

HOUSE BILL 2774 TESTIMONY
Before the House Federal and State Affairs Committee
By Charles M. Yunker, Adjutant
The American Legion Department of Kansas
March 29, 2012

Thank you for granting me the opportunity this morning to testify in opposition to House Bill 2774.

On the surface House Bill 2774 is a very generous gesture by the Legislature to provide veterans organizations with Class A Club licenses to increase their fund raising ability by enabling those organizations to sell alcohol to the general public. Normally one would assume "fund raising" means raising funds for charitable purposes including the non-profit programs of a particular veteran's organization. In most veterans organizations Post's that is exactly what "fund raising" means. However the words "charitable purpose" or "charitable programs" are not contained in HB 2774, therefore it would allow a Class A Club to raise funds for any purpose.

I do not propose an amendment to include such verbiage because the well intentioned intent of HB 2774 has one fatal flaw the State of Kansas can not alter; Unrelated Business Income. The Internal Revenue Service requires Posts to report all purchases of non-members as unrelated business income. If one of you were my guest at my American Legion Post and I buy you a drink and you reciprocate, your purchase must be reported as taxable Unrelated Business Income.

If a Post has too much Unrelated Business Income, whether it stems from selling alcohol during fund raising activities or during the normal course of business, there is a real danger the Internal Revenue Service will revoke an individual Post's non-profit status. It will also indirectly threaten the non-profit status of every other Post including those without Class A Clubs.

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Attachment #

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Posts wishing to sell alcohol to the public, during fund raising events or full time already have those options available to them. Posts do not "have" to be Class A Clubs; they can opt to be a Class B open to the public facility. At least one American Legion Post in Kansas has taken that option. Posts may also purchase a temporary license from the State which would allow them to sell to the public during special events. If they have a Class A Club license and wish to hold such special events in the area covered by their license they can request permission to do so from the Alcoholic Beverage Control Division of the Department of Revenue.

HB 2774 contains good intentions. However it places all veteran organizations at risk of losing their non-profit status. Therefore I ask you to oppose HB 2774. There are other ways to assist Posts in their fund raising efforts.