportation of intoxicating liquor." The amendment also provided that "the open saloon shall be and is hereby forever prohibited." Prohibition of the "open saloon" meant that the voters in effect approved the sale of packaged liquor in retail stores; but did not approve places to be open to the public that serve liquor-by-the-drink.
- 1949 Liquor Control Act. This Act authorized package sales of liquor in counties in which the amendment was approved by the voters and established a comprehensive system of regulating, licensing and taxing the sale of alcoholic liquor. The Alcoholic Beverage Control was created to enforce the Act.
- Retail package liquor prices were controlled with the first sales in 1949 and have continued to be regulated since. From 1949 to 1959, retail prices were controlled through an administrative regulation authorizing suppliers to set minimum prices.
- 1958 Successful court challenge of the method used to control retail package liquor prices.
- 1959 Minimum Liquor Price Law in 1959.
- 1961 Revision of the Minimum Liquor Price Law. Set guidelines for the ABC Board of Review to set minimum wholesale and retail prices.
- 1965 Private Club Licensing Act. After passage of the 1948 constitutional amendment, numerous questionable "private club" arrangements were created to serve liquor to club members and circumvent the prohibition on open saloons. This act authorized the consumption of alcoholic liquor on the premises of private clubs as consumption "in a place which the general public has no access," and placed a minimum membership fee and waiting requirement on private club members.
- 1979 Enactment of a bill authorizing private clubs to sell liquor-by-the-drink to their members and "bona fide guests." This law eliminated "liquor pools," which had to this point been the mechanism most private clubs used to dispense liquor. It also permitted class B (for profit) clubs deriving at least fifty percent of their gross receipts from the sale of food to enter into reciprocal membership agreements with each other.

Exclusive Franchise System. Kansas operated under an open wholesaling system in which exclusive distributorship arrangements between suppliers and wholesalers were prohibited. This system authorized franchise agreements giving one wholesaler

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the exclusive right to distribute a supplier's particular brand or brands in a specific geographic area. The System abolished the minimum price markup system for wholesalers.

- 1986 Voters approved a constitutional amendment authorizing the public sale of liquor-by-the-drink on a county-option basis.
- 1987 Revision of the Private Club Act, now known as The Club and Drinking Establishment Act. The Act called for the definition of several new license types, including a restructuring of the distributor licensing system. Funds were also made available for the creation of an audit section to monitor compliance with food sales requirements.
- 1991 Monthly and quarterly price posting requirements for suppliers and distributors were replaced by an annual brand registration system.

#### PROPOSED BUDGET YEAR OPERATIONS:

Proposed operations for FY 93 include a continuing emphasis on improved operating efficiency. Computerization of office operations and elimination of unnecessary procedures will allow Division resources to be more effectively targeted in the areas of tax fraud investigation and field enforcement contact with liquor licensees. Particular emphasis will be placed on investigation of drug tax violations, membership, sales to minors, and violations associated with on-premise liquor licensees.

#### LONG-TERM TRENDS

Recent experience indicates a need for increased investigative activity with regard to liquor violations and tax violations. The expected trend in relation to liquor violations is due to significant increases in taxes on alcoholic beverages at the federal level. The rise in tax rates provides additional incentive for licensees and non-licensees to attempt to conceal sales and profits to avoid the inflated price.

As the Criminal Tax Fraud Unit gains some success and publicity as a result of its efforts in the area of drug tax fraud, attempts by drug dealers to conceal profits from criminal activities will occur. Increased federal efforts in combatting drug traffickers will lead to rural areas experiencing heightened drug trafficking. This type of growth will require additional assistance from the Criminal Tax Fraud Unit to aid local law enforcement agencies with asset identification, the processing of information for the issuance of tax warrants and training for financial fraud investigation.

#### PROGRAM PURPOSE:

Enforce the Liquor Control Act, the Club and Drinking Establishment Act, the Cereal Malt Beverage and Malt Beverage Products Act and the Bingo laws found in article 47 of chapter 79 of the Kansas Statutes Annotated. Conduct criminal tax fraud investigations and related activity.

#### PROGRAM ACCOMPLISHMENTS:

##### **FY 92**

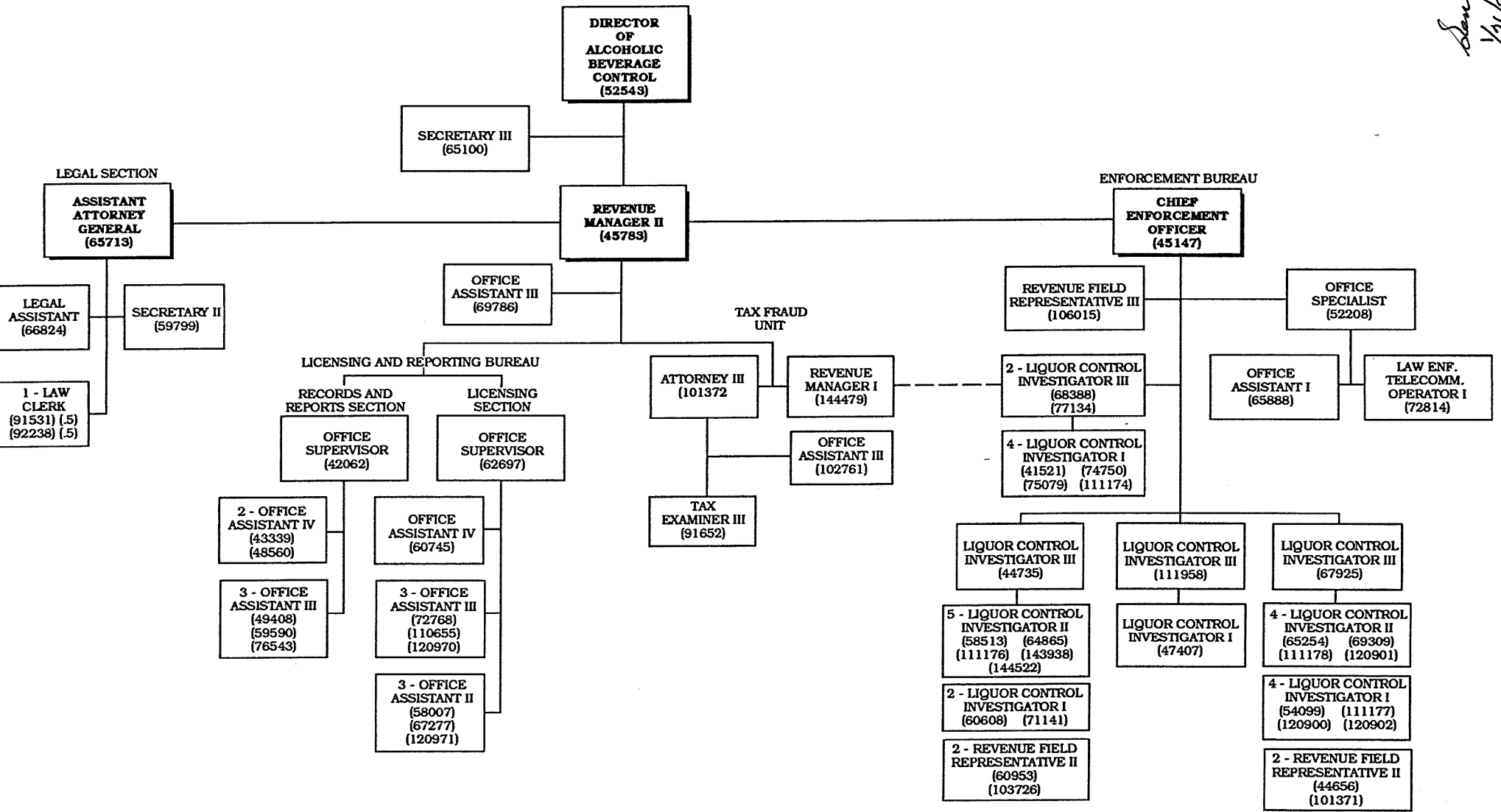
- Collected 18 gallonage taxes totalling \$16,111,020.
- Collected license, registration and related fees totalling \$2,045,165; posting and brand registration fees - \$173,820; and fines - \$153,110.

