SENATE BILL No. 511

By Committee on Federal and State Affairs

2-13

AN ACT concerning alcoholic liquor; relating to microbreweries; permitting the sale of beer and hard cider manufactured by the licensee to retailers, public venues, clubs, drinking establishments, holders of temporary permits and caterers; allowing the sale of such beer and hard cider in unopened containers to consumers at special events monitored and regulated by the division of alcoholic beverage control; amending K.S.A. 41-308b, 41-1202, and 41-2642 and K.S.A. 2023 Supp. 41-1201 and repealing the existing sections.

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

Section 1. K.S.A. 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) (A) the sale to licensed beer distributors, retailers, public venues, clubs, drinking establishments, holders of temporary permits as authorized by K.S.A. 41-1201, and amendments thereto, and caterers of beer manufactured by the licensee; and
- (B) the sale to *licensed* wine distributors, *retailers*, *public venues*, *clubs*, *drinking establishments*, *holders of temporary permits as authorized* by K.S.A. 41-1201, and amendments thereto, and caterers of hard cider, manufactured by the licensee;
- (4) the sale, both on the licensed premises and off the licensed premises at special events monitored and regulated by the division of alcoholic beverage control 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 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) (1) Not less than 30% of the products utilized in the manufacture of hard eider 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 eider.

- (2) On and after July 1, 2021, the percentage of products utilized in the manufacture of hard eider by a microbrewery required to be grown in Kansas shall be not less than 15%.
 - (3) The provisions of this subsection shall expire on January 1, 2023.
- (d) Upon application and payment of the fee prescribed by K.S.A. 41-310, 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)(d) 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)(e) 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)(f) 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.

- $\frac{h}{g}$ 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 onpremises 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)(h) 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. 2. K.S.A. 2023 Supp. 41-1201 is hereby amended to read as follows: 41-1201. (a) A temporary permit shall:
- (1) Allow the permit holder to offer for sale, sell and serve alcoholic liquor for consumption on licensed or unlicensed premises, or on premises that are otherwise subject to a separate temporary permit, that may be open to the public, subject to the terms of such permit. A temporary permit shall also;
- (2) authorize the permit holder to sell, in accordance with rules and regulations adopted by the secretary, alcoholic liquor at a charitable auction, or one or more limited issue porcelain containers containing alcoholic liquor-; and
- (3) allow the permit holder to offer for sale, sell and serve alcoholic liquor that is beer or hard cider manufactured by a microbrewery licensee and purchased by the temporary permit holder from such microbrewery licensee as provided by K.S.A. 41-308b, and amendments thereto, for consumption on licensed or unlicensed premises, or on premises that are otherwise subject to a separate temporary permit, that may be open to the public, subject to the terms of such permit.
- (b) A temporary permit holder may charge a fee for entrance into the premises described in the permit, or any portion thereof.
- (c) The director may issue a temporary permit to any one or more persons or organizations applying for such a permit, in accordance with rules and regulations of the secretary. The permit shall be issued in the names of the persons or organizations to which it is issued.
- (d) (1) Applications for temporary permits shall be required to be filed with the director not less than 14 days before the event for which the

permit is sought, unless the director waives such requirement for good cause. The application shall be upon a form prescribed by the director. Each application shall be electronically submitted and accompanied by a non-refundable permit fee of \$25 for each day for which the permit is issued, and such fee shall be paid by a check or credit card in the full amount thereof. All permit fees collected by the director pursuant to this section shall be remitted to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the state general fund.

- (2) No city, county or township shall charge more than a \$25 non-refundable fee for each day for which the permit is issued.
- (e) Each application for a temporary permit shall specify the premises for which such permit is issued, including a diagram of the premises covered by the temporary permit. The diagram shall clearly show the boundaries of the premises, entrances to and exits from the premises and the area in which the service of alcoholic liquor would take place. A temporary permit shall be issued only for premises where the city, county or township zoning code allows the use for which the permit is issued. No temporary permit shall be issued for premises that are not located in a county where the qualified electors of the county:
- (1) (A) Approved, by a majority vote of those voting thereon, to adopt the proposition amending section 10 of article 15 of the constitution of the state of Kansas at the general election in November, 1986; or
- (B) have approved a proposition to allow the sale of liquor by the individual drink in public places within the county at an election pursuant to K.S.A. 41-2646, and amendments thereto; and
- (2) have not approved a proposition to prohibit such sales of alcoholic liquor in such places at a subsequent election pursuant to K.S.A. 41-2646, and amendments thereto.
- (f) (1) (A) A temporary permit may be issued for the consumption of alcoholic liquor on a city, county or township street, alley, road, sidewalk or highway for an event if: (i) Such street, alley, road, sidewalk or highway is closed to motor vehicle traffic by the governing body of such city, county or township for such event; (ii) a written request for such consumption and possession of such alcoholic liquor has been made to the local governing body; and (iii) the event has been approved by the governing body of such city, county or township by ordinance or resolution.
- (B) The boundaries of any such event shall be clearly marked by signs, a posted map or other means that reasonably identify the area in which alcoholic liquor may be possessed or consumed at such event.
 - (2) Drinking establishments that are immediately adjacent to, or

