1		AN	ACT relating to alcoholic beverages.
2	Be i	t enac	cted by the General Assembly of the Commonwealth of Kentucky:
3		→s	ection 1. KRS 241.010 is amended to read as follows:
4	As u	ised ir	n KRS Chapters 241 to 244, unless the context requires otherwise:
5	(1)	"Alc	cohol" means ethyl alcohol, hydrated oxide of ethyl or spirit of wine, from
6		wha	tever source or by whatever process it is produced;
7	(2)	"Alc	coholic beverage" means every liquid, solid, powder, or crystal, whether
8		pate	nted or not, containing alcohol in an amount in excess of more than one percent
9		(1%) of alcohol by volume, which is fit for beverage purposes. It includes every
10		spur	ious or imitation liquor sold as, or under any name commonly used for,
11		alco	holic beverages, whether containing any alcohol or not. It does not include the
12		follo	owing products:
13		(a)	Medicinal preparations manufactured in accordance with formulas prescribed
14			by the United States Pharmacopoeia, National Formulary, or the American
15			Institute of Homeopathy;
16		(b)	Patented, patent, and proprietary medicines;
17		(c)	Toilet, medicinal, and antiseptic preparations and solutions;
18		(d)	Flavoring extracts and syrups;
19		(e)	Denatured alcohol or denatured rum;
20		(f)	Vinegar and preserved sweet cider;
21		(g)	Wine for sacramental purposes; and
22		(h)	Alcohol unfit for beverage purposes that is to be sold for legitimate external
23			use;
24	(3)	(a)	"Alcohol vaporizing device" or "AWOL device" means any device, machine,
25			or process that mixes liquor, spirits, or any other alcohol product with pure
26			oxygen or by any other means produces a vaporized alcoholic product used for
27			human consumption;

1		(b) "Alcohol vaporizing device" or "AWOL device" does not include an inhaler,
2		nebulizer, atomizer, or other device that is designed and intended by the
3		manufacturer to dispense a prescribed or over-the-counter medication or a
4		device installed and used by a licensee under this chapter to demonstrate the
5		aroma of an alcoholic beverage;
6	(4)	"Automobile race track" means a facility primarily used for vehicle racing that has a
7		seating capacity of at least thirty thousand (30,000) people;
8	(5)	"Bed and breakfast" means a one (1) family dwelling unit that:
9		(a) Has guest rooms or suites used, rented, or hired out for occupancy or that are
10		occupied for sleeping purposes by persons not members of the single-family
11		unit;
12		(b) Holds a permit under KRS Chapter 219; and
13		(c) Has an innkeeper who resides on the premises or property adjacent to the
14		premises during periods of occupancy;
15	(6)	"Board" means the State Alcoholic Beverage Control Board created by KRS
16		241.030;
17	(7)	"Bottle" means any container which is used for holding alcoholic beverages for the
18		use and sale of alcoholic beverages at retail;
19	(8)	"Brewer" means any person who manufactures malt beverages or owns, occupies,
20		carries on, works, or conducts any brewery, either alone or through an agent;
21	(9)	"Brewery" means any place or premises where malt beverages are manufactured for
22		sale, and includes all offices, granaries, mash rooms, cooling rooms, vaults, yards,
23		and storerooms connected with the premises; or where any part of the process of the
24		manufacture of malt beverages is carried on; or where any apparatus connected with
25		manufacture is kept or used; or where any of the products of brewing or
26		fermentation are stored or kept;
27	(10)	"Building containing licensed premises" means the licensed premises themselves

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and includes the land, tract of land, or parking lot in which the premises are
 contained, and any part of any building connected by direct access or by an entrance
 which is under the ownership or control of the licensee by lease holdings or
 ownership;

5 (11) "Caterer" means a person operating a food service business that prepares food in a
6 licensed and inspected commissary, transports the food and alcoholic beverages to
7 the caterer's designated and inspected banquet hall or to an agreed location, and
8 serves the food and alcoholic beverages pursuant to an agreement with another
9 person;

(12) "Charitable organization" means a nonprofit entity recognized as exempt from
federal taxation under section 501(c) of the Internal Revenue Code (26 U.S.C. sec.
501(c)) or any organization having been established and continuously operating
within the Commonwealth of Kentucky for charitable purposes for three (3) years
and which expends at least sixty percent (60%) of its gross revenue exclusively for
religious, educational, literary, civic, fraternal, or patriotic purposes;