- Collected drug taxes totalling \$336,790 (47% increase over FY 91).
- Performed 19,758 law enforcement record checks.
- Conducted a total of 2,393 investigations in 95 Kansas counties.
- Performed 66 training and educational presentations to law enforcement and citizen groups.
- Maintained a booth at the Kansas State Fair for public awareness and education.
- Accomplished 7,037 on-site licensee inspections.
- Issued 216 Notices to Appear in Court to persons found in violation of law.

Attach. 2  
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**ORGANIZATION CHART**  
**KANSAS DEPARTMENT OF REVENUE**  
 Alcoholic Beverage Control Division (6400)  
 Fiscal Year 1993 Authorized  
 Division Administration (6401) 12 TOTAL POSITIONS  
 Licensing and Reporting (6462) 14 TOTAL POSITIONS  
 Investigation and Inspection (6463) 36 TOTAL POSITIONS





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*Attach. 3* *12/93*  
Kansas Department of Revenue  
Alcoholic Beverage Control Division

# Overview of the Kansas Liquor Industry

- ⇒ Product Flow
- ⇒ Licensing Structure
- ⇒ Tax Collections



*Sen. F. & S. A.*  
*12/93*  
*Att 3*

# **Flow of Alcoholic Beverage Products**



# DISTRIBUTION AND SALE OF PRODUCTS

## TYPES OF PRODUCTS

**Liquor** - Beer containing more than 3.2% alcohol by weight, spirits and wine. Establishments which sell liquor are licensed by the Alcoholic Beverage Control Division.

**Cereal Malt Beverage (CMB)** - Beer containing 3.2% or less alcohol by weight. Establishments which sell CMB are licensed locally.

## FLOW OF PRODUCTS

- |                    |  |
|--------------------|--|
| <b>Spirits</b>     | 1. Out-of-state supplier; 2. In-state distributor; 3. Retail liquor store; 4. Consumer <b>or</b> on-premise establishment.   |
| <b>Wine</b>        | 1. Out-of-state supplier; 2. In-state distributor; 3. Retail liquor store; 4. Consumer <b>or</b> on-premise establishment.   |
| <b>Strong Beer</b> | 1. Out-of-state supplier; 2. In-state distributor; 3. Retail liquor store; 4. Consumer <b>or</b> on-premise establishment.   |
| <b>Bulk Wine</b>   | 1. Out-of-state supplier; 2. In-state distributor; 3. Retail liquor store <b>or</b> on-premise establishment.  |
| <b>CMB</b>         | 1. Out-of-state supplier; 2. In-state distributor; 3. Locally licensed CMB retailer <b>or</b> state-licensed on-premise liquor establishment also holding local CMB license. |

## POINT OF CONSUMPTION

- |                    |   |
|--------------------|---|
| <b>On-Premise</b>  | Refers to licensed establishment where alcohol must be consumed on the premises. On-Premise outlets include drinking establishments, Class A & B Private clubs, Caterers and Hotel Drinking Establishments, which are all licensed by the ABC, as well as locally licensed taverns and restaurants which are licensed to sell 3.2 beer. |
| <b>Off-Premise</b> | Refers to licensed establishments where alcohol must be consumed away from the licensed premises. Off-Premise outlets include Retail Liquor Stores which are licensed by the ABC as well as locally licensed 3.2 beer package stores (e.g. convenience stores, grocery stores, and gas stations).                                       |

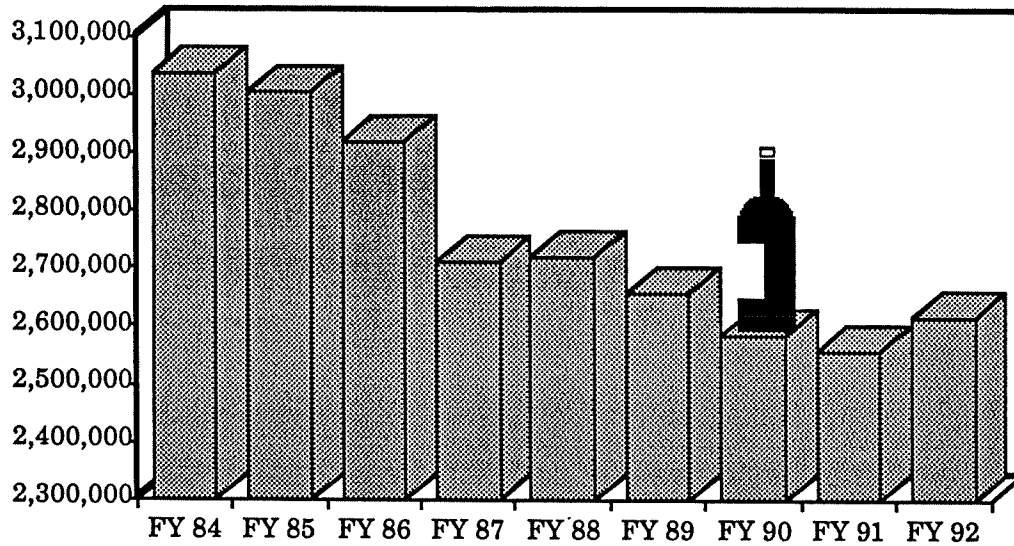
## Gallons of Alcoholic Beverages Shipped into Kansas

| Alcohol Type             | FY 84               | FY 85               | FY 86               | FY 87               | FY 88               | FY 89               | FY 90               | FY 91               | FY 92               | 9 Year<br>Trend |
|--------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-----------------|
| Spirits                  | 3,037,866           | 3,002,683           | 2,919,682           | 2,710,292           | 2,718,939           | 2,654,234           | 2,584,771           | 2,557,744           | 2,615,724           | -13.90%         |
| Fortified Wine           | 160,074             | 148,707             | 171,337             | 152,377             | 159,477             | 147,307             | 150,897             | 153,987             | 122,817             | -23.27%         |
| Light Wine               | 1,799,085           | 2,125,134           | 2,207,896           | 2,567,727           | 2,290,187           | 1,906,735           | 1,868,130           | 1,864,873           | 1,919,016           | 6.67%           |
| Strong Beer              | 22,324,246          | 21,978,266          | 23,130,470          | 24,534,916          | 26,092,762          | 29,492,634          | 30,035,550          | 32,082,816          | 33,099,056          | 48.27%          |
| 3.2 Beer                 | 28,474,112          | 28,203,908          | 25,678,264          | 23,799,929          | 19,833,758          | 18,445,885          | 17,667,211          | 17,211,138          | 16,367,011          | -42.52%         |
| <b>Gallonage Revenue</b> | <b>\$17,298,150</b> | <b>\$17,288,570</b> | <b>\$16,567,205</b> | <b>\$16,360,604</b> | <b>\$16,170,785</b> | <b>\$15,947,018</b> | <b>\$15,772,037</b> | <b>\$15,942,224</b> | <b>\$16,111,020</b> | <b>-6.86%</b>   |
| Alcohol Type             | % Chng 84           | % Chng 85           | % Chng 86           | % Chng 87           | % Chng 88           | % Chng 89           | % Chng 90           | % Chng 91           | % Chng 92           |                 |
| Spirits                  | 0.51%               | -1.16%              | -2.76%              | -7.17%              | 0.32%               | -2.38%              | -2.62%              | -1.05%              | 2.27%               |                 |
| Fortified Wine           | -6.31%              | -7.10%              | 15.22%              | -11.07%             | 4.66%               | -7.63%              | 2.44%               | 2.05%               | -20.24%             |                 |
| Light Wine               | 3.47%               | 18.12%              | 3.89%               | 16.30%              | -10.81%             | -16.74%             | -2.02%              | -0.17%              | 2.90%               |                 |
| Strong Beer              | -1.57%              | -1.55%              | 5.24%               | 6.07%               | 6.35%               | 13.03%              | 1.84%               | 6.82%               | 3.17%               |                 |
| 3.2 Beer                 | 2.94%               | -0.95%              | -8.95%              | -7.31%              | -16.66%             | -7.00%              | -4.22%              | -2.58%              | -4.90%              |                 |

