



HANDBOOK
FOR
CLASS B CLUBS

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Changes made to this handbook since the previous revision(s) have been highlighted with a **gray background**. Please report errors, omissions or suggestions for improvement to this handbook to the Division of Alcoholic Beverage Control by telephone at 785-296-7015, by fax at 785-296-7185 or by email to abc.email@kdor.ks.gov.

Definitions

"Alcoholic liquor" means alcohol, spirits, wine, beer and every liquid or solid, patented or not, containing alcohol, spirits, wine or beer and capable of being consumed as a beverage by a human being, but shall not include cereal malt beverage. [Subsection (a) of K.S.A. 41-2601, referring to subsection (b) of K.S.A. 41-102]

"Beneficial interest" means any ownership interest by a person or that person's spouse in a business, corporation, partnership, trust, association, or other form of business organization that exceeds 5% of the outstanding shares of that corporation or a similar holding in any other form of business organization. [Subsection (c) of K.A.R. 14-20-14]

"Bulk wine" means wine that is sold to a club, drinking establishment, caterer, or public venue by a retailer or wine distributor in barrels, casks or similar bulk containers which individually exceed 20 liters. [Subsection (f) of K.A.R. 14-14-1]

"Class B Club" means premises which is operated for profit by a corporation, partnership, or individual and used by the club members and their invited guests for the consumption of food or alcoholic beverages and for entertainment. [Subsection (f) of K.S.A. 41-2601]

"Guest of member" means an individual who is known to and personally accompanied by a member of a club while on the licensed premises of the club. "Guest of member" shall not include members of the general public admitted to licensed club premises as guests of the club's owner, manager or employee. [Subsection (h) of K.A.R. 14-20-14]

"Individual drink" means a beverage containing alcoholic liquor or cereal malt beverage served to an individual for consumption by such individual or another individual, but which is not intended to be consumed by two or more individuals. The term includes beverages containing not more than eight ounces of wine, 32 ounces of beer or cereal malt beverage, or four ounces of a spirit or combination of spirits. [Subsection (l) of K.S.A. 41-2601, as amended by 2012 Sub. for HB 2689, sec. 33]

"Industry member" means any distributor, manufacturer or supplier or any agent, salesperson or representative thereof. [Subsection (f) of K.A.R. 14-10-5]

"Licensed premises" means those areas described in an application for a drinking establishment license that are under the control of the applicant and are intended as the area in which alcoholic liquor is to be served. [Subsection (j) of K.A.R. 14-20-14]

"Member" means any individual who has been accepted into membership by a licensed class B club, as provided in the club's organizing documents. [Subsection (l) of K.A.R. 14-20-14]

"Retailer" means a person who sells at retail, or offers for sale at retail, alcoholic beverages. "Retailer" does not include a microbrewery or a farm winery. [Subsection (w) of K.S.A. 41-102, as amended by 2012 Sub. for HB 2689, Sec. 4]

Application for licensure; license and application fees

For forms and instructions for licensure, go to the ABC website at <http://www.ksrevenue.org/abc.html> or contact ABC Licensing at: abc.licensing@kdor.ks.gov or 785-296-7015.

The license term commences on the date that the license is issued by the director. [Subsection (a) of K.S.A. 41-2629, as amended by 2012 Sub. for HB 2689, Sec. 40] At the end of the two-year license term, the license is renewable for another two-year term unless sooner suspended or revoked, as long as the licensee and premises continue to meet the requirements of all relevant laws and regulations. [Subsection (a) of K.S.A. 41-2629, as amended by 2012 Sub. for HB 2689, Sec. 40]

The biennial license fee for a class B club is \$2,000. [subsection (a)(4) of K.S.A. 41-2622 as amended by 2012 Sub. for HB 2689, Sec. 40]

The applicant may pay either the full amount of the license fee or may pay ½ of the license fee at the time of application. The remaining ½ of the license fee, plus 10% of the remaining balance, is due one year from the date on which the license was issued. Failure to pay the remaining license fee and 10% fee timely will result in the license being canceled. [Subsections (c) and (d) of K.S.A. 41-2606]

The license fee is refundable if the applicant is denied a license. [Subsection (e) of K.S.A. 41-2606]

There is an additional application fee of \$50 for new applicants and \$10 for renewals. That fee is not refundable. [Subsection (a) of K.S.A. 41-2606]

In addition to the above fees, the city or county in which the licensed premises is located may collect a biennial occupation or license tax of not less than \$200 and not more than \$500. [Subsection (b) of K.S.A. 41-2622, as amended by 2012 Sub. for HB 2689, sec. 38]

Licensee must also post a tax bond. See page 25 for details.

Once all of the forms, fees and other required documentation for licensure are submitted to and accepted by Director, the Director has 30 days to either issue the license or issue an order denying the license. If no license is issued or no denial order is issued within that time, then the license is deemed to be denied. The applicant may agree in writing to give the Director an additional 30 days to either issue or deny the license. [K.S.A. 41-2628, referencing K.S.A. 41-319]

An order by the Director denying a license shall state the reason(s) therefore. The applicant may file a notice of appeal from a Director's denial order with the Secretary of Revenue within 15 days after service of the order. [K.S.A. 41-2609, referencing K.S.A. 41-321]

The decision of the Secretary or Secretary's designee on an applicant's appeal of a denial of licensure may be appealed to District Court pursuant to the Kansas Act for Judicial Review and Civil Enforcement of Agency Actions, K.S.A. 77-601 et seq. [K.S.A. 41-2609, referencing K.S.A. 41-323]

A class B club license is a personal privilege and is not assignable. [Subsection (c) of K.S.A. 41-2629, as amended by 2012 Sub. for HB 2689, sec. 40]

Qualifications for licensure

Partnerships

Each partner in a partnership must meet the licensing qualifications for individual ownership below. [K.S.A. 41-2623(a)(5)]

Corporations

Corporations must be organized (incorporated) in Kansas. [K.S.A. 41-2623(a)(8)]

For corporations to be licensed, each officer, manager and director thereof, and any stockholder owning a total of more than 5 percent of the common or preferred stock thereof, must meet the licensing qualifications for individual ownership below, except the citizenship and residency requirements. [K.S.A. 41-2623(a)(6)] In addition, each such person cannot have been an officer, manager and director or stockholder owning a total of more than 5 percent of the common or preferred stock in another corporation that either had a license revoked under the Kansas Club and Drinking Establishment Act or was convicted of a violation of the Kansas Club and Drinking Establishment Act or the Kansas Cereal Malt Beverage Act. . [K.S.A. 41-2623(a)(7)]

Every corporation seeking a license shall appoint a citizen of the United States and resident of Kansas as process agent to receive service of process and exercise authority of the corporation. The process agent must meet the licensing qualifications for individual ownership below except for residence in the county where the licensed premises will be located. [Subsection (a) of K.S.A. 41-2625]

Limited Liability Companies (LLCs)

LLCs are not mentioned in the statutes but Attorney General Opinion #2001-19 (April 23, 2001) states that the Director may determine what qualifications for licensure apply, until such time as the legislature makes provision in the statutes. Directors of ABC have ruled that LLCs would be treated as corporations for the purpose of meeting the qualifications for licensure. Therefore, an LLC must be organized under the laws of Kansas. Only those individuals having more than a 5 percent interest in the LLC must meet the licensing qualification for individual ownership below, except the citizenship and residency requirements.