16 (13) "Cider" means any fermented fruit-based beverage containing seven percent (7%) or
 17 more alcohol by volume and includes hard cider and perry cider;

18 (14) "City administrator" means city alcoholic beverage control administrator;

(15) "Commercial airport" means an airport through which more than five hundred
thousand (500,000) passengers arrive or depart annually;

(16) "Commercial quadricycle" means a vehicle equipped with a minimum of ten (10)
 pairs of fully operative pedals for propulsion by means of human muscular power
 exclusively and which:

- 24 (a) Has four (4) wheels;
- 25 (b) Is operated in a manner similar to that of a bicycle;

26 (c) Is equipped with a minimum of thirteen (13) seats for passengers;

27 (d) Has a unibody design;

1	(e) Is equipped with a minimum of four (4) hydraulically operated brakes;
2	(f) Is used for commercial tour purposes; and
3	(g) Is operated by the vehicle owner or an employee of the owner;
4	(17) <u>"Consumer" means any individual of legal drinking age who purchases</u>
5	alcoholic beverages for consumption;
6	(18) "Commissioner" means the commissioner of the Department of Alcoholic Beverage
7	Control;
8	(19)[(18)] "Convention center" means any facility which, in its usual and customary
9	business, provides seating for a minimum of one thousand (1,000) people and offers
10	convention facilities and related services for seminars, training and educational
11	purposes, trade association meetings, conventions, or civic and community events
12	or for plays, theatrical productions, or cultural exhibitions;
13	(20) [(19)] "Convicted" and "conviction" means a finding of guilt resulting from a plea of
14	guilty, the decision of a court, or the finding of a jury, irrespective of a
15	pronouncement of judgment or the suspension of the judgment;
16	(21){(20)] "County administrator" means county alcoholic beverage control
17	administrator;
18	(22) [(21)] "Department" means the Department of Alcoholic Beverage Control;
19	(23) [(22)] "Dining car" means a railroad passenger car that serves meals to consumers on
20	any railroad or Pullman car company;
21	(24)[(23)] "Direct shipment" means one (1) or more cases of alcoholic beverages
22	shipped from a manufacturer, wholesaler, distributor, or package retailer to a
23	<u>Kentucky consumer via common carrier;</u>
24	(25) "Direct shipper" or "shipper" means any manufacturer, package retailer, or
25	other person properly licensed by the Department of Alcoholic Beverage Control
26	for the direct shipment of alcoholic beverages to consumers;
27	(26) "Discount in the usual course of business" means price reductions, rebates, refunds,

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1	and discounts given by wholesalers to distilled spirits and wine retailers pursuant to
2	an agreement made at the time of the sale of the merchandise involved and are
3	considered a part of the sales transaction, constituting reductions in price pursuant
4	to the terms of the sale, irrespective of whether the quantity discount was:
5	(a) Prorated and allowed on each delivery;
6	(b) Given in a lump sum after the entire quantity of merchandise purchased had
7	been delivered; or
8	(c) Based on dollar volume or on the quantity of merchandise purchased;
9	(27)[(24)] "Distilled spirits" or "spirits" means any product capable of being consumed
10	by a human being which contains alcohol in excess of the amount permitted by
11	KRS Chapter 242 obtained by distilling, mixed with water or other substances in
12	solution, except wine, hard cider, and malt beverages;
13	(28) [(25)] "Distiller" means any person who is engaged in the business of manufacturing
14	distilled spirits at any distillery in the state and is registered in the Office of the
15	Collector of Internal Revenue for the United States at Louisville, Kentucky;
16	(29)[(26)] "Distillery" means any place or premises where distilled spirits are
17	manufactured for sale, and which are registered in the office of any collector of
18	internal revenue for the United States. It includes any United States government
19	bonded warehouse;
20	(30) [(27)] "Distributor" means any person who distributes malt beverages for the
21	purpose of being sold at retail;
22	(31) [(28)] "Dry" means a territory in which a majority of the electorate voted to prohibit
23	all forms of retail alcohol sales through a local option election held under KRS
24	Chapter 242;
25	(32)[(29)] "Election" means:
26	(a) An election held for the purpose of taking the sense of the people as to the
27	application or discontinuance of alcoholic beverage sales under KRS Chapter