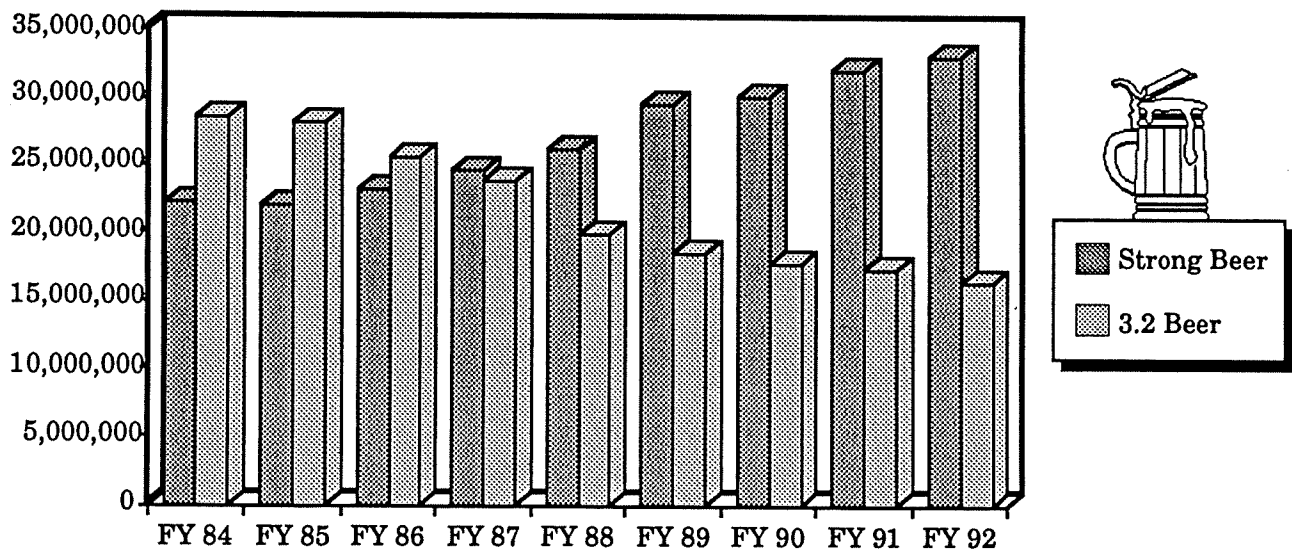
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# Gallons of Spirits and Beer Shipped into Kansas

## Spirits

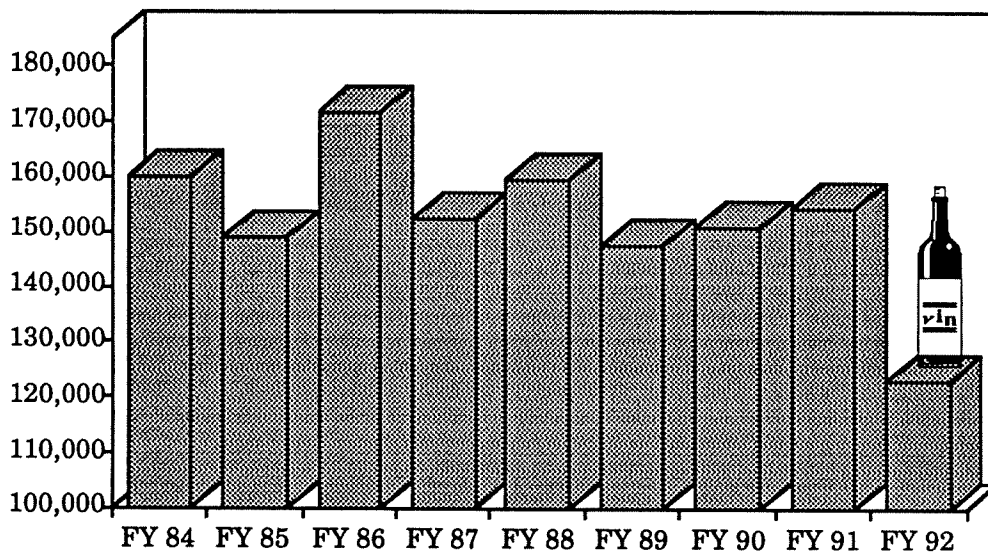


## Beer

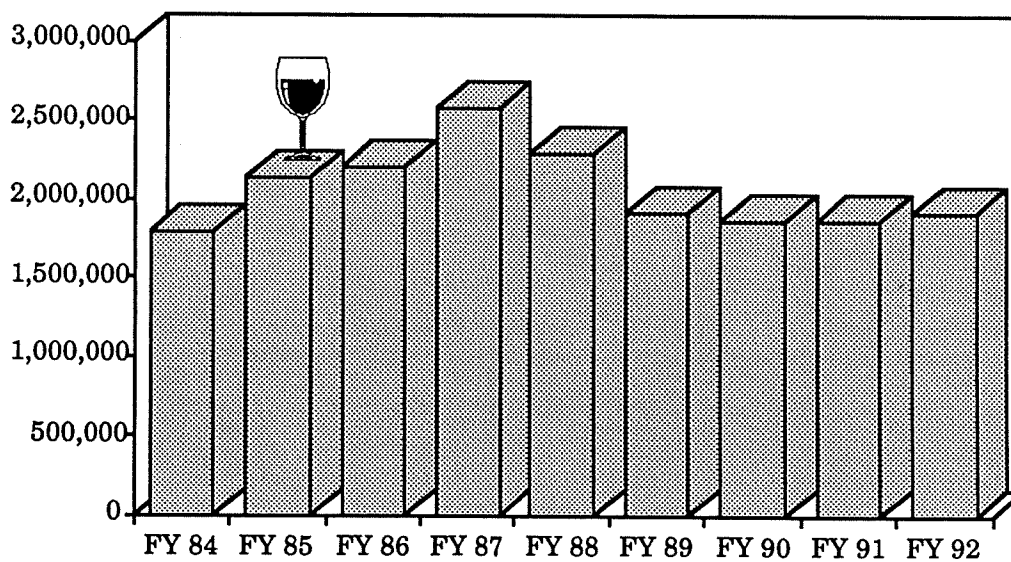


# Gallons of Wine Shipped into Kansas

## Fortified Wine



## Light Wine



# Licensing Structure



# LICENSING OF ALCOHOLIC BEVERAGE OUTLETS

## TYPE OF LICENSES

**Manufacturer** - May store and sell alcoholic beverages to distributors and to nonbeverage users. Fee: \$2,500 to manufacture spirits, \$500 to manufacture wine and \$200 to \$1,600 to manufacturer beer, depending on daily capacity.