Every LLC seeking a license shall appoint a citizen of the United States and resident of Kansas as process agent to receive service of process and exercise authority of the LLC. The process agent must meet the licensing qualifications for individual ownership below except for residence in the county where the licensed premises will be located. [Subsection (a) of K.S.A. 41-2625]

The statutes relating to the formation and operation of LLC's are K.S.A. 17-7663 et seq. enacted in 1999 and 2000. An LLC is composed of one or more members. [Subsection (f) of K.S.A. 17-7663]

Trusts

For trusts to be licensed, each grantor, beneficiary and trustee must meet the licensing qualifications for individual ownership below. However, beneficiaries do not have to be at least 21 years of age. [K.S.A. 41-2623(a)(9)]

Individuals

K.S.A. 41-2623 lists the qualifications for an initial license. The same requirements must be met for renewal of an existing license except as specifically indicated. Subsection (a)(1) of K.S.A. 41-2623 requires that licensees meet most of the same restrictions as retailers licensed under the Liquor Control Act, specifically paragraphs (1), (2), (4), (5), (6), (7), (8), (9), (12) and (13) in subsection (a) of K.S.A. 41-311 (also listed in subsection (a) of K.A.R. 14-20-16):

- **Age requirement.** The individual must be at least 21 years of age. [Subsection (a)(6) of K.S.A. 41-311 as referenced in subsection (a)(1) of K.S.A. 41-2623 and subsection (a)(4) of K.A.R. 14-20-16]

For either an initial or renewal license, this requirement does not apply to the individual's spouse. [Subsection (a)(12) of K.S.A. 41-311 as referenced in subsection (a)(1) of K.S.A. 41-2623]

- **U.S. Citizenship.** The individual must be a U.S. citizen for at least 10 years. However, the spouse of a deceased retail licensee may hold and renew a retail license if the spouse meets all of the other qualifications and is either a U.S. citizen or becomes a U.S. citizen within one year after the deceased licensee's death. (This subsection does not address the issue of what becomes of the license of a deceased licensee during the one year we are waiting to see if the spouse becomes a U.S. citizen.) [Subsection (a)(1) of K.S.A. 41-311 as referenced in subsection (a)(1) of K.S.A. 41-2623]

For either an initial or renewal license, this requirement does not apply to the individual's spouse. [Subsection (a)(12) of K.S.A. 41-311 as referenced in subsection (a)(1) of K.S.A. 41-2623]

- **Felony conviction.** The individual cannot have been convicted of a felony in Kansas or any other state or the United States. [Subsection (a)(2) of K.S.A. 41-311 as referenced in subsection (a)(1) of K.S.A. 41-2623 and subsection (a)(1) of K.A.R. 14-20-16]

For an initial license, this requirement also applies to the individual's spouse regardless of when the conviction occurred. [Subsection (a)(12) of K.S.A. 41-311 as referenced in subsection (a)(1) of K.S.A. 41-2623]

For a renewal license, this requirement also applies to the individual's spouse, but only if the conviction occurred during the time that the individual's spouse was licensed under the Club and Drinking Establishment Act. [Subsection (a)(13) of K.S.A. 41-311 as referenced in subsection (a)(1) of K.S.A. 41-2623]

- **Conviction for keeping a house of prostitution.** The individual cannot have been convicted of being a keeper of a house of prostitution or is keeping a house of prostitution. Cannot have forfeited bond to appear in court to answer charges of being a keeper of a house of prostitution. [Subsection (a)(4) of K.S.A. 41-311 as referenced in subsection (a)(1) of K.S.A. 41-2623 and subsection (a)(2) of K.A.R. 14-20-16]

For an initial license, this requirement also applies to the individual's spouse regardless of when the conviction occurred. [Subsection (a)(12) of K.S.A. 41-311 as referenced in subsection (a)(1) of K.S.A. 41-2623]

For a renewal license, this requirement also applies to the individual's spouse, but only if the conviction occurred during the time that the individual's spouse was licensed under the Club

and Drinking Establishment Act. [Subsection (a)(13) of K.S.A. 41-311 as referenced in subsection (a)(1) of K.S.A. 41-2623]

- **Conviction of owning gambling house, pandering or crime opposed to decency or morality.** The individual cannot have been convicted of being a proprietor of a gambling house, pandering or any other crime opposed to decency and morality and cannot have forfeited bond to appear in court to answer charges for any of these crimes. This includes both felonies and misdemeanors. [Subsection (a)(5) of K.S.A. 41-311 as referenced in subsection (a)(1) of K.S.A. 41-2623 and subsection (a)(3) of K.A.R. 14-20-16]

"Pandering" is not currently defined in the Kansas criminal law. Black's Law Dictionary defines a "panderer" as one who solicits for prostitution. The definition of "pander" includes being a "pimp" or procurer of persons to be prostitutes. Most of these acts are currently prohibited by K.S.A. 21-3513 (promoting prostitution).

Crimes involving morality are defined in subsection (m) of K.A.R. 14-20-14 as a charge alleging:

- prostitution
- procuring any person
- solicitation of a child under 18 years of age for any immoral act involving sex
- possession or sale of narcotics, marijuana, amphetamines or barbiturates
- rape
- incest
- gambling
- adultery
- bigamy

For an initial license, this requirement also applies to the individual's spouse regardless of when the conviction occurred. [Subsection (a)(12) of K.S.A. 41-311 as referenced in subsection (a)(1) of K.S.A. 41-2623]

For a renewal license, this requirement also applies to the individual's spouse, but only if the conviction occurred during the time that the individual's spouse was licensed under the Club and Drinking Establishment Act. [Subsection (a)(13) of K.S.A. 41-311 as referenced in subsection (a)(1) of K.S.A. 41-2623]

- **Law enforcement officer.** The individual cannot be a law enforcement official (not defined in statute). ABC defines this as being either a police officer or head of a police agency. [Subsection (a)(7) of K.S.A. 41-311 as referenced in subsection (a)(1) of K.S.A. 41-2623 and subsection (a)(5)(B) of K.A.R. 14-20-16] Since this subsection does not mention jurisdiction, it is assumed that this restriction applies regardless of whether the law enforcement officer is located in the same jurisdiction as the licensee. [Ruling by the Director on Jan. 19, 2005.]

Persons not certified as law enforcement officers, including non-commissioned correctional facility employees, are not included as "law enforcement officers" for purposes of acquiring a license. [Ruling by the Director on July 24, 2012]

For an initial license, this requirement applies to the individual's spouse. For a renewal license, this requirement does not apply to the individual's spouse. [Subsection (a)(12) of K.S.A. 41-311 as referenced in subsection (a)(1) of K.S.A. 41-2623]

- **Supervisor of law enforcement officers.** The individual cannot hold a position which appoints or supervises any law enforcement officer. However, members of the governing body of a city or county (assume this means city council members and county commissioners) are exempt from this restriction. [Subsection (a)(7) of K.S.A. 41-311 as referenced in subsection (a)(1) of K.S.A. 41-2623 and subsection (a)(5)(A) of K.A.R. 14-20-16] Since this subsection does not mention jurisdiction, it is assumed that this restriction applies regardless of whether the law enforcement officer is located in the same jurisdiction as the licensee. [Ruling by the Director on Jan. 19, 2005.]