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1		242; or
2	(b)	Any other election not pertaining to alcohol;
3	<u>(33)</u> [(30)]	"Horse racetrack" means a facility licensed to conduct a horse race meeting
4	unde	r KRS Chapter 230;
5	<u>(34)</u> [(31)]	"Hotel" means a hotel, motel, or inn for accommodation of the traveling
6	publ	ic, designed primarily to serve transient patrons;
7	<u>(35)</u> [(32)]	"Investigator" means any employee or agent of the department who is
8	regul	larly employed and whose primary function is to travel from place to place for
9	the p	purpose of visiting licensees, and any employee or agent of the department who
10	is as	signed, temporarily or permanently, by the commissioner to duty outside the
11	main	office of the department at Frankfort, in connection with the administration of
12	alcoł	nolic beverage statutes;
13	<u>(36)</u> [(33)]	"License" means any license issued pursuant to KRS Chapters 241 to 244;
14	<u>(37)</u> [(34)]	"Licensee" means any person to whom a license has been issued, pursuant to
15	KRS	Chapters 241 to 244;
16	<u>(38)</u> [(35)]	"Limited restaurant" means:
17	(a)	A facility where the usual and customary business is the preparation and
18		serving of meals to consumers, which has a bona fide kitchen facility, which
19		receives at least seventy percent (70%) of its food and alcoholic beverage
20		receipts from the sale of food, which maintains a minimum seating capacity of
21		fifty (50) persons for dining, which has no open bar, which requires that
22		alcoholic beverages be sold in conjunction with the sale of a meal, and which
23		is located in a wet or moist territory under KRS 242.1244; or
24	(b)	A facility where the usual and customary business is the preparation and
25		serving of meals to consumers, which has a bona fide kitchen facility, which
26		receives at least seventy percent (70%) of its food and alcoholic beverage
27		receipts from the sale of food, which maintains a minimum seating capacity of

1	one hundred (100) persons of dining, and which is located in a wet or moist
2	territory under KRS 242.1244;
3	(39)[(36)] "Local administrator" means a city alcoholic beverage administrator, county
4	alcoholic beverage administrator, or urban-county alcoholic beverage control
5	administrator;
6	(40)[(37)] "Malt beverage" means any fermented undistilled alcoholic beverage of any
7	name or description, manufactured from malt wholly or in part, or from any
8	substitute for malt, and includes weak cider;
9	(41)[(38)] "Manufacture" means distill, rectify, brew, bottle, and operate a winery;
10	(42)[(39)] "Manufacturer" means a winery, small farm winery, vineyard, distiller,
11	rectifier, [-or] brewer, <i>microbrewer</i> , and any other person engaged in the production
12	or bottling of alcoholic beverages properly licensed by its respective state;
13	(43) [(40)] "Minor" means any person who is not twenty-one (21) years of age or older;
14	(44)[(41)] "Moist" means a territory in which a majority of the electorate voted to permit
15	limited alcohol sales by any one (1) or a combination of special limited local option
16	elections authorized by KRS 242.022, 242.123, 242.1238, 242.124, 242.1242,
17	242.1243, 242.1244, or 242.1292;
18	(45) [(42)] "Population" means the population figures established by the federal decennial
19	census for a census year of the current yearly population estimates prepared by the
20	Kentucky State Data Center, Urban Studies Center of the University of Louisville,
21	Louisville, Kentucky, for all other years;
22	(46)[(43)] "Premises" means the land and building in and upon which any business
23	regulated by alcoholic beverage statutes is operated or carried on. "Premises" shall
24	not include as a single unit two (2) or more separate businesses of one (1) owner on
25	the same lot or tract of land, in the same or in different buildings if physical and
26	permanent separation of the premises is maintained, excluding employee access by
27	keyed entry and emergency exits equipped with crash bars, and each has a separate

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public entrance accessible directly from the sidewalk or parking lot. Any licensee
 holding an alcoholic beverage license on July 15, 1998, shall not, by reason of this
 subsection, be ineligible to continue to hold his or her license or obtain a renewal,
 of the license;