**Spirits Distributor** - May purchase, import and store spirits. Spirits may be sold to:

- retail liquor stores
- other spirits distributors

Fee: \$1,000

**Wine Distributor** - May purchase, import and store wine. Wine may be sold to:

- retail liquor stores
- on-premise establishments if wine is sold in bulk containers which individually exceed 20 liters
- other wine distributors

Fee: \$1,000

**Beer Distributor** - May purchase, import and store 3.2 beer and strong beer. 3.2 beer may be sold to:

- other beer distributors
- private clubs, drinking establishments and CMB retailers

Strong beer may be sold to:

- retail liquor stores
- private clubs, drinking establishments and caterers
- other beer distributors

Fee: \$1,000

**Retail Liquor (Store)** - May sell spirits, wine, strong beer and cereal malt beverage less than 0.5% alcohol by weight in the original package to the general public for consumption away from the premises. No other products may be sold except for authorized lottery tickets and shares. Alcoholic products may also be sold to on-premise establishments. Deliveries are allowable to on-premise establishments located within the same county or an adjacent county in which the retailer is located. Products may not be delivered to consumers or temporary permit holders.

Fee: \$250.

Hours: 9 a.m. to 11 p.m. Monday through Saturday. Cannot sell liquor on Memorial Day, Independence Day, Labor Day, Thanksgiving Day or

Christmas Day or on the day of any national, state, county or city primary or general election during polling hours.

**Farm Winery** - May manufacture and sell wine in the original unopened package to consumers for consumption off the premises. Wine may also be sold to:

- wine distributors
- retail liquor stores
- private clubs, drinking establishments and caterers

Samples may be served for consumption on the premises if the farm winery is located within a liquor-by-the-drink county.

Fee: \$250

Hours: 6 a.m. to midnight Monday through Saturday and noon to 6 p.m. on Sunday.

Maximum Production Limit: 50,000 barrels per year.

A farm winery licensee may also obtain a drinking establishment license, if located within a liquor-by-the-drink county, or private club license. A farm winery licensee may hold a maximum of two winery outlet licenses, allowing for consumer sales and samplings at premises other than the winery.

**Microbrewery** - May manufacture, store and sell beer containing not more than 8 percent alcohol by weight, in the original unopened package to consumers for consumption off the premises. Beer may also be sold to beer distributors and caterers. Samples may be served for consumption on the premises if the microbrewery is located within a liquor-by-the-drink county.

Fee: \$250

Hours: 6 a.m. to midnight Monday through Saturday and noon to 6 p.m. on Sunday.

Minimum Production Limit: 100 barrels per year.

Maximum Production Limit: 5,000 barrels a year.

A microbrewery licensee may also obtain a drinking establishment license, if located within a liquor-by-the-drink county, or private club license.

**Class A Private Club** (not for profit) - May sell and serve alcoholic beverages to members, their families and guests accompanying them for consumption on the premises. Class A private clubs may enter into reciprocal agreements.

Fees:

- |  |         |
|--|---------|
| • Fraternal or War Veterans              | \$250   |
| • Social Club with 500 or less members   | \$500   |
| • Social Club with more than 500 members | \$1,000 |

Hours: 9 a.m. to 2 a.m. daily.

**Class B Private Club** (for profit) - May sell and serve alcoholic beverages to members and guests of members for consumption on the premises. If the food sales of a club comprises 50% of its total food and beverage sales, the

licensee may enter into reciprocal agreements with other such class B clubs. An applicant for a membership must pay a fee of at least \$10 and wait at least 10 days before being given a membership.

Fee: \$1,000

Hours: 9 a.m. to 2 a.m. daily.

**Drinking Establishment** - May sell and serve alcoholic beverages to the general public for consumption on the premises. Voters of county must first vote to allow liquor-by-the-drink.

Minimum Food Requirement: 30% of total food and beverage sales unless county votes to eliminate requirement.

Fee: \$1,000

Hours: 9 a.m. to 2 a.m. daily.

**Caterer** - May sell and serve spirits, wine and strong beer for consumption on unlicensed premises to the general public. Voters of county must first vote to allow liquor-by-the-drink.

Minimum Food Requirement: 30% of total food and beverage sales unless county votes to eliminate requirement.

Fee: \$500.

Hours: 6 a.m. to 2 a.m. daily.

**Temporary Permit** - May sell and serve spirits, wine and strong beer for consumption on unlicensed premises to the general public. Event cannot last longer than 3 days. No more than 4 permits can be issued to the same person or organization in a 12-month period. Voters of county must first vote to allow liquor-by-the-drink.

Fee: \$25 per day.

Hours: 9 a.m. to 2 a.m. daily.

**Cereal Malt Beverage Off-Premise Retail** - (Issued by city or county) May sell beer containing 3.2% alcohol by weight or less in the original package to the general public for consumption away from the premise.

Fee: Set by city or county, minimum: \$25; maximum: \$200.

Hours: 6 a.m. to midnight Monday through Saturday.

**Cereal Malt Beverage On-Premise Retail** - (Issued by city or county) May sell and serve beer containing 3.2% alcohol by weight or less to the general public for consumption on the premises.

Fee: Set by city or county, minimum: \$25; maximum: \$200.

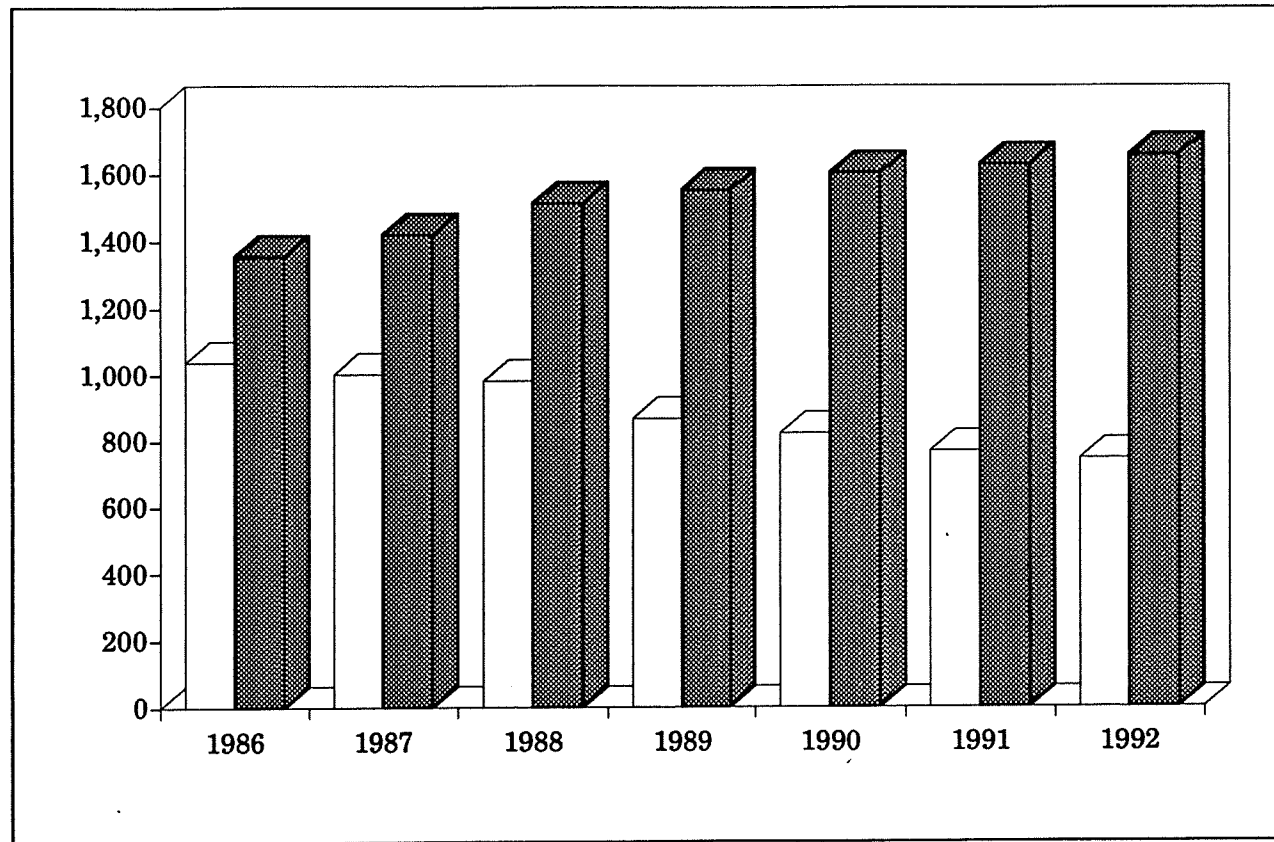
Hours: 6 a.m. to midnight Monday through Saturday. Sunday sales are prohibited unless the local unit of government allows it for establishments which maintain 30 % of their food and beverage sales in the sale of food and beverages.

