

Nick Jordan, Secretary
Steve Stotts, Director of Taxation

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NOTICE 15-14

Liquor Enforcement Tax Due on Distributor Samples

The following Bill was enacted by the 2015 Legislature:

House bill 2223

This bill was effective July 1, 2015, upon publication in the statute book. A summary of the Liquor Enforcement tax implications in this bill is as follows:

Section 21(3)(f) amends K.S.A. 41-306 to indicate the following:

The withdrawal of spirits from such licensee's inventory for use as samples in the course of the business of the distributor or at industry seminars. Samples may only be provided to persons licensed as a distributor or a retailer under the Kansas liquor control act, and such person's employees. Samples may be served on the licensed premises of the licensee, or on the premises of a licensed retailer, provided no sample shall be served on that portion of the premises of a licensed retailer that is open to the public and where sales of alcoholic liquor at retail are made. No sample shall be provided to any minor. Nothing in this subsection shall be construed to permit the licensee to sell any alcoholic liquor for consumption on the premises. The withdrawal of spirits shall be subject to the tax imposed by K.S.A. 79-4101 et seq., and amendments thereto, based on the applicable current posted bottle or case price. For purposes of providing samples pursuant to this subsection other than at industry seminars or to the licensee's employees, the term "sample" shall have the same meaning as that term is defined in K.S.A. 41-2601, and amendments thereto.

Section 22(2)(f) amends K.S.A. 41-306a in a similar manner to indicate the taxability of wine samples, except the distributor can provide samples to persons licensed under the club and drinking establishment act and their employees.

Section 23(3)(g) amends K.S.A. 41-307 in a similar manner to indicate the taxability of beer or cereal malt beverage samples, except the distributor can provide samples to persons licensed under the club and drinking establishment act and their employees.

Reporting Requirements: At this time, the current posted bottle or case price of the sample withdrawal should be reported on Line 1 of the Liquor Enforcement Tax Return (LE-3), with the total gross receipts. When feasible, the LE-3 will be modified to include a line for the price of samples withdrawn from inventory.

Record Keeping Requirements: Your records should include a breakdown to distinguish the amount of total gross receipts and the price of samples withdrawn from inventory separately.

This notice highlights only portions of the bill. For a detailed, full text copy of each bill, please visit the Kansas Legislature's website at www.kslegislature.org.

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