<u>(47)</u>[(44)] "Primary source of supply" or "supplier" means the distiller, winery, brewer,
producer, owner of the commodity at the time it becomes a marketable product,
bottler, or authorized agent of the brand owner. In the case of imported products, the
primary source of supply means either the foreign producer, owner, bottler, or agent
of the prime importer from, or the exclusive agent in, the United States of the
foreign distiller, producer, bottler, or owner;

<u>(48)</u>[(45)] "Private club" means a nonprofit social, fraternal, military, or political
 organization, club, or entity maintaining or operating a club room, club rooms, or
 premises from which the general public is excluded;

(49)[(46)] "Public nuisance" means a condition that endangers safety or health, is
 offensive to the senses, or obstructs the free use of property so as to interfere with
 the comfortable enjoyment of life or property by a community or neighborhood or
 by any considerable number of persons;

18 (50)[(47)] "Qualified historic site" means:

(a) A contributing property with dining facilities for at least fifty (50) persons at
tables, booths, or bars where food may be served within a commercial district
listed in the National Register of Historic Places;

- (b) A site that is listed as a National Historic Landmark or in the National
 Register of Historic Places with dining facilities for at least fifty (50) persons
 at tables, booths, or bars where food may be served;
- 25 (c) A distillery which is listed as a National Historic Landmark and which
 26 conducts souvenir retail package sales under KRS 243.0305; or
- 27 (d) A not-for-profit or nonprofit facility listed on the National Register of Historic

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Places;

2 (51) [(48)] "Rectifier" means any person who rectifies, purifies, or refines distilled
3 spirits or wine by any process other than as provided for on distillery premises, and
4 every person who, without rectifying, purifying, or refining distilled spirits by
5 mixing alcoholic beverages with any materials, manufactures any imitations of or
6 compounds liquors for sale under the name of whiskey, brandy, gin, rum, wine,
7 spirits, cordials, bitters, or any other name;

8 (52)[(49)] "Repackaging" means the placing of alcoholic beverages in any retail
9 container irrespective of the material from which the container is made;

(53)[(50)] "Restaurant" means a facility where the usual and customary business is the
 preparation and serving of meals to consumers, that has a bona fide kitchen facility,
 and that receives at least fifty percent (50%) of its food and alcoholic beverage
 receipts from the sale of food at the premises;

14 (54)[(51)] "Retail container" means any bottle, can, barrel, or other container which,
15 without a separable intermediate container, holds alcoholic beverages and is
16 suitable and destined for sale to a retail outlet, whether it is suitable for delivery to
17 the consumer or not;

18 (55)[(52)] "Retail sale" means any sale where delivery is made in Kentucky to any
 19 consumers;

20 (56)[(53)] "Retailer" means any licensee who sells and delivers any alcoholic beverage to
 21 consumers, except for producers with limited retail sale privileges;

(57)[(54)] "Riverboat" means any boat or vessel with a regular place of mooring in this
 state that is licensed by the United States Coast Guard to carry one hundred (100) or
 more passengers for hire on navigable waters in or adjacent to this state;

25 (58)[(55)] "Sale" means any transfer, exchange, or barter for consideration, and includes
 all sales made by any person, whether principal, proprietor, agent, servant, or
 employee, of any alcoholic beverage;

1	<u>(59)</u> [(56)]	"Service bar" means a bar, counter, shelving, or similar structure used for
2	stori	ng or stocking supplies of alcoholic beverages that is a workstation where
3	empl	oyees prepare alcoholic beverage drinks to be delivered to customers away
4	from	the service bar;
5	<u>(60)</u> [(57)]	"Sell" includes solicit or receive an order for, keep or expose for sale, keep
6	with	intent to sell, and the delivery of any alcoholic beverage;
7	<u>(61)</u> [(58)]	"Small farm winery" means a winery whose wine production is not less than
8	two	hundred fifty (250) gallons and not greater than one hundred thousand
9	(100	,000) gallons in a calendar year;
10	<u>(62)</u> [(59)]	"Souvenir package" means a special package of distilled spirits available from
11	a lice	ensed retailer that is:
12	(a)	Available for retail sale at a licensed Kentucky distillery where the distilled
13		spirits were produced or bottled; or
14	(b)	Available for retail sale at a licensed Kentucky distillery but produced or
15		bottled at another of that distiller's licensed distilleries in Kentucky;
16	<u>(63)</u> [(60)]	"State administrator" or "administrator" means the distilled spirits
17	admi	nistrator or the malt beverages administrator, or both, as the context requires;
18	<u>(64)[(61)]</u>	"State park" means a state park that has a:
19	(a)	Nine (9) or eighteen (18) hole golf course; or
20	(b)	Full-service lodge and dining room;
21	<u>(65)[(62)]</u>	"Supplemental bar" means a bar, counter, shelving, or similar structure used
22	for se	erving and selling distilled spirits or wine by the drink for consumption on the
23	licen	sed premises to guests and patrons from additional locations other than the
24	main	bar;
25	<u>(66)[(63)]</u>	"Territory" means a county, city, district, or precinct;
26	<u>(67)</u> [(64)]	"Urban-county administrator" means an urban-county alcoholic beverage
27	contr	ol administrator;

