AN ACT concerning alcoholic beverages; relating to microbreweries and microdistilleries; exemption from enforcement tax levy; amending K.S.A. 2018 Supp. 41-308b and 41-354 and repealing the existing sections.

Be it enacted by the Legislature of the State of Kansas:

New Section 1. Nothing in K.S.A. 79-4101 through 79-4108, and amendments thereto, shall be construed to require a microbrewery or a microdistillery licensed under the Kansas liquor control act to collect or pay the tax imposed under K.S.A. 79-4101, and amendments thereto, on alcoholic liquor manufactured by such microbrewery or microdistillery that is directly transferred to a licensed club or drinking establishment for subsequent sale and consumption on the licensed premises of such club or drinking establishment as authorized by K.S.A. 41-308b(a)(7), and amendments thereto, in the case of a microbrewery, or K.S.A. 2018 Supp. 41-354(a)(5), and amendments thereto, in the case of a microdistillery.

Sec. 2. K.S.A. 2018 Supp. 41-308b is hereby amended to read as follows: 41-308b. (a) A microbrewery license shall allow:

(1) The manufacture of not less than 100 nor more than 60,000 barrels of domestic beer during the calendar year and the storage thereof, if, however, the licensee holds a 10% or greater ownership interest in one or more entities that also hold a microbrewery license, then the aggregate number of barrels of domestic beer manufactured by all such licensees with such common ownership shall not exceed the 60,000 barrel limit;

(2) the manufacture in the aggregate of not more than 100,000 gallons of hard cider during the calendar year and the storage thereof;

(3) the sale to beer distributors of beer and the sale to wine distributors of hard cider, manufactured by the licensee;

(4) the sale, on the licensed premises in the original unopened container to consumers for consumption off the licensed premises, of beer and hard cider manufactured by the licensee;

(5) the sale, on the licensed premises in refillable and sealable containers to consumers for consumption off the licensed premises, of beer manufactured by the licensee, subject to the following conditions:

(A) Containers described in this paragraph shall contain not less than 32 fluid ounces and not more than 64 fluid ounces of beer; and
(B) the licensee shall affix a label to all containers sold pursuant to this paragraph clearly indicating the licensee's name and the name and type of beer contained in such container;
(6) the serving free of charge on the licensed premises and at special events, monitored and regulated by the division of alcoholic beverage control, of samples of beer and hard cider manufactured by the licensee, if the premises are located in a county where the sale of alcoholic liquor is permitted by law in licensed drinking establishments;
(7) if the premises is also licensed as a club or drinking establishment, the sale and transfer of domestic beer to such club or drinking establishment and the sale of such domestic beer and other alcoholic liquor for consumption on the licensed premises as authorized by the club and drinking establishment act;
(8) if the premises is also licensed as a caterer, the sale of domestic beer and other alcoholic liquor for consumption on unlicensed premises as authorized by the club and drinking establishment act;
(9) if the licensee holds a 10% or greater ownership interest in one or more entities that also hold a microbrewery license, the domestic beer may be manufactured and transferred for sale or storage among such microbrewery licensees with such common ownership; and
(10) the transfer of beer and hard cider manufactured by the licensee pursuant to a contract entered into in accordance with subsection (b) to the contracting microbrewery.

(b) (1) A microbrewery may contract with one or more microbreweries for the purpose of manufacturing beer or hard cider for such other microbreweries. A microbrewery located in this state may manufacture and package beer and hard cider for a microbrewery located within or outside of Kansas.
(2) A microbrewery manufacturing beer or hard cider for another microbrewery shall be responsible for complying with all federal and state laws dealing with the manufacturing of beer and hard cider, including labeling laws, and shall be responsible for the payment of all federal and state taxes on the beer and hard cider.
(3) Each party engaged in a contract brewing agreement must count the total amount of barrels and gallons manufactured as part of the agreement and include that total amount as part of their allowed aggregate total as provided in subsection (a).
(c) Not less than 30% of the products utilized in the manufacture of hard cider by a microbrewery shall be grown in Kansas except when a lesser proportion is authorized by the director based upon the director's findings and judgment. The production requirement of this subsection shall be determined based on the annual production of domestic hard cider.
(d) Upon application and payment of the fee prescribed by K.S.A. 41-
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310, and amendments thereto, by a microbrewery licensee, the director may issue not to exceed one microbrewery packaging and warehousing facility license to the microbrewery licensee. A microbrewery packaging and warehousing facility license shall allow:

1. The transfer, from the licensed premises of the microbrewery to the licensed premises of the microbrewery packaging and warehousing facility, of beer and hard cider manufactured by the licensee, for the purpose of packaging or storage, or both;

2. The transfer, from the licensed premises of the microbrewery packaging and warehousing facility to the licensed premises of any microbrewery of such licensee, of beer manufactured by the licensee;

3. The removal from the licensed premises of the microbrewery packaging and warehousing facility of beer manufactured by the licensee for the purpose of delivery to a licensed beer wholesaler; and

4. The removal from the licensed premises of the microbrewery packaging and warehousing facility of hard cider manufactured by the licensee for the purpose of delivery to a licensed wine distributor.

(e) A microbrewery may sell domestic beer in the original unopened container to consumers for consumption off the licensed premises at any time between 6 a.m. and 12 midnight on any day. If authorized by subsection (a), a microbrewery may serve samples of domestic beer and serve and sell domestic beer and other alcoholic liquor for consumption on the licensed premises at any time when a club or drinking establishment is authorized to serve and sell alcoholic liquor.