## ALCOHOLIC BEVERAGE LICENSING

| LICENSE TYPE                          | FY 1986 | FY 1987 | FY 1988 | FY 1989 | FY 1990 | FY 1991       | FY 1992 |
|---------------------------------------|---------|---------|---------|---------|---------|---------------|---------|
| <b>ON-PREMISE ESTABLISHMENTS</b>      |         |         |         |         |         |               |         |
| Class A Private Clubs                 | 399     | 399     | 391     | 379     | 376     | 376           | 375     |
| Class B Private Clubs                 | 955     | 1,020   | 525     | 443     | 405     | 405           | 384     |
| Drinking Establishments               | •       | •       | 545     | 674     | 770     | 789           | 842     |
| Caterers                              | •       | •       | 4       | 8       | 6       | 6             | 5       |
| Hotels                                | •       | •       | 28      | 26      | 23      | 30            | 24      |
| Drinking Establishment/Caterers       | •       | •       | 15      | 19      | 16      | 15            | 16      |
| Hotel/Caterers                        | •       | •       | 4       | 4       | 6       | 6             | 9       |
| TOTAL                                 | 1,354   | 1,419   | 1,512   | 1,553   | 1,602   | 1,627         | 1,655   |
| Percent Change                        | 3.6%    | 4.8%    | 6.6%    | 2.7%    | 3.2%    | 1.6%          | 1.7%    |
|                                       |         |         |         |         |         | 1986 to 1992: | 22.2%   |
| <b>OFF-PREMISE ESTABLISHMENTS</b>     |         |         |         |         |         |               |         |
| Retail Liquor Stores                  | 1,037   | 1,002   | 982     | 868     | 824     | 769           | 747     |
| Percent Change                        | -4.4%   | -3.4%   | -2.0%   | -11.6%  | -5.1%   | -6.7%         | -2.9%   |
|                                       |         |         |         |         |         | 1986 to 1992: | -28.0%  |
| <b>3.2 Beer City/County Licensees</b> | •       | •       | 437*    | 4,812   | 4,372   | 4,283         | 4,135   |
| <b>DISTRIBUTORS</b>                   |         |         |         |         |         |               |         |
| Spirits                               | •       | •       | 9       | 8       | 9       | 9             | 8       |
| Wine                                  | •       | •       | 43      | 33      | 15      | 12            | 10      |
| Beer                                  | •       | •       | 59      | 56      | 55      | 54            | 54      |
| Liquor                                | 10      | 9       | •       | •       | •       | •             | •       |
| Strong Beer                           | 65      | 62      | •       | •       | •       | •             | •       |
| 3.2 Beer                              | 54      | 48      | •       | •       | •       | •             | •       |
| <b>OTHER</b>                          |         |         |         |         |         |               |         |
| Microbrewery                          | •       | •       | 0       | 1       | 1       | 1             | 1       |
| Farm Winery                           | 0       | 0       | 0       | 2       | 2       | 2             | 2       |
| Alcohol/Spirits Manufacturers         | 1       | 1       | 1       | 1       | 1       | 1             | 1       |
| Non-Beverage Users                    | 8       | 11      | 10      | 7       | 6       | 6             | 6       |
| Bonded Warehouses                     | 1       | 1       | 1       | 1       | 1       | 1             | 1       |

\* Included only new licensees

## Number of Retail-Level Liquor Licensees



□ Retail Liquor Stores  
■ On-Premise Establishments







# **Taxation on Alcoholic Beverages**

# TAXES ON THE DISTRIBUTION AND SALE OF ALCOHOLIC OF BEVERAGES

**Gallonage Tax** - Paid by in-state manufacturer, microbrewery or farm winery as product is produced or distributor as product is received from out-of-state supplier.

**RATES:**

- Spirits \$2.50
- Fortified Wine \$0.75 (wine containing more than 14% alcohol by volume)
- Light Wine \$0.30 (wine containing 14% or less alcohol by volume)
- Strong Beer \$0.18
- 3.2 Beer \$0.18

**DISTRIBUTION:** Tax on fortified wine, light wine, strong beer and 3.2 beer are all distributed exclusively to the State General Fund. The tax on spirits is allocated 90% to the State General Fund and 10% to the Community Alcoholism and Intoxication Programs Fund (SRS).

**DUE:** On the 15th day of the month following the month in which the product was imported into the state or manufactured in the state.

**Liquor Enforcement Tax** - Paid by retail liquor (store) licensees on the gross receipts from the sale of liquor (spirits, wine and strong beer). This tax is in lieu of the Retailer's Sales Tax.

**RATE:** 8%.

**DISTRIBUTION:** 100% to the State General Fund.

**DUE:** On the last day of each month for the prior month's collections of the tax by the licensee.

**Liquor Drink Tax** - Paid by drinking establishment, caterer, and private club licensees and temporary permit holders on the gross receipts from the sale of all alcoholic beverages. This tax is in lieu of the Retailer's Sales Tax.

**RATE:** 10%.

**DISTRIBUTION:** 25% to the State General Fund, 5% to the Community Alcoholism and Intoxication Programs Fund (SRS) and 70% to the Local Alcoholic Liquor Fund. The State Treasurer makes quarterly distributions to cities and counties from the Local Alcoholic Liquor Fund. Of the moneys distributed to cities and counties, one-third must be deposited in the local general fund, one-third in the local parks and recreation fund, and one-third in the local special alcohol and drug programs fund. For cities with populations of 6,000 or less, the one-third for the special alcohol and drug programs fund is distributed to the appropriate county and deposited in the county's alcohol and drug programs fund.