located within the licensed premises of an event, for which a temporary permit has been issued and the consumption of alcoholic liquor on public property has been approved, may request that the drinking establishment's licensed premises be extended into and made a part of the licensed premises of the event, for the duration of the temporary permit issued for such event.

- (3) Each licensee selling alcoholic liquor for consumption on the premises of an event for which a temporary permit has been issued shall be liable for violations of all laws governing the sale and consumption of alcoholic liquor.
- (4) Each temporary permit holder selling alcoholic liquor for consumption on the permit premises shall be liable for all violations of laws governing the sale and consumption of alcoholic liquor that occur in areas covered by multiple temporary permits.
- (g) (1) A temporary permit may be issued for the sale of wine, beer or other alcoholic liquor on the Kansas state fairgrounds during the days of the Kansas state fair, or as authorized by the Kansas state fair board, if the Kansas state fair board has authorized such consumption and possession of such wine, beer or other alcoholic liquor. Each application for such temporary permit shall specify the premises within the fairgrounds for which the permit is issued, including a diagram of the premises covered by the temporary permit. Such diagram shall match the entirety of the premises as leased from the Kansas state fair board. The boundaries of the Kansas state fairgrounds shall be clearly marked by signs, a posted map or other means that reasonably identify the area in which wine, beer or other alcoholic liquor, may be possessed or consumed at the state fair.
- (2) Each temporary permit holder selling wine, beer or other alcoholic liquor for consumption on the premises of the Kansas state fairgrounds that is covered by such temporary permit shall be liable for all violations of laws governing the sale and consumption of such alcoholic liquor that occur on such temporary premises.
- (3) Any temporary permit holder who has received a temporary permit for the sale of wine, beer or other alcoholic liquor on the Kansas state fairgrounds may allow such wine, beer or other alcoholic liquor to be removed from the temporary permit premises and onto the Kansas state fairgrounds.
- (h) (1) Except as otherwise provided in this subsection, a temporary permit shall be issued for a period of time not to exceed three consecutive days, the dates and hours of which shall be specified in the permit. An applicant may not be issued more than four temporary permits in a calendar year.
- (2) The director may issue a sufficient number of temporary permits as required by the state fair board, valid for the entire period of time of the

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 Kansas state fair, which authorizes the sale of wine in its original, unopened container and the serving by the drink of wine, beer or other alcoholic liquor on the state fairgrounds on premises specified in the temporary permit, by a person who has entered into an agreement with the state fair board for that purpose subject to the conditions imposed by the state fair board. Nothing in this paragraph shall be construed to limit the number of temporary permits the director may issue for the sale of wine, beer or other alcoholic liquor on the state fairgrounds consistent with the requirements of the state fair board.

- (3) For an event approved by the governing body of a city, county or township pursuant to subsection (e)(1), the director may issue a temporary permit, which may, at the director's discretion, be valid for the entire period of such event, but in no event shall such permit be issued for a period of time that exceeds 30 consecutive days.
- (i) An application for a temporary permit may be rejected by the director if:
- (1) The applicant has been granted 12 permits in the current calendar year;
- (2) the application was not filed with the director at least 14 days prior to the event;
- (3) the applicant, or any officer, director, partner, registered agent, trustee, manager or owner of the applicant has previously owned or operated any entity holding a temporary permit, club, drinking establishment or caterer's license, had such permit or license surrendered, and at the time such permit or license was surrendered had been ordered to appear and show cause why the permit or license should not be revoked or suspended;
- (4) the applicant has designated an area for an event that was the subject of the order to appear and show cause as set forth in paragraph (3), and it appears that the new application for a temporary permit covering the premises is an attempt to avoid any possible remedial action taken by the director against the former permit or license holder;
- (5) the applicant has had a license or permit revoked under the club and drinking establishment act, or has been convicted of a violation of the Kansas liquor control act, the club and drinking establishment act, the Kansas cereal malt beverage act or the provisions of K.S.A. 79-41a01 et seq., and amendments thereto; or
- (6) the applicant has not remitted all liquor drink taxes due from a previous temporary permit.
- (j) (1) A temporary permit holder may purchase and possess alcoholic liquor for resale for a period of three days prior to the first day of sale of such alcoholic liquor. A distributor may, without any further permission from the director, deliver such alcoholic liquor to the permit premises.