For an initial license, this requirement applies to the individual's spouse. For a renewal license, this requirement does not apply to the individual's spouse. [Subsection (a)(12) of K.S.A. 41-311 as referenced in subsection (a)(1) of K.S.A. 41-2623]

- **Acting as agent of another.** The individual cannot intend to act as an agent for another in operating the licensed business. [Subsection (a)(8) of K.S.A. 41-311 as referenced in subsection (a)(1) of K.S.A. 41-2623 and subsection (a)(6) of K.A.R. 14-20-16]
- **Previous liquor license revocation.** The individual cannot have had a license revoked under the provisions of the Club and Drinking Establishment Act. [Subsection (a)(2) of K.S.A. 41-2623]

For an initial license, this requirement applies to the individual's spouse. For a renewal license, this requirement does not apply to the individual's spouse. [Subsection (a)(12) of K.S.A. 41-311 as referenced in subsection (a)(1) of K.S.A. 41-2623]

- **Resident of Kansas.** The individual must be a resident of Kansas for at least one year immediately preceding the date of application. [Subsection (a)(3) of K.S.A. 41-2623]

For either an initial or renewal license, this requirement does not apply to the individual's spouse. [Subsection (a)(12) of K.S.A. 41-311]

- **Resident of county.** The individual must be a resident of the county where the licensed premises will be located. [Subsection (b)(2) of K.S.A. 41-2623]

For either an initial or renewal license, this requirement does not apply to the individual's spouse. [Subsection (a)(12) of K.S.A. 41-311]

- **Beneficial interest in certain other liquor license(s).** The individual cannot have a beneficial interest in the manufacture, preparation or wholesaling or the retail sale of alcoholic liquors as licensed under the Liquor Control Act. The individual cannot have a beneficial interest in any business licensed under the Club and Drinking Establishment Act **except** as follows [Subsection (a)(4) of K.S.A. 41-2623]:

- A license for premises located in a hotel may be granted to a person who has a beneficial interest in one or more other clubs or drinking establishments licensed under the act if such other clubs or drinking establishments are also located in hotels. [Subsection (a)(4)(A) of K.S.A. 41-2623]
- A license for a drinking establishment which is a restaurant may be issued to a person who has a beneficial interest in other clubs or drinking establishments which are restaurants. [Subsection (a)(4)(B) of K.S.A. 41-2623]

- A license for a drinking establishment may be issued to a person who has a beneficial interest in a caterer. [Subsection (a)(4)(C) of K.S.A. 41-2623]
- A license for a drinking establishment may be issued to a person who has a beneficial interest in a microbrewery, **microdistillery** or farm winery licensed under the Kansas Liquor Control Act. [Subsection (a)(4)(E) of K.S.A. 41-2623]

For an initial license, this requirement applies to the individual's spouse. For a renewal license, this requirement does not apply to the individual's spouse. [Subsection (a)(12) of K.S.A. 41-311 as referenced in subsection (a)(1) of K.S.A. 41-2623]

Federal registration.

The applicant must register as an alcohol dealer with the federal government. The registration form is available for download from our new license webpage at <http://www.ksrevenue.org/abconprem.html> or at <http://www.ttb.gov/forms/f56305d.pdf>.
[Ruling by the Director, August 20, 2012]

Business name (DBA)

A class B club must use the doing business as (“DBA”) name provided in the application for licensure unless written permission has been granted by the Director to change it. A licensee wishing to change its DBA name must complete and submit form ABC-22 and receive written permission from the Director prior to advertising or posting the new DBA name. [Ruling by the Director on July 30, 2012]

Requirements for the licensed premises

Zoning. The applicable city, township or county zoning must permit a class B club at that geographic location. [Subsection (b) of K.S.A. 41-2608, as amended by 2012 Sub. for HB 2689, Sec. 34]

Control of premises by licensee. The licensed premises must be constructed and operated in such a manner that the licensee has sufficient control to assure compliance with all applicable liquor laws and regulations. The licensed premises must include all portions of the premises where the club's patrons are permitted to possess and consume alcoholic liquor sold by the club. Applicants for an initial license must furnish a diagram of the proposed licensed premises for approval by ABC. [Subsection (a)(3) of K.A.R. 14-20-15]

Owner or lessee. The licensee must either be the legal owner of the licensed premises or be a lessee or sub-lessee of the legal owner. If the applicant does not own the premises to be licensed, then the applicant must furnish a copy of the current lease for review by ABC. [Subsection (b)(1) of K.S.A. 41-2623; Attorney General's Opinion No. 2003-26 dated Oct. 16, 2003; subsection (a)(1) of K.A.R.14-20-15]

If the lease provides for rent to be calculated based upon a percentage of the receipts or profit from the sale of alcoholic liquor or other items to be mixed with alcoholic liquor, then the landlord is deemed to have a beneficial interest in the licensed premises. In this case, unless the lessor is a city, county or state agency, the lessor must meet all of the qualifications for licensure. [Subsection (e) of K.A.R. 14-20-16]

Premises currently or previously occupied by another club or DE. In cases where ABC's records show the location is currently or was recently occupied by another similar licensed business, the Director approved the following policy:

- If the current business has an active license and the current business' lease is still in effect, ABC shall send a certified letter to the last known address of the current licensee, notifying the licensee that its license will be canceled if the licensee does not reply to the ABC within ten days. Any alcoholic liquor remaining on the premises will be deemed by the Director to be abandoned and shall be seized and sold by the ABC. Proceeds from the sale will go to the state general fund.

If the current business no longer has an active license (expired, canceled or revoked) ABC will issue a license for another business to occupy that location

Extension of premises. A class B club may permanently or temporarily extend its licensed premises upon written approval by the Director. The request to extend premises must be submitted to ABC at least ten days prior to the proposed extension. [Subsection (b) of K.A.R. 14-20-41] The request shall be made on a form (ABC-806) approved by the Director and shall include the following information:

- A diagram of the extended premises, clearly showing the boundaries of the premises, all entrances and exits, and the area in which the service of alcoholic liquor will occur [Subsection (c) of K.A.R. 14-20-41];
- In the case of a temporary extension, the date(s) and time(s) that the premises will be extended [Subsection (d) of K.A.R. 14-20-41];
- If the licensee does not own or lease the area into which the premises are being extended, the application shall include written permission from the governing body of the city or county, and the owner, landlord, or the property manager to extend the premises. [Subsection (d) of K.A.R. 14-20-41]

The boundary of the extended premise shall be clearly marked by a three-dimensional obstacle. [Subsection (f) of K.A.R. 14-20-41] The licensee shall maintain, on the licensed premises, a copy of the diagram submitted to ABC with the request for extension and a copy of the Director's approval to extend the premises. [Subsection (h) of K.A.R. 14-20-41]

Right of governing body to request a hearing on whether a license should be issued, denied, revoked or suspended

The governing body of any city or county may request notification when an application is filed for a new or renewed license in such city or county. [Subsection (a) of K.S.A. 41-2651] If the governing body makes such a request, the Director shall notify the governing body when an application is received. [Subsection (a) of K.S.A. 41-2651] Once notified, the governing body shall have 10 days to request a hearing before the Director on whether an initial license should be issued or an existing license should be renewed. [Subsection (b) of K.S.A. 41-2651]

The governing body of any city or county may, at any time, request a hearing to determine whether a license issued under the Club and Drinking Establishment Act should be revoked or suspended. [Subsection (c) of K.S.A. 41-2651]

The hearing shall be conducted in accordance with the Kansas Administrative Procedures Act. [Subsection (d) of K.S.A. 41-2651] At such hearing, the governing body shall have the right to present

testimony and evidence and make recommendations regarding whether the Director should issue or renew the license. [Subsection (e) of K.S.A. 41-2651] K.A.R. 14-20-40 provides factors for the Director to consider in making such determination.