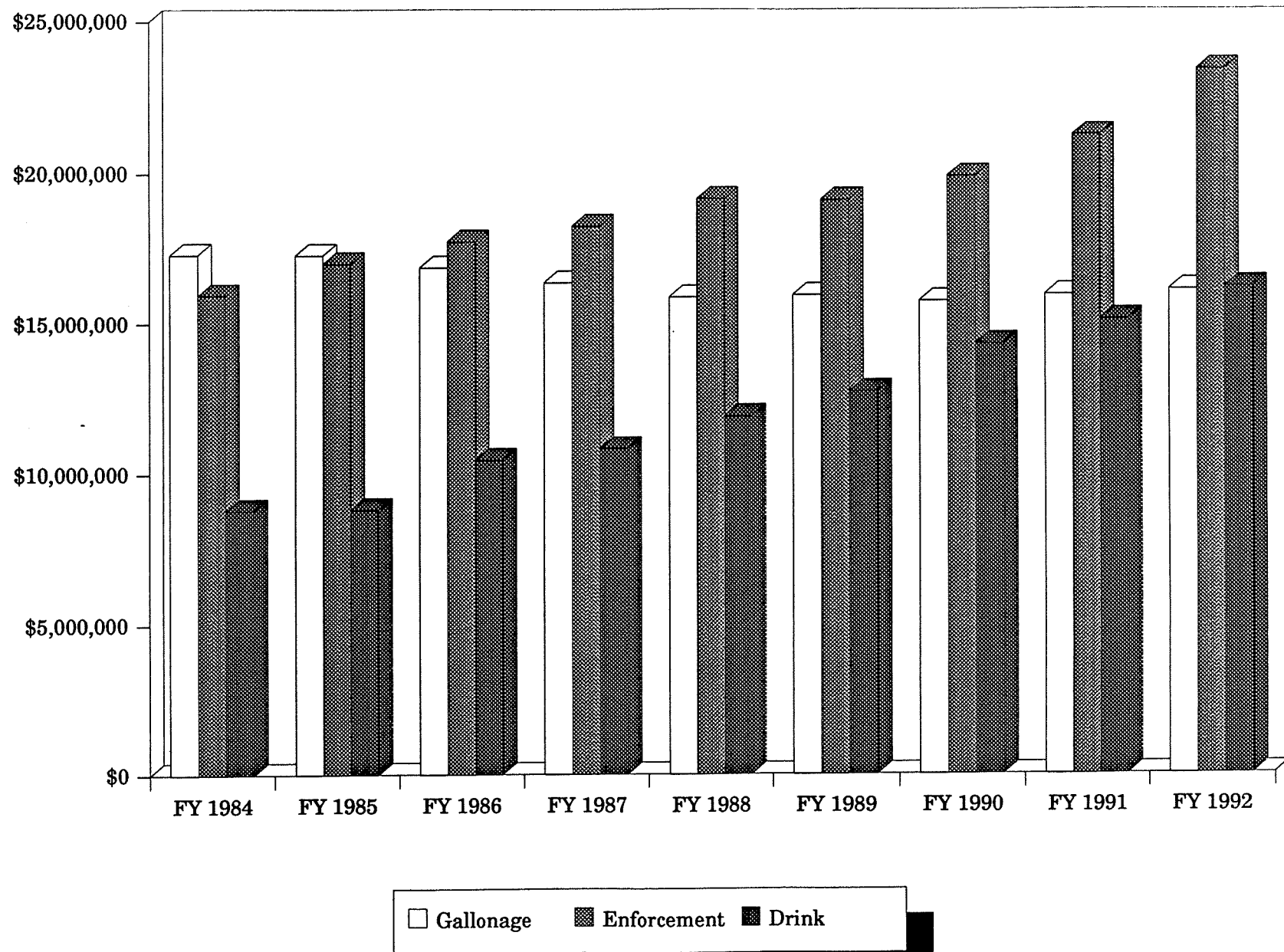
**DUE:** On the last day of the month following collection of the tax by the licensee.

**Retailer's Sales Tax** - Paid by a retailer on gross receipts from the sale of goods or services. The retailer's sales tax is imposed upon the sale of 3.2 beer on premises which are not licensed to sell liquor. This includes packaged sales of 3.2 beer for consumption away from the premises (convenience stores, grocery stores and gas stations) as well as sales of 3.2 beer for consumption on the premises (beer taverns, and restaurants without liquor licenses). The Liquor Drink Tax is applied to the sale of 3.2 beer on premises licensed to sell liquor (drinking establishments, caterers and private clubs).

