

L-1  
Homestead Program

L-2  
Kansas Income Tax  
Reform

L-3  
Liquor Taxes

L-4  
Selected Tax Rate  
Comparisons

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### Taxation

#### L-3 Liquor Taxes

Kansas has three levels of liquor taxation; each imposes different rates and provides for a different disposition of revenue.

**Liquor Gallonage Tax.** The first level of taxation is the gallonage tax, which is imposed upon the person who first manufactures, sells, purchases, or receives the liquor or cereal malt beverage (CMB).

**Liquor Enforcement or Sales Tax.** The second level of taxation is the enforcement or sales tax, which is imposed on the gross receipts from the sale of liquor or CMB to consumers by retail liquor dealers and grocery and convenience stores; and to clubs, drinking establishments, and caterers by distributors.

**Liquor Drink Tax.** The third level of taxation is levied on the gross receipts from the sale of liquor by clubs, caterers, and drinking establishments.

#### Gallonage

Since the gallonage tax is imposed upon the person who first manufactures, uses, sells, stores, purchases, or receives the alcoholic liquor or CMB, the tax has already been paid by the time the product has reached the retail liquor store—or in the case of CMB, grocery or convenience store. (*Note:* Examples of taxation rates are detailed throughout this article.)

***When the liquor store owner purchases a case of light wine from a distributor, the 30 cents per gallon tax has already been built in as part of that store owner's acquisition cost.***

Rates	
	Per Gallon
Beer and CMB	\$0.18
Light Wine	\$0.30
Fortified Wine	\$0.75
Alcohol and Spirits	\$2.50

Gallonge tax receipts in fiscal year (FY) 2019 were approximately \$23.3 million. Of this amount, nearly \$9.6 million was attributed to the beer and CMB tax.

Gallonge Tax Disposition of Revenue		
	State General Fund (SGF)	Community Alcoholism and Intoxication Programs Fund (CAIPF)
Alcohol and Spirits	90.0%	10.0%
All Other Gallonge Taxes	100.0%	--

Liquor gallonge tax rates have not been increased since 1977.

**Enforcement and Sales**

**Enforcement.** Enforcement tax is an in-lieu-of sales tax imposed at the rate of 8.0 percent on the gross receipts of the sale of liquor to consumers and on the gross receipts from the sale of liquor and CMB to clubs, drinking establishments, and caterers by distributors. For example, a consumer purchasing a \$10 bottle of wine at a liquor store is going to pay 80 cents in enforcement tax.

*The club owner buying the case of light wine (who already had paid the 30 cents per gallon gallonge tax as part of the acquisition cost) also now must pay the 8.0 percent enforcement tax.*

**Sales.** CMB purchases in grocery or convenience stores are not subject to the enforcement tax, but rather are subject to state and local sales taxes. The state sales tax rate is 6.5 percent, and combined local sales tax rates range as high as 5.0 percent.

CMB sales, therefore, are taxed at rates ranging from 6.5 percent to 11.5 percent.

Besides the rate differential between sales of strong beer (and other alcohol) by liquor stores

and CMB by grocery and convenience stores, there is a major difference in the disposition of revenue.

Enforcement and Sales Tax Disposition of Revenue			
	SGF	State Highway Fund	Local Units
Enforcement (8.0 %)	100.00%	--	--
State Sales (6.50%)	83.846%	16.154%	--
Local Sales (up to 5.0%)	--	--	100.00%

Enforcement tax receipts in FY 2019 were approximately \$74.3 million. Grocery and convenience store sales tax collections from CMB are unknown.

The liquor enforcement tax rate has not been increased since 1983.

**Drink**

The liquor drink tax is imposed at the rate of 10.0 percent on the gross receipts from the sale of alcoholic liquor by clubs, caterers, and drinking establishments.

*The club owner (who had previously paid the gallonge tax and then the enforcement tax when acquiring the case of light wine) next is required to charge the drink tax on sales to its customers. Assuming the club charged \$4.00 for a glass of light wine, the drink tax on such a transaction would be 40 cents.*

Drink Tax – Disposition of Revenue			
	SGF	CAIPF	Local Alcoholic Liquor Fund
Drink Tax (10.0%)	25.0%	5.0%	70.0%

Liquor drink tax revenues in FY 2019 were about \$48.3 million, of which \$12.2 million was deposited in the SGF. The liquor drink tax rate has remained unchanged since imposition in 1979.

### **Taxation of Beer and CMB**

Starting on April 1, 2019, CMB licensees may sell beer containing no more than 6.0 percent alcohol

by volume and liquor retailers may sell CMB products. For purposes of taxation, CMB products and beer sold at grocery or convenience stores and other CMB licensed establishments will be subject to the state and local sales tax rates. Beer and CMB products sold at liquor stores continue to be subject to the liquor enforcement tax. Revenues from these taxes are distributed in accordance with current law.

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