Restrictions on employees

All persons who are serving alcoholic beverages or CMB must be at least 18 years old. However, any server who is under the age of 21 must be supervised by a person who is at least 21 years old. [Subsections (a) and (f) of K.S.A. 41-2610 and Subsections (b)(1) and (b)(3) of K.A.R. 14-20-26]

All persons who are mixing or dispensing alcoholic beverages or CMB must be at least 21 years old. [Subsection (g) of K.S.A. 41-2610 and Subsection (b)(2) of K.A.R. 14-20-26]

No person connected* (see below) with the dispensing, mixing and serving of alcoholic liquor or CMB can:

- have a conviction of a felony or of any crime involving a morals charge in Kansas, any other state, or the United States at any time. [Subsection (b) of K.S.A. 41-2610] "Morals charge" is defined in subsection (m) of K.A.R.14-20-14 as a charge alleging:
 - prostitution
 - procuring any person
 - solicitation of a child under 18 years of age for any immoral act involving sex
 - possession or sale of narcotics, marijuana, amphetamines or barbiturates
 - rape
 - incest
 - gambling
 - adultery
 - bigamy
- have a conviction of a violation of any intoxicating liquor law of Kansas, any other state, or the United States within the past two years. This includes DWI, DUI and "sale to minor" convictions. [Subsection (c) of K.S.A. 41-2610]

* **"Person connected"** includes any manager or assistant manager in charge of the daily operations of the club. [Subsection (k) of K.A.R. 14-20-14] The Director has ruled that "person connected" also includes any person who manages or supervises any person actually doing the dispensing, mixing and serving of alcoholic liquor or CMB, regardless of their title. [Policy Memorandum 2001-4]

No person employed in the dispensing, mixing and serving of alcoholic liquor or CMB can:

- be a manufacturer, distributor or retailer. [Subsection (b)(6) of K.A.R. 14-20-26]
- be an officer, agent or employee of a manufacturer, distributor or retailer. [Subsection (b)(6) of K.A.R. 14-20-26]

Persons who dispense beer from carts on golf courses must be at least 21 years old because there is no 21 year old supervisor who can see what they are doing, as there would be inside a building where 18-year olds are allowed to carry alcoholic products to the tables. [Ruling made by the Director on April 30, 2007]

Food servers who have a disqualifying conviction may take orders for alcoholic liquor from customers as long as another, qualified person mixes or dispenses and serves the alcoholic liquor to the customers. [Interpretation made by AAG on Feb. 1, 2005]

Records to be retained and available for inspection

Class B clubs shall retain the following records of purchases and sales for a period of three years:

- sales slips and other purchase documents for all alcoholic liquor purchased from retailers or distributors. [Subsection (e) of K.A.R. 14-20-27]
- invoices and other records of sales of alcoholic liquor to all customers. [Subsection (a) of K.S.A. 79-3609 as referenced in subsection (a) of K.S.A. 79-4105 of the Liquor Enforcement Tax Act]

These records are subject to inspection by the Director or any agent or employee of the Director. [Subsection (g) of K.A.R. 14-20-27]. For a period of 90 days after the purchase or sale, the records must be kept on the licensed premises. The records may be in electronic or paper format. If electronic, the records must be available to print upon request by the Director or any agent or employee of the Director. [Ruling by the Director on July 16, 2012]

After 90 days, the records may be stored off the licensed premises but shall be provided within a reasonable time upon request. [Ruling by the Director on July 16, 2012]

Hours and days of sales

There shall be no serving, mixing or consumption of alcoholic liquor on the licensed premises between the hours of 2 a.m. and 9 a.m. on any day. [Subsection (a) of K.S.A. 41-2614]

Memberships and reciprocal agreements

Each customer at a class B club must be a member of the club or a guest invited by and accompanied by a member of the club. [Subsection (a) of K.S.A. 41-2641 and subsection (a) of K.A.R. 14-20-21] To become a member, a person must make application to the club for membership. Memberships must be sold or offered for sale only on the licensed premises of the club. No one may receive a commission or other compensation for the sale of a membership. [K.S.A. 41-2639] The club must then: (1) screen the person for good moral character; (2) collect a membership fee of no less than \$10 per year; and (3) wait at least 10 days after receiving the membership application and fee before giving the person member status. [Subsection (c) of K.S.A. 41-2641] **However**, there are five exceptions to the \$10 minimum membership fee and 10 day waiting period, as follows:

- Any class B club located on the premises of a hotel or RV resort may establish rules whereby a guest who registered at the hotel or RV resort and who is not a resident of the county in which the club is located may file application for temporary membership in such club. The membership, if granted, shall be valid only for the period of time that the guest is a bona fide registered guest at the hotel or RV resort and such temporary membership shall not be subject to the waiting period or fee requirement. [Subsection (d)(1) of K.S.A. 41-2641]
- If the club is located on property which is owned or operated by a municipal airport authority, the club may establish rules whereby an air traveler who is a holder of a current airline ticket may file application for temporary membership in such club for the day such air traveler's ticket is valid, and such temporary membership shall not be subject to the waiting period or fee requirement. [Subsection (d)(2) of K.S.A. 41-2641]

- Any class B club may establish rules whereby military personnel of the armed forces of the United States on temporary duty and housed at or near any military installation located within the state may file application for temporary membership in such club. The membership, if granted, shall be valid only for the period of the training, not to exceed 20 weeks. Any person wishing to make application for temporary membership shall present the temporary duty orders to the club. Temporary membership shall not be subject to the waiting period or fee requirements. [Subsection (d)(3) of K.S.A. 41-2641]
- Any class B club may enter into a written agreement with a hotel or RV resort whereby a guest who is registered at the hotel or RV resort and who is not a resident of the county in which the club is located may file application for temporary membership in such club. The temporary membership, if granted, shall be valid only for the period of time that the guest is a bona fide registered guest at the hotel or RV resort and shall not be subject to the waiting period or membership fee. A club may enter into a written agreement with a hotel or RV resort pursuant to this provision only if (A) the hotel or RV resort is located in the same county as the club, (B) there is no class B club located on the premises of the hotel or RV resort and (C) no other club has entered into such a written agreement with the hotel or RV resort. [Subsection (d)(4) of K.S.A. 41-2641]
- If the club is located in a racetrack facility where races with parimutuel wagering are conducted under the Kansas parimutuel racing act, the club may establish rules whereby persons attending such races may file an application for temporary membership in such club for the day such person is attending such races, and such temporary membership shall not be subject to the waiting period or fee requirement. [Subsection (d)(5) of K.S.A. 41-2641]

Class B clubs which are restaurants may enter into reciprocal agreements with one or more other class B clubs which are restaurant for the members of each such club to have access to all other clubs which are parties to such agreement. The agreement must be submitted to and approved by the director before the reciprocal agreement becomes effective. The privileges extended to the visiting members of other clubs under such an agreement shall be determined by the agreement and, if the agreement so provides, any club which is a party to such agreement may sell, offer for sale and serve, to any person who is a member of another club which is a party to such agreement, alcoholic liquor for consumption on the licensed premises by such person and such person's family, and guests accompanying them. [Subsection (b) of K.S.A. 41-2641]

When a class B club is sold, the following membership considerations apply:

- If the business is a corporation or LLC, and the corporation or LLC retains the same FEIN and license number, then the business entity continues in existence and the existing memberships and reciprocal agreements will stay in effect unless they include provisions to the contrary.
- If the old business is sole proprietorship or partnership, it would automatically cease to exist and the new owners would have to apply for a new liquor license. The new licensee would have to sell new memberships and enter into new reciprocal agreements. If the old business is selling only the assets to a new business, then the same principle would apply.