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 otherwise move alcoholic beverages or any products, equipment, or appurtenance used to manufacture, bottle, or sell these beverages; (69)[(66)] "Vintage distilled spirit" means a package or packages of distilled spirits that (a) Are in their original manufacturer's unopened container; (b) Are not owned by a distillery; and (c) Are not otherwise available for purchase from a licensed wholesaler with 	
 4 (69)[(66)] "Vintage distilled spirit" means a package or packages of distilled spirits that 5 (a) Are in their original manufacturer's unopened container; 6 (b) Are not owned by a distillery; and 7 (c) Are not otherwise available for purchase from a licensed wholesaler with 	t:
 (a) Are in their original manufacturer's unopened container; (b) Are not owned by a distillery; and (c) Are not otherwise available for purchase from a licensed wholesaler with 	t:
 6 (b) Are not owned by a distillery; and 7 (c) Are not otherwise available for purchase from a licensed wholesaler with 	
7 (c) Are not otherwise available for purchase from a licensed wholesaler with	
	nin
8 the Commonwealth;	
9 $(70)[(67)]$ "Warehouse" means any place in which alcoholic beverages are housed	or
10 stored;	
11 $(71)[(68)]$ "Weak cider" means any fermented fruit-based beverage containing more the	an
12 one percent (1%) but less than seven percent (7%) alcohol by volume;	
13 $(\underline{72})[(\underline{69})]$ "Wet" means a territory in which a majority of the electorate voted to perm	nit
14 all forms of retail alcohol sales by a local option election under KRS 242.050	or
15 242.125 on the following question: "Are you in favor of the sale of alcoho	lic
16 beverages in (name of territory)?";	
17 $(73)[(70)]$ "Wholesale sale" means a sale to any person for the purpose of resale;	
18 $(74)[(71)]$ "Wholesaler" means any person who distributes alcoholic beverages for t	he
19 purpose of being sold at retail, but it shall not include a subsidiary of a manufactu	rer
20 or cooperative of a retail outlet;	
21 $(75)[(72)]$ "Wine" means the product of the normal alcoholic fermentation of the juic	es
22 of fruits, with the usual processes of manufacture and normal additions, a	nd
23 includes champagne and sparkling and fortified wine of an alcoholic content not	to
24 exceed twenty-four percent (24%) by volume. It includes sake, cider, hard cider, a	nd
25 perry cider and also includes preparations or mixtures vended in retail containers	if
these preparations or mixtures contain not more than fifteen percent (15%)	of
27 alcohol by volume. It does not include weak cider; and	

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1	(76)[(73)] "Winery" means any place or premises in which wine is manufactured from
2	any fruit, or brandies are distilled as a by-product of wine or other fruit, or cordials
3	are compounded, except a place or premises that manufactures wine for sacramental
4	purposes exclusively.
5	→SECTION 2. A NEW SECTION OF KRS CHAPTER 243 IS CREATED TO
6	READ AS FOLLOWS:
7	(1) A direct shipping license shall authorize the licensee to transport, deliver, and
8	ship by a licensed common carrier alcoholic beverages within the
9	Commonwealth, or outside the state.
10	(2) (a) A person who holds a direct shipping license issued pursuant to this section
11	may sell and ship not more than:
12	1. One (1) case of wine per day;
13	2. Three (3) cases of beer per day; nor
14	3. One (1) nine (9) liter case of distilled spirits per day
15	to any person in the Commonwealth to whom alcoholic beverages may be
16	lawfully sold.
17	(b) A person who holds a direct shipping license in this state or a state that
18	affords Kentucky licensees an equal reciprocal shipping privilege may sell
19	and ship not more than what is provided in subsection (a) of this section.
20	(c) A direct shipping licensee shipping alcoholic beverages to a consumer in
21	Kentucky shall verify that the intended address for delivery is not located in
22	<u>a dry territory.</u>
23	(3) As used in this section:
24	(a) A "case of wine" means any combination of packages containing not more
25	than nine (9) liters of wine;
26	(b) A "case of beer" means any combination of packages containing not more
27	than three hundred eighty-four (384) ounces of beer;