 (2) If a licensee has sold alcoholic liquor to a temporary permit holder, and a distributor directly delivers such alcoholic liquor to such temporary permit holder, but such licensee's normal hours of operation make immediate payment to the distributor impossible, the licensee may pay the retailer and the retailer may pay the distributor for such alcoholic liquor within 48 hours of the sale.

- (3) Within three business days after the end of an event conducted pursuant to a temporary permit, the temporary permit holder may sell back to the retailer—or, farm winery *or microbrewery* from whom alcoholic liquor was purchased any alcoholic liquor sold to the temporary permit holder for such event.
- (4) Upon written permission from the director and after four business days after the end of an event conducted pursuant to a temporary permit, the temporary permit holder may sell back to the licensee from whom alcoholic liquor was purchased any alcoholic liquor sold to the temporary permit holder for such event.
 - (k) A temporary permit shall not be transferable or assignable.
- (l) Each temporary permit holder shall not employ or use the services of any person:
 - (1) Who is under 18 years of age to serve alcoholic liquor;
- (2) who is under 21 years of age to mix or dispense drinks containing alcoholic liquor;
- (3) who is under 21 years of age and not supervised by the temporary permit holder or an employee who is at least 21 years of age;
- (4) who has been convicted of a felony or of any crime involving a morals charge to dispense, mix or serve alcoholic liquor; or
- (5) who has been convicted within the previous two years of a violation of any intoxicating liquor law of this state, any other state or the United States, to dispense, mix or serve alcoholic liquor.
- Sec. 3. K.S.A. 41-1202 is hereby amended to read as follows: 41-1202. (a) A temporary permit holder shall only purchase alcoholic liquor or cereal malt beverage from a retailer—or, a farm winery or a microbrewery, as provided by K.S.A. 41-308b, and amendments thereto, and may receive delivery of such alcoholic liquor or cereal malt beverage from a distributor.
- (b) Temporary permit holders shall only purchase alcoholic liquor or cereal malt beverage from a retailer who possesses a federal wholesaler's basic permit and—who has a sign on display at the licensed premises that states that the licensee is a "Wholesale Liquor Dealer Under Federal Law." All alcoholic liquor or cereal malt beverage purchased on any one day shall be removed from the licensed premises of the retailer—or, farm winery or microbrewery within 48 hours. Temporary permit holders shall not warehouse any alcoholic liquor or cereal malt beverage on the licensed

premises of any retailer-or, farm winery *or microbrewery* for more than 48 hours.

- (c) Each temporary permit holder, when purchasing alcoholic liquor or cereal malt beverage from a retailer-or, farm winery *or microbrewery*, shall obtain and keep for at least one year from the date of purchase a sales receipt that contains the following information:
 - (1) The date of purchase;

- (2) the name and address of the retailer—or, farm winery or microbrewery;
- (3) the name and address of the temporary permit holder as it appears on the temporary permit;
- (4) the brand, size, proof and amount of all alcoholic liquor or cereal malt beverage purchased; and
- (5) the subtotal of the cost of all alcoholic liquor or cereal malt beverage purchased, and the total cost of such purchase, including enforcement tax.
- (d) Each temporary permit holder shall be responsible for all violations of the club and drinking establishment act by the following people while on the permit premises:
- (1) An employee of the temporary permit holder, or of any person contracting with the temporary permit holder to provide services or food in connection with an event; or
- (2) any individual dispensing, mixing or serving alcoholic liquor or cereal malt beverage at an event.
- (e) Except for a temporary permit holder who has obtained such permit for the sale of alcoholic liquor at a charitable auction or for the sale of one or more limited issue porcelain containers containing alcoholic liquor, no temporary permit holder shall sell alcoholic liquor or cereal malt beverage for removal from or consumption off the licensed premises, except that alcoholic liquor or cereal malt beverage may be removed to a drinking establishment that has extended its premises into the event area in accordance with K.S.A. 41-2608, and amendments thereto.
- (f) The boundary of any premises covered by a temporary permit shall be marked by a line of demarcation.
- Sec. 4. K.S.A. 41-2642 is hereby amended to read as follows: 41-2642. (a) A license for a drinking establishment shall allow the licensee to:
- (1)_ offer for sale, sell and serve alcoholic liquor or cereal malt beverage for consumption on the licensed premises—which that may be open to the public, including alcoholic liquor that is beer or hard cider manufactured by a microbrewery licensee and purchased by the drinking establishment from such microbrewery licensee as provided by K.S.A. 41-308b, and amendments thereto; and-to
 - (2) serve samples of such alcoholic liquor or cereal malt beverage