(f) The director may issue to the Kansas state fair or any bona fide group of brewers a permit to import into this state small quantities of beer. Such beer shall be used only for bona fide educational and scientific tasting programs and shall not be resold. Such beer shall not be subject to the tax imposed by K.S.A. 41-501, and amendments thereto. The permit shall identify specifically the brand and type of beer to be imported, the quantity to be imported, the tasting programs for which the beer is to be used and the times and locations of such programs. The secretary shall adopt rules and regulations governing the importation of beer pursuant to this subsection and the conduct of tasting programs for which such beer is imported.

(g) A microbrewery license or microbrewery packaging and warehousing facility license shall apply only to the premises described in the application and in the license issued and only one location shall be described in the license.

(h) No microbrewery shall:

1. Employ any person under the age of 18 years in connection with the manufacture, sale or serving of any alcoholic liquor;

2. Permit any employee of the licensee who is under the age of 21
years to work on the licensed premises at any time when not under the on-
premises supervision of either the licensee or an employee of the licensee
who is 21 years of age or over;
(3) employ any person under 21 years of age in connection with
mixing or dispensing alcoholic liquor; or
(4) employ any person in connection with the manufacture or sale of
alcoholic liquor if the person has been convicted of a felony.
(i) Whenever a microbrewery licensee is convicted of a violation of
the Kansas liquor control act, the director may revoke the licensee's license
and all fees paid for the license in accordance with the Kansas
administrative procedure act.
Sec. 3. K.S.A. 2018 Supp. 41-354 is hereby amended to read as
follows: 41-354. (a) A microdistillery license shall allow:
(1) The manufacture of not more than 50,000 gallons of spirits per
year and the storage thereof;
(2) the sale to spirit distributors of spirits, manufactured by the
licensee;
(3) the sale, on the licensed premises in the original unopened
container to consumers for consumption off the licensed premises, of
spirits manufactured by the licensee;
(4) the serving free of charge on the licensed premises and at special
events, monitored and regulated by the division of alcoholic beverage
control, of samples of spirits manufactured by the licensee, if the premises
are located in a county where the sale of alcoholic liquor is permitted by
law in licensed drinking establishments;
(5) if the licensee is also licensed as a club or drinking establishment,
the transfer of spirits to such club or drinking establishment and the sale
of such spirits and other alcoholic liquor for consumption on the licensed
premises as authorized by the club and drinking establishment act; and
(6) if the licensee is also licensed as a caterer, the sale of spirits and
other alcoholic liquor for consumption on unlicensed premises as
authorized by the club and drinking establishment act.
(b) Upon application and payment of the fee prescribed by K.S.A. 41-
310, and amendments thereto, by a microdistillery licensee, the director
may issue not to exceed one microdistillery packaging and warehousing
facility license to the microdistillery licensee. A microdistillery packaging
and warehousing facility license shall allow:
(1) The transfer, from the licensed premises of the microdistillery to
the licensed premises of the microdistillery packaging and warehousing
facility, of spirits manufactured by the licensee, for the purpose of
packaging or storage, or both;
(2) the transfer, from the licensed premises of the microdistillery
packaging and warehousing facility to the licensed premises of the
microdistillery, of spirits manufactured by the licensee; or

(3) the removal from the licensed premises of the microdistillery packaging and warehousing facility of spirits manufactured by the licensee for the purpose of delivery to a licensed spirits wholesaler.

c) A microdistillery may sell spirits in the original unopened container to consumers for consumption off the licensed premises at any time between 6 a.m. and 12 midnight on any day. If authorized by subsection (a), a microdistillery may serve samples of spirits and serve and sell spirits and other alcoholic liquor for consumption on the licensed premises at any time when a club or drinking establishment is authorized to serve and sell alcoholic liquor.

d) The director may issue to the Kansas state fair or any bona fide group of distillers a permit to import into this state small quantities of spirits. Such spirits shall be used only for bona fide educational and scientific tasting programs and shall not be resold. Such spirits shall not be subject to the tax imposed by K.S.A. 41-501, and amendments thereto. The permit shall identify specifically the brand and type of spirit to be imported, the quantity to be imported, the tasting programs for which the spirit is to be used and the times and locations of such programs. The secretary shall adopt rules and regulations governing the importation of spirits pursuant to this subsection and the conduct of tasting programs for which such spirits are imported.

e) A microdistillery license or microdistillery packaging and warehousing facility license shall apply only to the premises described in the application and in the license issued and only one location shall be described in the license.

(f) No microdistillery shall:

(1) Employ any person under the age of 18 years in connection with the manufacture, sale or serving of any alcoholic liquor;

(2) permit any employee of the licensee who is under the age of 21 years to work on the licensed premises at any time when not under the on-premises supervision of either the licensee or an employee of the licensee who is 21 years of age or over;

(3) employ any person under 21 years of age in connection with mixing or dispensing alcoholic liquor; or

(4) employ any person in connection with the manufacture or sale of alcoholic liquor if the person has been convicted of a felony.

(g) Whenever a microdistillery licensee is convicted of a violation of the Kansas liquor control act, the director may revoke the licensee’s license and all fees paid for the license in accordance with the Kansas administrative procedure act.

(h) The provisions of this section shall take effect and be in force from and after July 1, 2012.
(i) All rules and regulations adopted on and after July 1, 2012, and prior to July 1, 2013, to implement this section shall continue to be effective and shall be deemed to be duly adopted rules and regulations of the secretary until revised, amended, revoked or nullified pursuant to law.

(j) This section shall be a part of and supplemental to the Kansas liquor control act.

Sec. 4. K.S.A. 2018 Supp. 41-308b and 41-354 are hereby repealed.

Sec. 5. This act shall take effect and be in force from and after its publication in the statute book.