Public functions on licensed premises

A class B club wanting to use part of the licensed premises for a public event must first get approval from the Director of ABC. Clubs must submit form ABC-825 (Request for Public Function) to the Director no later than 10 days prior to the event. [ABC Policy Memorandum 2001-1] The club shall not sell or serve any alcoholic liquor in the area designated for the public event. [Subsection (a) of K.A.R. 14-20-38] More information on public events and the ABC-825 form are available for download from our website at <http://www.ksrevenue.org/html>

Signs, advertising, trade practices and promotional activities

Outside signs. Industry members may give, lend or sell basic signs advertising the industry member's products. The value of the signs may not exceed \$400. The industry member cannot make payments or give credits to the licensee for displaying their sign and cannot pay for the installation, removal or operation of the sign. This would prohibit the industry member from supplying the structure to mount the sign on, such as a billboard, marquee with space to post additional information, a semi-trailer truck, etc. [27 CFR ch. 1, Sec. 6.102, as adopted by K.A.R. 14-10-17]

Definition of advertising. "Advertising" means the medium of radio, television, newspapers, periodicals, circulars, pamphlets, or other publications or any sign or outdoor advertising or any other printed or graphic matter. [K.A.R. 14-8-1] Webster's Dictionary (New Riverside University Edition published in 1984) defines "graphic" as:

- pertaining to written representation
- pertaining to pictorial representation
- pictorial device, as an illustration or chart
- display by a computer or imaging device

Radio and television advertising. Licensees may purchase live radio or TV commercials to take place at the licensed premises if the licensee pays the entire cost of the commercial. An industry member may be present and hand out promotional items to consumers on the premises during the time the commercial is broadcast but shall not participate in the commercial or pay any of the cost thereof. [Ruling by the Director on Aug. 1, 2005] A licensee may arrange for a radio or television station to run a remote broadcast from the licensee's parking lot or anywhere **outside** the licensed premises and the licensee or the radio or television station may give away food or promotional items at that location. Any food or other items may be given free to the public. The food cannot be paid for by an industry member (manufacturer, supplier or distributor).

Industry members selling, giving or lending equipment or supplies. Industry members are prohibited from giving or lending money, equipment, supplies, services or anything of value to a licensee except as permitted by K.A.R. 14-10-17. The following are allowed:

- Glassware, as long as the price is not less than what the industry member paid for it.
- Tapping and dispensing equipment, as long as the price is not less than what the industry member paid for it.
- Carbon dioxide gas and ice, as long as the price is not less than the local market price.
- Coil cleaning service.

Industry members selling or giving services. Industry members are prohibited from inducing licensees to purchase product from them by paying or crediting the licensee for any advertising, display or distribution service. The following practices are prohibited:

- participating in paying for an advertisement placed by the retailer.
- the purchase of advertising on signs, scoreboards, programs, scorecards, and similar items from the retail concessionaire at ballparks, racetracks or stadiums.
- the purchase of advertising in a publication of the retailer which is distributed to consumers or the general public.
- reimbursements to retailers for setting up product or other displays.
- rental of display space in the licensed premises.

[Subsection (d) of 27 CFR, ch. 1, Sec. 6.21, as adopted by K.A.R. 14-10-14]

Industry members shall not obtain tickets to a concert or other event and give them away to consumers either directly or through a third party if the concert or other event is being held on a licensee's premises. This is interpreted as furnishing something of value to the licensee (inducing consumers to visit the licensed premises) in violation of subsection (a) of K.S.A. 41-703. [Ruling by the Director on Aug. 1, 2005]

Industry members shall not arrange for a radio station to have its mobile unit park at a licensee's location and offer something of value to the public for finding the mobile unit and broadcast clues to find the mobile unit. This is interpreted as furnishing something of value to the licensee (inducing consumers to visit the licensed premises) in violation of subsection (a) of K.S.A. 41-703. [Ruling by the Director on Aug. 1, 2005]

However, industry members may furnish, give, rent, loan or sell newspaper cuts, mats or engraved blocks to a licensee for use in their advertising of the industry member's products. [27 CFR, ch. 1, Sec. 6.92, as adopted by K.A.R. 14-10-17]

Industry members may put the name of the retailer on the label or packaging of the products sold to retailers. If the name is added to a label that has previously been registered with ABC, the new label must be separately registered with ABC. [Ruling by the Director on Aug. 20, 2007]

Product displays. Industry members may give or sell product displays to licensees. The selling or giving of the product displays may be conditioned upon the purchase of enough of the liquor products advertised on the display for the initial completion of the display. No other conditions are allowed. [Subpart (c)(3) of 27 CFR, ch. 1, Sec. 6.83, as adopted by K.A.R. 14-10-17]

"Product display" means any wine racks, bins, barrels, casks, shelving, or similar items whose primary function is to hold and display consumer products. [Subpart (b) of 27 CFR, ch. 1, Sec. 6.83, as adopted by K.A.R. 14-10-17] The total value, based on actual cost to the industry member, of all product displays given or sold by an industry member may not exceed \$300 per brand at any one time in any one licensed premises. [Subpart (c)(1) of 27 CFR, ch. 1, Sec. 6.83, as adopted by K.A.R. 14-10-17]

All product displays must bear conspicuous and substantial, permanently affixed, advertising material about the product or the industry member. The product display may also include the name and address of the retailer. [Subpart (c)(2) of 27 CFR, ch. 1, Sec. 6.83, as adopted by K.A.R. 14-10-17]

Point of Sale (“POS”) Advertising Materials. Industry members may provide to licensees items intended to be used within the establishment to attract customers’ attention to the products of the industry member. Such advertising materials include, but are not limited to: posters, placards, designs, inside signs (electric, mechanical or otherwise), window decorations, trays, coasters, menu cards, paper napkins, foam scrapers, back bar mats, thermometers, clocks, calendars, banners, display cards, ceiling danglers, table tents and alcoholic beverage lists or menus dealing with alcoholic beverages. [Subpart (b)(1) of 27 CFR, ch. 1, Sec. 6.84, as adopted by K.A.R. 14-10-17]

All POS must bear conspicuous and substantial, permanently affixed, advertising material about the product or the industry member. The POS may also include the name and address of the retailer. [Subpart (c)(1) of 27 CFR, ch. 1, Sec. 6.84, as adopted by K.A.R. 14-10-17]

Consumer advertising specialties (“CAS”) offered by industry members. Industry members may provide to licensees consumer advertising specialties that are designed to be carried away by the consumer, such as trading stamps, nonalcoholic mixers, pouring racks, ashtrays, bottle or can openers, corkscrews, shopping bags, matches, printed recipes, informational pamphlets, cards and leaflets, post cards, posters, printed sports schedules, pens, pencils, koozies, t-shirts, ball caps and other similar items as approved by the Director for distribution to the general public. [Subpart (b)(2) of 27 CFR, ch. 1, Sec. 6.84, as adopted by K.A.R. 14-10-17]

The CAS must bear conspicuous and substantial advertising material about the product or the industry member. The CAS may also include the retailer’s name and address. The licensee shall not be paid or credited in any manner, directly or indirectly, for this distribution service. [Subpart (c) of 27 CFR, ch. 1, Sec. 6.84, as adopted by K.A.R. 14-10-17]

Retailer-Generated Consumer Advertising Specialties (“CAS”). A retailer (on or off-premise licensee) may generate and distribute unconditionally and free of charge to the general public CAS intended to be carried away by the consumer. Such items include ash trays, bottle or can openers, cork screws, matches, printed recipes, informational pamphlets, cards and leaflets, post cards, posters, printed sports schedules, pens, pencils, koozies, t-shirts, ball caps and other similar items as approved by the Director. Each CAS must bear conspicuous and substantial advertising material relating to the operation of the retail establishment.

There can be no requirement to purchase anything in order to receive the retailer-generated CAS. Industry members are prohibited from providing or paying for retailer-generate CAS.

Table 1: Point of Sale (POS) and Consumer Advertising Specialties (CAS) Quick Reference

Type of Materials	Purpose	For consumers	Advertising about	Costs paid by	Keep Records	Notify ABC of New Items
Industry Member POS	Materials provided by industry member for use within a retailer's premises to attract customer attention to the products	No	Industry member or product May include retailer's information	Industry member or retailer	No	No
Industry Member CAS	Materials provided by industry member designed to be carried away by consumers	Yes	Industry member or product May include retailer's information	Industry member or retailer	No	Yes
*Retailer-generated CAS	Materials generated by retailers that are designed to be carried away by consumers	Yes	Retailer. Can include name, logo, address, phone, website, etc.	Retailer	No	Yes

* Retailer means any on or off-premise establishment and includes retail liquor dealers, clubs, public venues, drinking establishments, and caterers.