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free of charge on licensed premises subject to the requirements of subsection (c), but only if such premises are located in a county where the qualified electors of the county:

- (1) (A) Approved, by a majority vote of those voting thereon, the proposition to amend section 10 of article 15 of the constitution of the state of Kansas at the general election in November 1986; or (B) have approved a proposition to allow sales of alcoholic liquor by the individual drink in public places within the county at an election pursuant to K.S.A. 41-2646, and amendments thereto; and
- (2) have not approved a proposition to prohibit such sales of alcoholic liquor in such places at a subsequent election pursuant to K.S.A. 41-2646, and amendments thereto.
- (b) A drinking establishment shall be required to derive from sales of food for consumption on the licensed premises not less than 30% of all the establishment's gross receipts from sales of food and beverages on such premises unless the licensed premises are located in a county where the qualified electors of the county:
- (1) Have approved, at an election pursuant to K.S.A. 41-2646, and amendments thereto, a proposition to allow sales of alcoholic liquor by the individual drink in public places within the county without a requirement that any portion of their gross receipts be derived from the sale of food; and
- (2) have not approved a proposition to prohibit such sales of alcoholic liquor in such places at a subsequent election pursuant to K.S.A. 41-2646, and amendments thereto.
- (c) No charge of any sort may be made for a sample serving. Samples may not be served to a minor. No samples may be removed from the licensed premises. Providing samples is prohibited for any licensee who charges a cover charge or entry fee at any time during the business day. No consideration shall be requested or required for entry onto the premises, participation in any event taking place on the premises or to remain on the premises.
- (d) (1) A drinking establishment shall specify in the application for a license or renewal of a license the premises to be licensed, which may include all premises which are in close proximity and are under the control of the applicant or licensee.
- (2) If the drinking establishment licensee also holds a manufacturer's license issued under the Kansas liquor control act, the licensed premises specified in the drinking establishment license shall not be the same as the licensed premises specified in the manufacturer's license, but such specified premises shall be located not more than two miles by the usually traveled road from the licensed premises specified in the manufacturer's license.

(e) Notwithstanding any other provision of law to the contrary, any hotel of which the entire premises are licensed as a drinking establishment or as a drinking establishment caterer may sell alcoholic liquor or cereal malt beverage by means of minibars located in guest rooms of such hotel, subject to the following:

- (1) The key, magnetic card or other device required to attain access to a minibar in a guest room shall be provided only to guests who are registered to stay in such room and who are 21 or more years of age;
- (2) containers or packages of spirits or wine sold by means of a minibar shall hold not less than 50 nor more than 200 milliliters; and
- (3) a minibar shall be restocked with alcoholic liquor or cereal malt beverage only during hours when the hotel is permitted to sell alcoholic liquor and cereal malt beverage as a drinking establishment.
- (f) A drinking establishment may store on its premises wine sold to a customer for consumption at a later date on its premises in the unopened container. Such wine must be kept separate from all other alcohol stock and in a secure locked area separated by customer. Such wine shall not be removed from the licensed premises in its unopened condition.
- (g) If the drinking establishment licensee also holds a manufacturer's license issued under the Kansas liquor control act, the drinking establishment shall not sell alcoholic liquor manufactured by such manufacturer's licensee to the exclusion of other alcoholic liquor. All beer and cereal malt beverage sold by the drinking establishment shall be acquired from a distributor or retailer licensed under the Kansas liquor control act, and all wine and spirits sold by the drinking establishment shall be acquired from a retailer or farm winery licensed under the Kansas liquor control act and who possesses a federal wholesaler's basic permit. Beer or hard cider manufactured by a microbrewery licensee and sold by the such drinking establishment may also be acquired from the microbrewery licensee as provided by K.S.A. 308b, and amendments thereto.
- 32 Sec. 5. K.S.A. 41-308b, 41-1202 and 41-2642 and K.S.A. 2023 Supp. 33 41-1201 are hereby repealed.
 - Sec. 6. This act shall take effect and be in force from and after its publication in the statute book.