



Alcoholic Beverage Control

History and Overview of the Regulation of Alcohol in Kansas

History of Kansas Liquor Laws

**1880: Kansas was the first state to pass Prohibition
- 40 years before the rest of the country -**

Dry Vote: 52%

Wet Vote: 48%

1917: Governor Capper signs the Bone Dry Bill

Possession of alcohol is outlawed (as opposed to just outlawing the sale)

Sale of alcohol for medicinal purposes is outlawed



1937: Introduction of Cereal Malt Beverage in Kansas

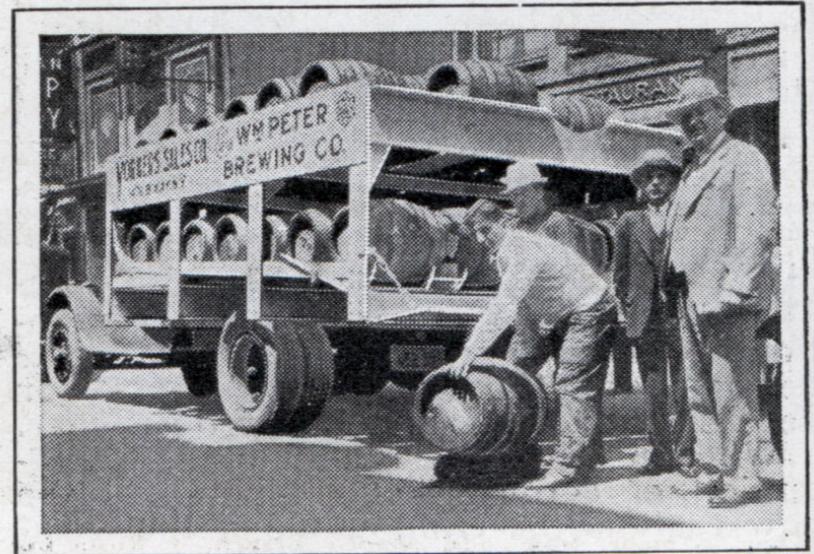
Legislature passes Cereal Malt Beverage Act

Licensed by local governments
(ABC does not yet exist)

Drinking age: 18

New Beer Truck Speeds Delivery

THE heavy demand for 3.2 per cent beer has been responsible for the development of a new type of beer truck which is expected to cut in half the time of loading and delivering the beer. Shown below, the truck carries 56 barrels. In the unloading process, when one barrel is removed from the rear platform another automatically falls into place. Operation of a lever unloads the entire truckload of empty barrels in one minute.



Barrels roll down on platform to be unloaded from truck.

1948: Kansas goes wet

Dry Vote: 46%

Wet Vote: 54%

Kansas was third to last state to lift Prohibition

1949

Initial Liquor Laws Enacted

ABC created

Only package sales of liquor allowed (no saloons)

**“Open saloon” is
“forever prohibited”**

Drinking age: 21



1965

Private Club Act is enacted allowing the consumption of liquor on the premises that are not open to the public

10-day waiting period required for new member

\$10 membership fee



1983

Farm wineries are legalized.



1983

Liquor enforcement tax is increased from 4% to 8%
(remains 8% today)

Liquor enforcement tax is applied to liquor sold at
retail liquor stores



1984

Liquor drink tax raised to 10%. (remains 10% today)



1985

**Drinking age for 3.2 beer is raised from 18 to 21,
phased in over 3-year period ending in 1987**



1986

Kansas voters pass constitutional amendment allowing “liquor-by-the-drink” to be sold to members of the general public on a county-option basis. Vote: 60%-40%.

A 30% food requirement is included but county has option to eliminate food requirement via voters.



1987

Microbreweries legalized.



2011

Ban on “happy hours” lifted. Price of alcohol may change during the course of a business day so long as licensee does not sell below acquisition cost plus tax.



2012

Microdistilleries legalized.