Offering coupons, premiums, rebates and refunds to customers by industry members. Industry members may offer coupons through retailers (on and off-premise licensees) to consumers if all retailers within the market where the offer is made may redeem the coupons. Industry members may not reimburse a retailer for more than the face value of all coupons redeemed, plus a usual and customary handling fee. [Subpart (a) of 27 CFR, ch. 1, Sec. 6.96, as adopted by K.A.R. 14-10-17] The Director has interpreted this regulation to also permit redemption of such coupons for free or discounted non-alcoholic items at grocery stores.

Industry members may offer contest prizes, premiums, refunds and like items directly to consumers. A premium may or may not be conditioned upon the purchase of an alcoholic beverage. The retailer shall not accept any reimbursement, payment or credit for providing this service to the industry member. Officers, employees and representatives of distributors and retailers shall be excluded from participation. [Subpart (b) of 27 CFR, ch. 1, Sec. 6.96, as adopted by K.A.R. 14-10-17]

"Premium" is not defined in the statutes or regulations but is defined by Webster's Dictionary as "something offered free or at a reduced price as an inducement to buy." and by Black's Law Dictionary as "a reward for an act done."

Industry member support of events sponsored by licensees. Industry members may not support these events through the donation of money, advertising, consumer advertising specialties or product. [Subsection (a) of K.S.A. 41-702 and subsection (a) of K.A.R. 14-14-11] Subsection (e) of K.S.A. 41-703 authorizes the Secretary of Revenue to adopt rules and regulations authorizing exceptions to the general prohibition in K.S.A. 41-702. K.A.R. 14-10-1 et seq. dictates exceptions to the prohibition on industry members giving anything of value to retailers and it does not provide for any assistance with licensee sponsored events, whether they be fundraising or otherwise. Industry members may participate

in these events but any fees paid by such industry members shall be the same as paid by any other participant.

Industry member support of fundraising events sponsored by charitable organizations with sponsorship in whole or in part by a liquor licensee. Industry members may support these events through the donation of money and consumer advertising specialties directly to the charity, but not to the event sponsor or any other party. They may not donate product. Industry members may participate in these events, however any contributions made or fees paid by such industry members shall be the same as that contributed or paid by any other participant.

Industry member support of fundraising events sponsored by Charities, Not-for-profit Organizations with **no** Retailer Involvement. Industry members may support these events through the donation of money and consumer advertising specialties directly to the charity. They may not donate product. Industry members may participate in these events, however any contributions made or fees paid by such industry members shall be the same as that contributed or paid by any other participant.

Industry member support to Liquor Association Sponsored Events. Industry members may participate in these events to a limited extent. Industry members may: display products at a convention or trade show; rent display space at the same rental rate paid by all other exhibitors; provide hospitality independent from that provided by the retail association; purchase tickets to functions and pay registration fees at the same price paid by all other attendees, participants, or exhibitors; and pay for advertising in programs or brochures if the total payments made by an industry member for all such advertisements does not exceed \$300 per year for any retail association. [27 CFR, ch. 1, Sec. 6.100, as adopted by K.A.R. 14-10-17]

Table 2: Industry member support to fundraising and other events

Type of Event	Retailer Sponsored Event	Charity sponsored events with retailer involvement	Charity sponsored events with NO retailer involvement	Liquor association sponsored events
Type of Support				
Monetary Donations	No	Conditional (2)	Yes	No
Product Donations	No	No	No	Conditional (3)
CAS Donations	No	Conditional (2)	Yes	Yes
Participation Fees	Conditional (1)	Conditional (1)	Yes	Conditional (1)

Conditions

- (1) Participation fees not in excess to those paid by all other participants.
- (2) May only be provided to the charity. Donations may not go through retailer or any other party.
- (3) May be provided as hospitality or at industry seminars.

Obtaining, transporting and paying for alcoholic beverages

A class B club may only obtain its alcoholic liquor as follows:

- Purchase alcoholic liquor from a **Kansas** licensed retail liquor store. [Subsection (a) of K.A.R. 14-20-27] The retail liquor store must have a federal wholesaler's basic permit. The club shall not warehouse any liquor on the premises of the retail liquor store. [Subsection (c) of K.A.R. 14-20-27] The retail liquor store may deliver the alcoholic liquor to the club's premises. [Subsection (b) of K.A.R. 14-20-27] The club must pay the retailer for the alcoholic liquor delivered before or at the time of delivery. [Subsection (a)(5) of K.A.R. 14-13-9] **If both the club and the retailer agree, payment may be made by electronic funds transfer. Payment by EFT must be made no later than the next banking business day after the date of delivery of the product to the club. [Paragraph 3.c. of ABC Policy Memorandum 2001-2] [Ruling by the Director, July 30, 2012]**
- Purchase **bulk wine** from wine distributors which are authorized by franchise agreements on file with the Director to sell wine within the geographic area where the club is located. [Subsection (c)(2) of K.S.A. 41-306a and subsection (a) of K.A.R. 14-20-27] The distributor may deliver the wine to the club's premises. [Subsection (b) of K.A.R. 14-20-27] If both the club and the distributor agree, payment may be made by electronic funds transfer. Payment by EFT must be made no later than the next banking business day after the date of delivery of the product to the club. [Paragraph 3.c. of ABC Policy Memorandum 2001-2] The wine distributor must have a federal wholesaler's basic permit. The club shall not warehouse any wine on the premises of the distributor. [Subsection (d) of K.A.R. 14-20-27]
- Purchase beer and cereal malt beverages from beer distributors which are authorized by franchise agreements on file with the Director to sell beer within the geographic area where the club is located. [Subsections (b)(3) and (c)(2) of K.S.A. 41-307 and subsection (a) of K.A.R. 14-20-27] The distributor may deliver the alcoholic liquor to the club's premises. [Subsection (b) of K.A.R. 14-20-27] If both the club and the distributor agree, payment may be made by electronic funds transfer. Payment by EFT must be made no later than the next banking business day after the date of delivery of the product to the club. [Paragraph 3.c. of ABC Policy Memorandum 2001-2] The beer distributor must have a federal wholesaler's basic permit. The club shall not warehouse any beer on the premises of the distributor. [Subsection (d) of K.A.R. 14-20-27]
- Purchase domestic wine from a Kansas farm winery. [Subsection (a)(2) of K.S.A. 41-308a] The farm winery may deliver the domestic wine to the club's premises. [Subsection (b) of K.A.R. 14-11-7]
- **Purchase alcoholic liquor from a sheriff's sale, a sale authorized by the Director, or from a licensee who is quitting business. [K.S.A. 41-1102, K.S.A. 41-1122, K.S.A. 41-1123, K.S.A. 41-1125, and Policy Memorandum 2010-1]**

Selling and serving of alcoholic beverages

Class B clubs may sell and serve alcoholic liquor by the individual drink. Bottles and carafes of wine and pitchers of beer are excluded from the individual drink restriction. Pitchers of beer are limited to not more than 64 fluid ounces. **No other alcoholic beverage may be served in pitchers.** [Subsection (c) of K.S.A. 41-2640, as amended by 2012 Sub. for HB 2689, sec. 41]

A class B club may sell CMB if it has a current CMB retailer's license issued by a city or county pursuant to the CMB Act. [Subsection (a) of K.S.A. 41-2702]

Multiple cans or bottles of beer or CMB may be sold to a customer at the same time. The bottles or cans may be opened prior to service. [Approved by the Director June 18, 2010]

Most of the restrictions on the pricing of drinks dispensed at clubs, DEs, caterers and temporary permit holders by their employees or agents are set forth in subsection (a) of K.S.A. 41-2640, which prohibits:

