



January 31, 2023

To: House Committee on Federal and State Affairs
From: R.E. “Tuck” Duncan, General Counsel
Kansas Wine & Spirits Wholesalers Association
RE: HB2058 — Requiring monthly remittance of gallonage taxes on wine to the secretary of revenue by the holder of a special order shipping license.

HB 2058 would change the filing frequency of gallonage taxes collected by a special order shipping licensee from quarterly to monthly. The change would allow the Department of Revenue’s Alcohol Beverage Control to run timely match reports to identify unlawful shipments of alcoholic liquor. Currently, fulfillment house licensees and common carriers report monthly and special order shippers report quarterly, which causes a delay in the ability to run match reports to identify any unlawful shipments.

The Alcoholic Beverage Control Director reported to you recently:

Shipments of Alcoholic Liquor to Kansas Residents

Common carriers reported shipments of known alcoholic liquor to Kansas residents as follows:

Calendar Year	Number of Shipments
2020	198,556
2021	212,483
2022	166,898

Of these a sufficient number of shipments are made through a Fulfillment House¹ and until the enactment of K.S.A. 41-353 Fulfillment house license, in 2021, the state did not know if the parties for whom they ship had a Kansas special order shipping license and paid taxes. There are 44 licensed fulfillment houses. In its Briefing the agency expressed concern for “*Significant loss of revenue due to the State of Kansas in the form of unpaid liquor enforcement tax and gallonage tax.*” [Alcoholic Beverage Control Division Legislative Briefing 2023, pg.2]

There are 1007 special order shippers licensed in Kansas as of Friday January 27, 2023. In order for the ABC to effectively and timely determine the lawful shipments on which tax is paid from the unlawful shipments on which tax is not paid, the agency needs monthly reporting from all three participants, shipper, fulfillment agents, and licensed wineries.

We know of no opposition to this request. Please report favorably and place on consent calendar. *Thank you for your consideration of these matters.*

¹ The fulfillment house license allows the licensee to ship alcoholic liquors produced by, and belonging to, a Kansas special order shipping licensee, a winery.