# REVENUE FROM TAXATION AND CONTROL OF ALCOHOLIC BEVERAGES

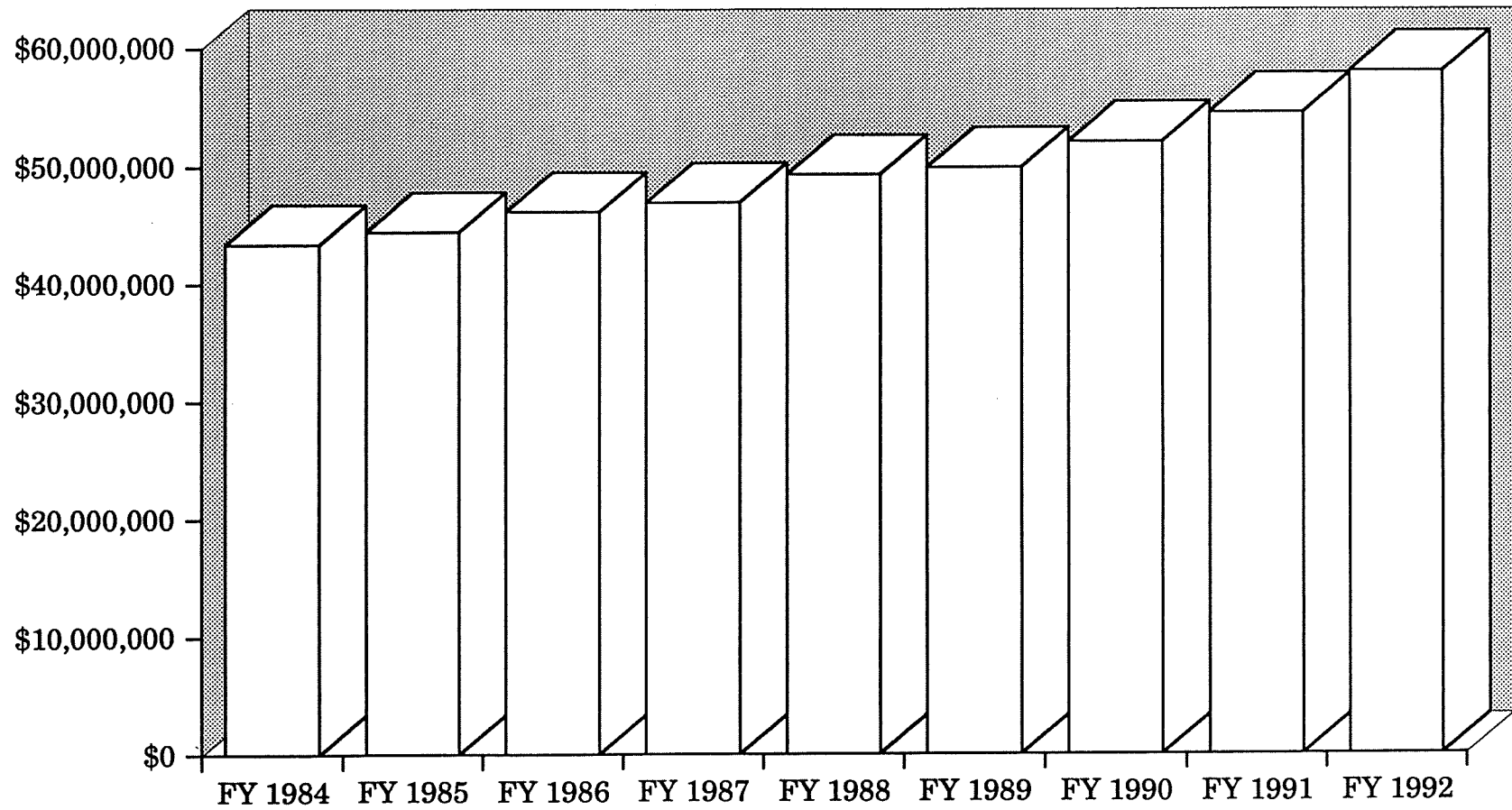
|  | Rate          | FY 1984      | FY 1985      | FY 1986      | FY 1987      | FY 1988      | FY 1989      | FY 1990      | FY 1991      | FY 1992      | 9 Year<br>Trend |
|--|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-----------------|
| <b>Distributor Based Tax Collections</b> |               |              |              |              |              |              |              |              |              |              |                 |
| Spirits Gallonage                        | \$2.50/gallon | \$7,494,665  | \$7,506,708  | \$7,299,205  | \$6,775,731  | \$6,800,348  | \$6,635,584  | \$6,461,928  | \$6,394,359  | \$6,539,310  |                 |
| % Change                                 |               | -0.8%        | 0.2%         | -2.8%        | -7.2%        | 0.4%         | -2.4%        | -2.6%        | -1.0%        | 2.3%         | -12.7%          |
| Fortified (14%) Wine Gallonage           | \$0.75/gallon | \$120,056    | \$111,530    | \$128,503    | \$114,283    | \$119,607    | \$110,480    | \$113,173    | \$115,490    | \$92,113     |                 |
| % Change                                 |               | -6.3%        | -7.1%        | 15.2%        | -11.1%       | 4.7%         | -7.6%        | 2.4%         | 2.0%         | -20.2%       | -23.3%          |
| Light Wine Gallonage                     | \$0.30/gallon | \$539,725    | \$637,540    | \$662,369    | \$770,318    | \$687,056    | \$572,021    | \$560,439    | \$559,462    | \$575,705    |                 |
| % Change                                 |               | 3.5%         | 18.1%        | 3.9%         | 16.3%        | -10.8%       | -16.7%       | -2.0%        | -0.2%        | 2.9%         | 6.7%            |
| Strong Beer Gallonage                    | \$0.18/gallon | \$4,018,364  | \$3,956,087  | \$4,163,485  | \$4,416,285  | \$4,696,697  | \$5,308,674  | \$5,406,399  | \$5,774,907  | \$5,957,830  |                 |
| % Change                                 |               | -1.6%        | -1.5%        | 5.2%         | 6.1%         | 6.3%         | 13.0%        | 1.8%         | 6.8%         | 3.2%         | 48.3%           |
| 3.2 Beer Gallonage                       | \$0.18/gallon | \$5,125,340  | \$5,076,703  | \$4,622,087  | \$4,283,987  | \$3,570,077  | \$3,320,259  | \$3,180,098  | \$3,098,005  | \$2,946,062  |                 |
| % Change                                 |               | 2.9%         | -0.9%        | -9.0%        | -7.3%        | -16.7%       | -7.0%        | -4.2%        | -2.6%        | -4.9%        | -42.5%          |
| Total Gallonage Tax                      |               |              |              |              |              |              |              |              |              |              |                 |
| % Change                                 |               | 0.2%         | -0.1%        | -2.4%        | -3.1%        | -3.0%        | 0.5%         | -1.4%        | 1.4%         | 1.1%         | -6.9%           |
| <b>Retail Based Tax Collections</b>      |               |              |              |              |              |              |              |              |              |              |                 |
| Liquor Enforcement                       | 10%           | \$15,937,603 | \$17,009,726 | \$17,743,454 | \$18,246,248 | \$19,147,631 | \$19,113,168 | \$19,890,766 | \$21,233,258 | \$23,403,153 |                 |
| % Change                                 |               | 78.9%        | 6.7%         | 4.3%         | 2.8%         | 4.9%         | -0.2%        | 4.1%         | 6.7%         | 10.2%        | 46.8%           |
| Liquor Drink                             | 8%            | \$8,786,612  | \$8,822,024  | \$10,477,539 | \$10,843,543 | \$11,915,452 | \$12,719,809 | \$14,292,239 | \$15,109,059 | \$16,187,296 |                 |
| % Change                                 |               | 4.3%         | 0.4%         | 18.8%        | 3.5%         | 9.9%         | 6.8%         | 12.4%        | 5.7%         | 7.1%         | 84.2%           |
| <b>ABC Fees/Fines</b>                    |               |              |              |              |              |              |              |              |              |              |                 |
| License Fees                             | •             | \$1,105,669  | \$1,172,320  | \$1,207,968  | \$1,335,765  | \$1,228,464  | \$1,738,148  | \$1,792,780  | \$1,792,142  | \$1,869,479  |                 |
| % Change                                 |               | 1.4%         | 6.0%         | 3.0%         | 10.6%        | -8.0%        | 41.5%        | 3.1%         | 0.0%         | 4.3%         | 69.1%           |
| Registration Fees                        | •             | \$47,442     | \$45,775     | \$47,171     | \$50,181     | \$482,385    | \$53,132     | \$50,174     | \$46,560     | \$48,550     |                 |
| % Change                                 |               | 5.7%         | -3.5%        | 3.0%         | 6.4%         | 861.3%       | -89.0%       | -5.6%        | -7.2%        | 4.3%         | 2.3%            |
| Fines                                    | •             | \$135,883    | \$66,260     | \$56,090     | \$54,025     | \$283,675    | \$196,025    | \$144,132    | \$171,831    | \$153,110    |                 |
| % Change                                 |               | 66.9%        | -51.2%       | -15.3%       | -3.7%        | 425.1%       | -30.9%       | -26.5%       | 19.2%        | -10.9%       | 12.7%           |
| 3.2 Beer Retail Stamps                   | \$25          | \$0          | \$0          | \$0          | \$0          | \$10,925     | \$120,300    | \$109,315    | \$107,083    | \$103,395    |                 |
| % Change                                 |               | •            | •            | •            | •            | •            | 1001.1%      | -9.1%        | -2.0%        | -3.4%        | •               |
| Other ABC Fees                           | •             | \$90,508     | \$89,316     | \$87,448     | \$99,588     | \$397,611    | \$89,705     | \$96,491     | \$175,959    | \$198,150    |                 |
| % Change                                 |               | 1.7%         | -1.3%        | -2.1%        | 13.9%        | 299.3%       | -77.4%       | 7.6%         | 82.4%        | 12.6%        | 118.9%          |
| ABC Total Collections                    | •             | \$18,677,652 | \$18,662,239 | \$17,977,036 | \$17,900,163 | \$18,276,845 | \$18,144,328 | \$17,968,533 | \$18,235,799 | \$18,483,703 |                 |
| % Change                                 |               | 0.6%         | -0.1%        | -3.7%        | -0.4%        | 2.1%         | -0.7%        | -1.0%        | 1.5%         | 1.4%         | -1.0%           |
| Business Tax Total Collections           | •             | \$24,724,215 | \$25,831,750 | \$28,220,993 | \$29,089,791 | \$31,063,083 | \$31,832,977 | \$34,183,005 | \$36,342,317 | \$39,590,449 |                 |
| % Change                                 |               | 42.7%        | 4.5%         | 9.2%         | 3.1%         | 6.8%         | 2.5%         | 7.4%         | 6.3%         | 8.9%         | 60.1%           |
| TOTAL REVENUE                            | •             | \$43,401,867 | \$44,493,989 | \$46,198,029 | \$46,989,954 | \$49,339,928 | \$49,977,305 | \$52,151,538 | \$54,578,116 | \$58,074,152 |                 |
| % Change                                 |               | 20.9%        | 2.5%         | 3.8%         | 1.7%         | 5.0%         | 1.3%         | 4.4%         | 4.7%         | 6.4%         | 33.8%           |

# Alcoholic Beverage Tax Collections





## Total Revenue From Taxation and Control of Alcoholic Beverages



## CORRECTIONS

### Licensing Structure Section

The license fee for Cereal Malt Beverage Off-Premise Retail outlets, which are issued by city and county governments, range from \$25 to \$50 rather than \$25 to \$200. The license fee for CMB licenses is in addition to the \$25 state stamp issued by the Alcoholic Beverage Control Division.