- Offering or serving free alcoholic liquor or CMB to any person. [Subsection (a)(1)] This is interpreted as also prohibiting employees or agents of the licensee from "buying" drinks for anyone on the licensed premises.
- Selling, offering or serving any drink at a price below acquisition cost of the drink. [Subsection (a)(2)] The acquisition cost shall include the cost of both the alcoholic liquor and non-alcoholic liquor contained in the drink, but not the cost of water, ice, labor, overhead and any other items of clearly negligible value. [K.A.R. 14-20-32]
- Selling, offering or serving an unlimited number of drinks to any person for a set period of time at a fixed price, except at private functions not open to the general public or to the general membership of a club. [Subsection (a)(3)]
- Encouraging or permitting any game or contest which involves drinking alcoholic liquor or CMB or the awarding of drinks as prizes on the licensed premises. [Subsection (a)(4)]
- Advertising or promoting in any way, whether on or off the licensed premises, any of the practices prohibited under subsections (a)(1) through (4). [Subsection (a)(5)]

Class B clubs may offer and advertise happy hours and other drink specials. Class B clubs may charge different prices for the same drink at any time during the business day. This includes "Ladies night" or discounts to other select patrons. Mug clubs and other reward programs resulting in reduced priced drinks for members of the program are allowed. [Subsection (c) of K.S.A. 41-2640, as amended by 2012 Sub. for HB 2689, sec. 41]

Sale of business already licensed

Individuals and partnerships

If an individual (sole proprietor) or partnership which owns a currently licensed club sells the business to another individual or business entity, or the partnership interests change, then the license will be terminated effective no later than the date of transfer of ownership and the new owner will be required to apply for a new license and meet the licensing requirements for an initial license.

Corporations

If a corporation which owns a currently licensed club is sold intact (the corporation continues to exist, but one or more of the stockholders changes), then the business may continue to operate the club under the existing license if the corporation retains the same FEIN. The corporation must submit a copy of the corporation meeting minutes documenting the sale and a Notice of Ownership Change form (ABC-809) to ABC Licensing.

Limited Liability Companies (LLCs)

If an LLC which owns a currently licensed club is sold intact (the LLC continues to exist, but one or more of the members changes), then the business may continue to operate the club under the existing license if the LLC retains the same FEIN. The sale agreement must include language which explicitly makes the new members of the LLC liable for any state taxes which are due at the time of sale or may be found later to be due for any time period prior to the date of sale. The LLC must submit a copy of the sale agreement and a Notice of Ownership Change form (ABC-809) to ABC Licensing.

Transfer of a club's stock upon the closing of the business

When a licensed class B club closes for any reason, including when the license has expired or has been revoked, the licensee **may** apply to the Director of ABC for permission to sell the licensee's stock of alcoholic liquor to another licensee, as follows:

- Bulk wine, beer and cereal malt beverages in the unopened original containers may be sold back to the distributor from which it was originally purchased. [Subsection (d)(1) of K.S.A. 41-728] The club and distributor must complete and submit form ABC-812 (Request Permission to Sell Inventory of Alcoholic Beverages).
- Alcoholic liquor in unopened original containers may be sold to any licensed retailer, DE, class A or B club or caterer. The club and purchasing licensee must complete and submit form ABC-812 (Request Permission to Sell Inventory of Alcoholic Beverages). [Policy Memorandum 2010-1]

Any liquor left on the premises after the club closes shall be deemed abandoned by the Director and shall be seized and sold. [Policy Memorandum 2010-1]

Authorized activities

Selling and serving alcoholic beverages. A class B club may offer for sale, sell and serve alcoholic liquor for consumption on the licensed premises by members of such club and guests accompanying them. [Subsection (a) of K.S.A. 41-2641]

Selling and serving cereal malt beverage (CMB). A class B club may offer for sale, sell and serve CMB for consumption on the licensed premises if the club obtains an on-premises license under the CMB Act. [Subsection (h) of K.S.A. 41-2704]

Free food or entertainment. A class B club may offer free food or entertainment at any time. [Subsection (c) of K.S.A. 41-2640, as amended by 2012 Sub. for HB 2689, Sec. 41]

Gift certificates and cards. A class B club may **sell** gift certificates or gift cards that can be subsequently used to purchase drinks. [Ruling approved by the Director on Jan. 25, 2005] **Liquor drink tax is collected when the card is redeemed.**

Reward programs. A class B club may offer members a “mug club” or other reward program which results in a discount on drink prices. [Subsection (c) of K.S.A. 41-2640, as amended by 2012 Sub. for HB 2689, sec. 41]

Combination pricing. A class B club may offer specials including meals, entertainment and/or drinks of alcoholic liquor for a single price. [Ruling by the Director on July 23, 2012] If such a special is offered, the club shall assign a portion of the price to the alcoholic liquor included. The portion assigned to the alcoholic liquor shall be not less than the acquisition cost of the drink to the club. The receipt shall record that portion and the liquor drink tax collected on that portion as separate items. [K.A.R. 92-24-15 and K.A.R. 92-24-16]

Guests of members. A class B club may allow members to bring one or more guests onto the premises and purchase alcoholic liquor for them if they are at least 21 years of age. A guest is defined as an individual who is known to and personally accompanied by a member of a club while on the licensed premises of the club. There is no limit on the number of guests that a member may bring onto the premises at one time. A guest shall not include members of the general public admitted to licensed club premises as guests of the club's owner, manager or employee. [Subsection (h) of K.A.R. 14-20-14]

Customers providing their own alcoholic liquor. A class B club may allow a customer to bring into the licensed premises their own alcoholic liquor to be consumed by the customer and the customer's invited guests. The club may also prohibit such practice. [K.S.A. 41-2647] The club may not warehouse the customer's alcoholic liquor and the customer must remove all remaining alcoholic liquor when departing the licensed premises. [Subsection (b) of K.A.R. 14-20-30]

If a club allows this practice, it may charge the customer a "corkage fee" for mixing/dispensing and/or serving drinks from the customer's bottles of alcoholic liquor. The corkage fee is subject to the 10 percent retail liquor drink tax imposed by K.S.A. 79-41a01 et seq. [Subsection (a)(1) of K.A.R. 92-24-11] The "doggie bag law" does not apply in this situation because it only applies to bottles purchased from the licensee. Therefore, the club may allow a customer to remove a bottle of alcoholic liquor that the customer brought into the licensed premises without requiring the customer to purchase a "doggie bag." However, the club may sell doggie bags to these customers if the club chooses to.

Wine storage areas. A class B club may allow patrons to store wine purchased from the club in the original, unopened containers on the licensed premises for later consumption. The wine shall be kept separate from all other alcohol stock in a secure, locked area, separated by customer. The licensee shall at all times have the means to enter each customer's wine storage area and the wine storage area is subject to the requirement for immediate access and inspection. [Subsection (c) of K.A.R. 14-20-29 and subsection (e) of K.S.A. 41-2641]

A receipt showing the quantity of each brand of wine purchased by the customer shall be maintained in each customer's wine storage area. Each time the customer requests the removal of any wine from the storage area, the licensee shall mark the receipt showing the date of removal and the quantity of each brand removed. [Subsection (d)(2) of K.A.R. 14-20-29]

Removal of opened wine and beer from licensed premises. The "doggie bag law" authorizes clubs and drinking establishments to permit patrons to remove opened containers of wine and beer from the licensed premises using "doggie bags." It is the licensee's choice whether to provide this service to patrons. However, if they do offer this service, they need to make sure that the previously opened container is resealed and placed in a tamper-proof, transparent bag. The patron must be provided with a dated sales receipt for the product. Only bottles of wine and bottles and cans of beer which have been purchased by patrons from the club or drinking establishment and opened and partially consumed qualify for this procedure. [K.S.A. 41-2653]

Wine kept in customer's wine storage area may be removed subject to the doggie bag law if all other requirements for removal are met. The licensee shall provide a copy of the original receipt from the sale with a notation that the wine was removed from the customer's wine storage area on the date the customer partially consumed it. [Subsection (f)(2) of K.A.R. 14-20-29]

Prohibited Activities (also see section on "Selling and serving of alcoholic beverages")

Membership list out of date or inaccessible. A class B club shall not fail to maintain on the licensed premises a current list of all members and their residence addresses or refuse to allow the director, any of the director's authorized agents or any law enforcement officer to inspect such list. [Subsection (d) of K.S.A. 41-2610]

Removal of alcoholic liquor from club premises by customers. A class B club shall not allow patrons to remove alcoholic beverages purchased from the club from the licensed premises. [Subsection (e) of K.A.R. 14-20-29] However, K.S.A. 41-2653 (the "doggie bag" law) provides an exception. See list of authorized activities above for details.