Regulation of Kansas Liquor Laws

Types of alcohol

- **Liquor**
- **Cereal Malt Beverage**
- **Non-Alcoholic Beer**

Types of alcoholic liquor

- **Distilled Spirits**
- **Wine**
- **Strong Beer**

Types of beer not considered liquor

- **Cereal malt beverage: beer containing not more than 3.2% alcohol by weight.**
- **Non-alcoholic beer: beer containing not more than 0.5% alcohol by weight**

3-Tier Distribution System

- **Supplier (Out-of-state distiller, winery or brewery)**
- **Distributor (in-state)**
- **Retail (retail liquor store and on-premise establishments)**

Purpose of the 3-Tier System

- **To provide a reliable method of collection of gallonage taxes**
- **To provide for an orderly market**
- **To avoid tied houses and the abuses of Prohibition**

Purpose of the 3-Tier System

- **Provides “checks and balances”**
- **Distributor acts as a buffer between suppliers and retailers**
- **Originally enacted nationally to encourage moderation and to protect tax collections**

Types of Retail Outlets

- **For consumption off the licensed premises (off-premise): retail liquor stores**
- **For consumption on the licensed premises (on-premises): drinking establishments, caterers and private clubs**

Liquor Taxes

- **Gallonage Tax**
- **Enforcement Tax (retail liquor stores) 8%**
- **Drink Tax (on-premise establishments) 10%**
- **Sales tax (sales of 3.2 beer at cereal malt beverage outlets)**

Gallonage Taxes

- **Spirits: \$2.50 per gallon**
- **Fortified Wine: \$0.75 per gallon**
- **Light Wine: \$0.30 per gallon**
- **Beer (strong and 3.2): \$0.18 per gallon**

Who pays gallonage tax?

- **For alcohol produced out of state:
Licensed Kansas distributor**
- **For alcohol produced in state:
Licensed Kansas manufacturer,
microbrewery, microdistillery or farm
winery**

Liquor Enforcement Tax

- **Applies only to retail liquor stores**
- **Considered a trust tax – retailer is entrusted to collect it for the state**
- **8%** on the price of the product sold

Liquor Drink Tax

- **Applies only to on-premise ABC-licensed establishments**
- **Considered a trust tax – retailer is entrusted to collect it for the state**
- **10%** on the price of the individual drink sold, pitcher or bottle of wine

State Sales Tax

- **Applies only to cereal malt beverage (3.2% beer) licensees who do not also have an ABC liquor license**
- **Rate is state sales tax rate plus local rate**
- **Applies to both off-premise and on-premise sales**

Licensing

- **Applicants must meet statutory requirements to hold the license**
- **Licenses are issued for a 2-year period**
- **If applicant does not qualify at time of original application or upon a renewal, the application is denied; Applicant can request a hearing**

Licensing (cont.)

- Licensees must be current in the payment of liquor taxes to be eligible for a renewal
- Licensees can use a process agent; the process agent must also meet statutory requirements
- Some ineligible persons use straw men to obtain a license in a “hidden ownership” scenario

Sanctions against licensees

- **Enforcement agents issue administrative citations against licensees who are suspected of violating liquor laws**
- **LAA issues orders against licensees for failure to file and/or pay liquor taxes**
- **Licensees are given the opportunity for a hearing**
- **Hearings are conducted consistent with KAPA**

Types of penalties

- **Fine**
- **License suspension (temporary)**
- **License revocation (**permanent**)**

Appeals of Director's rulings

- **Secretary of Revenue for reconsideration**
- **Shawnee County District Court**
- **Kansas Court of Appeals**
- **Kansas Supreme Court**

Authority

- **K.S.A. 41-104 prohibits everything relating to alcohol unless it is allowed by statute**
- **K.S.A. 41-210 gives director broad discretionary power to regulate alcohol**
- **K.S.A. 41-201 provides law enforcement authority to director and ABC agents as approved by the Secretary**

Authority (cont.)

- **K.S.A. 41-208 provides that the power to regulate all phases of **alcoholic liquor** rests exclusively with the state**

- **K.S.A. 41-209 gives director the power to:**
 - 1. Issue and revoke licenses**
 - 2. Call upon local governments, law enforcement and prosecutors to assist**
 - 3. Inspect premises where alcohol is sold**
 - 4. Conduct hearings and issue administrative subpoenas**
 - 5. Collect license fees**