### Taxation on Alcoholic Beverages Section

The liquor drink tax, which is paid by on-premise liquor licensees, and the liquor enforcement tax, which is paid by retail liquor store licensees, is due on the 25th day of the month following collection of the tax by the licensee rather than on the last day of the month following collection of the tax. This change was made by the 1992 Legislature.

Total gallonage tax collections was inadvertently omitted from the "Revenue From Taxation and Control of Alcoholic Beverages" table. Below are the missing figures:

|                     | FY 1984      | FY 1985      | FY 1986      | FY 1987      | FY 1988      | FY 1989      | FY 1990      | FY 1991      | FY 1992      |
|---------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Total Gallonage Tax | \$17,298,150 | \$17,288,568 | \$16,875,649 | \$16,360,604 | \$15,873,785 | \$15,947,018 | \$15,722,037 | \$15,942,223 | \$16,111,020 |

The tax rates for the liquor drink tax and the liquor enforcement tax were reversed in the table. The tax rate on liquor enforcement tax (retail liquor stores) is 8 percent while the tax rate on the liquor drink tax (on-premise establishments) is 10 percent.

# Kansas Bingo Statistics

Prepared by D. Philip Wilkes, Staff Attorney  
Kansas Department of Revenue

## Sales, Tax Revenues and Number of Licensees By Fiscal Year

| <u>FY Ending</u> | <u>Total Sales<br/>From Bingo<br/>Reported</u> | <u>Change<br/>From<br/>Previous Year</u> | <u>3% Bingo<br/>Enf. Tax<br/>Collected</u> | <u>Number of<br/>Licensees<br/>At End of FY</u> |
|------------------|--|--|--|---|
| 6/30/82          | \$25,056,000                                   | ---                                      | \$751,675                                  | ---   |
| 6/30/83          | \$26,845,000                                   | +7%                                      | \$805,350                                  | ---   |
| 6/30/84          | \$27,241,000                                   | +2%                                      | \$817,244                                  | ---   |
| 6/30/85          | \$26,985,000                                   | -1%                                      | \$809,555                                  | 634   |
| 6/30/86          | \$24,408,000                                   | -8%                                      | \$741,884                                  | 548   |
| 6/30/87          | \$25,397,000                                   | +4%                                      | \$773,938                                  | 537   |
| 6/30/88          | \$25,362,000                                   | 0%                                       | \$763,335                                  | 570   |
| 6/30/89          | \$26,452,000                                   | +4%                                      | \$794,676                                  | 587   |
| 6/30/90          | \$27,181,000                                   | +3%                                      | \$815,422                                  | ---   |
| 6/30/91          | \$28,148,000                                   | +4%                                      | \$844,454                                  | ---   |
| 6/30/92          | \$29,954,000                                   | +6%                                      | \$898,627                                  | 550   |

## Analysis of Bingo Licensees and Registered Premises

|          | <u>Parlor-type*</u>                       |  | <u>Other</u>                              |  | <u>Licensees<br/>Playing<br/>on Own<br/>Premises</u> | <u>Total<br/>No. of<br/>Registered<br/>Premises</u> | <u>Total<br/>No. of<br/>Licensees</u> |
|----------|---|--|---|--|--|---|---------------------------------------|
|          | <u>Registered<br/>No. of<br/>Premises</u> | <u>Premises<br/>No. of<br/>Licensees</u> | <u>Registered<br/>No. of<br/>Premises</u> | <u>Premises<br/>No. of<br/>Licensees</u> |  |   |                                       |
| 04/10/90 | 21  | 77 (11%)                                 | 14  | 12 (2%)                                  | 485 (87%)  | 35  | 574                                   |
| 03/10/92 | 25  | 78 (14%)                                 | 8   | 11 (2%)                                  | 465 (84%)  | 33  | 554                                   |
| 01/06/93 | 29  | 83 (15%)                                 | 7   | 9 (2%)                                   | 462 (83%)  | 36  | 554                                   |

\* "Parlors" are defined as facilities operated privately by "for profit" businesses. They do not include facilities operated by government entities or nonprofit organizations.

*Sen. 7 + 8a  
12/19/93  
Att 4*

## Number of Bingo Licensees by Organization Type

|                       | 03/01/86   |     | 02/02/88   |     | 03/26/91   |     | 01/06/93   |     |
|-----------------------|------------|-----|------------|-----|------------|-----|------------|-----|
|                       | No.        | %   | No.        | %   | No.        | %   | No.        | %   |
| <b>Religious</b>      | 73         | 12% | 70         | 12% | 66         | 12% | 61         | 11% |
| Catholic              | 71         |     | 67         |     | 65         |     | 60         |     |
| Protestant            | 0          |     | 1          |     | 0          |     | 0          |     |
| Jewish                | 2          |     | 2          |     | 1          |     | 1          |     |
| Other                 | 0          |     | 0          |     | 0          |     | 0          |     |
| <b>Educational</b>    | 11         | 2%  | 9          | 2%  | 9          | 2%  | 8          | 1%  |
| Catholic Schools      | 9          |     | 7          |     | 6          |     | 6          |     |
| Public Schools        | 2          |     | 2          |     | 3          |     | 0          |     |
| Other Private Schools | 0          |     | 0          |     | 0          |     | 2          |     |
| <b>Veterans</b>       | 230        | 39% | 221        | 38% | 216        | 38% | 215        | 39% |
| American Legion       | 134        |     | 131        |     | 123        |     | 119        |     |
| VFW                   | 81         |     | 79         |     | 83         |     | 84         |     |
| Other                 | 15         |     | 11         |     | 10         |     | 12         |     |
| <b>Fraternal</b>      | 163        | 28% | 161        | 28% | 163        | 29% | 160        | 29% |
| Knights of Columbus   | 47         |     | 49         |     | 47         |     | 45         |     |
| Elks (BPOE)           | 28         |     | 28         |     | 23         |     | 22         |     |
| Eagles (FOE)          | 43         |     | 41         |     | 44         |     | 44         |     |
| Moose                 | 13         |     | 13         |     | 14         |     | 16         |     |
| Other                 | 32         |     | 30         |     | 35         |     | 33         |     |
| <b>Charitable</b>     | 115        | 19% | 120        | 21% | 109        | 19% | 110        | 20% |
| Optimists             | 11         |     | 10         |     | 10         |     | 11         |     |
| Lions                 | 14         |     | 10         |     | 10         |     | 12         |     |
| PTA's                 | 13         |     | 13         |     | 8          |     | 3          |     |
| Other                 | 77         |     | 87         |     | 81         |     | 84         |     |
| <b>Grand Totals</b>   | <b>592</b> |     | <b>581</b> |     | <b>563</b> |     | <b>554</b> |     |