Unqualified employees. A class B club shall not knowingly employ any person who does not meet the qualifications set forth in K.S.A. 41-2610 and K.A.R. 14-20-26.

Purchases of liquor stock. A class B club shall not purchase alcoholic liquor from any person except from a person authorized by law to sell such alcoholic liquor to such licensee or permit holder. [Subsection (e) of K.S.A. 41-2610] See section entitled "Obtaining, transporting and paying for alcoholic beverages."

Selling alcoholic liquor or cereal malt beverage below cost. A class B club shall not sell any individual drink at a price less than the acquisition cost of the drink to the licensee, plus liquor drink tax. [Subsection (a)(2) of K.S.A. 41-2640, as amended by 2012 Sub. for HB 2689, sec. 41]

Serving free alcoholic liquor. A class B club shall not serve any free alcoholic liquor or cereal malt beverage in any form to any person. [Subsection (a)(1) of K.S.A. 41-2640, as amended by 2012 Sub. for HB 2689, sec. 41]

Offering 2-for-1 or buy-one-get-one-free specials. A class B club may not offer or sell any drink special which implies or indicates that a drink is free.

Allowing a drinking game. A class B club shall not encourage or permit any game or contest that involves the consumption of alcoholic liquor or cereal malt beverage on the licensed premises. [Subsection (a)(4) of K.S.A. 41-2640, as amended by 2012 Sub. for HB 2689, sec. 41] This does not include "water pong" or any other game in which participants consume only water or other non-alcoholic liquid. It **does** include any game advertised or promoted as including only water or other

non-alcoholic liquid but during which the participants consume alcoholic liquor or cereal malt beverage. [Ruling by the Director on July 30, 2012]

Serving any alcoholic beverage other than beer in pitchers. A class B club shall not serve any alcoholic beverage other than beer or cereal malt beverage in a pitcher. This includes margaritas and sangria. [K.S.A. 41-104 and Subsection (c) of K.S.A. 41-2640, as amended by 2012 Sub. for HB 2689, sec. 41]

Failing to maintain or provide a current drink price list. A class B club must provide a current drink price list showing the establishment's current price per drink for all drinks. [Subsection (f) of K.S.A. 41-2640, as amended by 2012 Sub. for HB 2689, sec. 41] The drink price list must be in a printed format that can be viewed by any patron or law enforcement officer upon request. Happy hour and other drink specials may be noted on placards, bulletin boards, posters, fliers, or other media. [Ruling by the Director on July 30, 2012]

Tournaments involving poker or other card games. The Kansas Racing and Gaming Commission has ruled that games of chance or skill which result in something of value being awarded as a prize, regardless of whether any fee was charged to enter the game, constitutes gambling and is, therefore, illegal. A class B club may not allow persons on the licensed premises to participate in poker tournaments or other card games where something of value is awarded as a prize, regardless of whether any fee was charged to enter the game. [Ruling by the Director on March 13, 2012.]

Gambling machines. The Kansas Racing and Gaming Commission has ruled that gambling machines capable of being reset or which provide or are used to provide a reward to the player are illegal. The presence of such a machine on a class B club's premises may subject the licensee to criminal gambling charges. Criminal gambling charges can result in revocation of the club's license. [Subsection (f) of K.S.A. 41-2611]

Illegal consumption of alcoholic liquor. Allowing any person to consume alcoholic liquor on the licensed premises contrary to the provisions of the Club and Drinking Establishment Act is a criminal offense, subject to fine and imprisonment, in addition to possible administrative action by the Director. [K.S.A. 41-2604]

Illegal possession or consumption of alcoholic liquor or cereal malt beverage by a minor. Knowingly or unknowingly permitting any minor to possess or consume alcoholic liquor or cereal malt beverage on the licensed premises is a criminal offense, subject to fine and imprisonment, in addition to possible administrative action by the Director. [K.S.A. 41-2615] Exceptions or defenses:

- An exception is made for a minor that is an employee of the licensee and is serving alcoholic liquor or cereal malt beverage under the supervision of another employee of the licensee who is at least 21 years of age. [Subsection (a) of K.S.A. 41-2615]
- It is a defense to criminal prosecution if the minor exhibited a driver's license, Kansas non-driver's ID card, or other official or apparently official document, containing a photograph that reasonably appears to be the minor and purporting to establish that such minor was 21 years of age or more, and the licensee had reasonable cause to believe that the minor was 21 years of age or older. [Subsection (c) of K.S.A. 41-2615]

Refusing immediate entry and inspection of the premises to law enforcement officers. The right to immediate entry and inspection of the licensed premises by law enforcement officers is a condition of the license. The right to immediate entry is not limited to regular business hours, but exists whenever the premises is occupied. Denial of this right to immediate entry is grounds for revocation of the license. [K.S.A. 41-2613]

Administrative actions for violations of statutes and regulations

The Director may suspend or revoke any license issued by the Division of Alcoholic Beverage Control for a violation of any relevant provisions of the Club and Drinking Establishment Act or any administrative regulations adopted pursuant thereto after the issuance of a citation to the licensee and a hearing. [K.S.A. 41-106 and K.S.A. 41-2611, K.A.R. 14-16-15 and K.A.R. 14-20-37] The Director may also impose a fine not to exceed \$1,000 on a licensee for each violation of the Club and Drinking Establishment Act. [K.S.A. 41-2633a]

The Director may determine a penalty based on the ABC's fine and penalty schedule, dated **July 16, 2012**. Penalties may vary from the schedule based on the presence of mitigating or aggravating circumstances. The liquor penalty grid is available for download from our website at <http://www.ksrevenue.org/abclawsnotices.html>

Liquor Drink Tax

Sales of alcoholic liquor and cereal malt beverage made by a class B club are subject to the 10 percent liquor drink tax pursuant to K.S.A. 79-41a01 et seq. The tax is paid by the consumer and computed on the full purchase price of the drink, including any mandatory gratuity charged by the licensee. The licensee must file a monthly return of taxes collected and submit the return and the taxes to the department by the 25th day of the month subsequent to the month in which the taxes were collected.

The liquor drink tax is imposed as an alternative to the Kansas retail sales tax. Therefore, alcoholic drinks subject to the liquor drink tax are exempt from the Kansas retail sales tax. [Subsection (a) of K.S.A. 79-3606]

Any class A club that becomes delinquent in the filing of returns and/or payment of its liquor drink taxes is subject to being fined or having its license suspended or revoked by the Director. [Subsection (b) of K.S.A. 79-41a07]

Tax bond

No license will be issued or renewed without the proper tax bond having been provided. The bond must be equal to 25 percent of the actual or estimated annual tax liability, or \$1,000, whichever is greater. The bond may be a cash bond, escrow bond, or corporate surety bond. [K.A.R. 92-24-23 as authorized by subsection (e) of K.S.A. 79-41a03]

Licensees will not be registered for the liquor drink tax until the bond requirement is satisfied. [Subsection (a) of K.A.R. 92-24-23]