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1	(4) All sales and shipments shall be for personal consumption only and not for
2	<u>resale.</u>
3	(5) (a) Any winery or small farm winery located within or outside th
4	Commonwealth may apply to the department for issuance of a direc
5	shipping license that shall authorize the shipment of brands of win
6	identified in the application.
7	(b) Any brewery or microbrewery located within or outside the Commonwealt
8	may apply to the department for issuance of a direct shipping license the
9	shall authorize the shipment of brands of beer identified in the application.
10	(c) Any distiller located within or outside the Commonwealth may apply to the
11	department for issuance of a direct shipping license that shall authorize th
12	shipment of brands of distilled spirits identified in the application.
13	(6) Any person located within or outside the Commonwealth who is authorized to se
14	alcoholic beverages at retail in its state of domicile and who is not
15	manufacturer may apply for a direct shipping license.
16	(7) No distiller, rectifier, winery, or other person holding a direct shipping licens
17	shall offer to sell or sell any brands and product names to Kentucky consumer
18	that have not been registered as provided by this section.
19	(8) (a) The department shall create and maintain an electronic database the
20	identifies wet, moist, and dry territories in the Commonwealth.
21	(b) If the address intended for delivery is not located in a wet territory, th
22	address shall be deemed to be located in a dry territory.
23	(9) It shall be unlawful for any licensee to direct ship any alcoholic beverage to
24	consumer located in a dry territory.
25	(10) Nothing contained in this section shall exempt a licensed out-of-state perso
26	from obeying the laws of its state of domain.
27	→SECTION 3. A NEW SECTION OF KRS CHAPTER 243 IS CREATED TO

XXXX

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Jacketed

1 READ AS FOLLOWS:

2	(1) A licensed common carrier shall:
3	(a) Require the recipient to demonstrate upon delivery that he or she is at least
4	twenty on (21) years of age;
5	(b) Require the recipient to sign an electronic or paper form or other
6	acknowledgement of receipt as approved by the department; and
7	(c) Refuse delivery when the proposed recipient appears to be under the age of
8	twenty-one (21) years and refuses to present valid identification.
9	(2) All licensees shipping alcoholic beverages to Kentucky consumers shall affix a
10	conspicuous notice in sixteen (16) point type or larger to the outside of each
11	package of alcohol shipped within or into the Commonwealth, in a conspicuous
12	location stating: "CONTAINS ALCOHOLIC BEVERAGES; SIGNATURE OF
13	PERSON AGED 21 YEARS OR OLDER REQUIRED FOR DELIVERY."
14	(3) Any delivery of alcoholic beverages to a minor by a licensed common carrier
15	shall constitute a violation by the licensed common carrier and direct
16	<u>shipping licensee.</u>
17	(4) (a) Shipments of alcoholic beverages may only be made into areas of the state
18	in which alcohol may be lawfully sold.
19	(b) A licensed common carrier may travel through a dry or moist territory to
20	deliver alcoholic beverages to addresses deemed to be in located in a wet
21	territory.
22	(c) Direct shipments of alcoholic beverages to addresses in dry territories are
23	prohibited.
24	(5) It shall be a violation for a licensed common carrier not to inspect government-
25	issued identification for proof of age where the recipient does not appear to a
26	reasonable person to be an adult or to knowingly deliver alcoholic beverages into
27	areas of the state in which alcohol beverages may not be lawfully sold.

1	<u>(6)</u>	(a) _	A direct shipper licensee shall maintain its shipment records for two (2)
2		-	<u>years.</u>
3		<u>(b)</u>	Shipment records shall include the:
4		i	1. Name of the person placing the order;
5		4	2. Quantity of the product ordered;
6		:	3. Delivery address;
7		4	4. Date of the order;
8		:	5. Common carrier used for delivery; and
9		<u>(</u>	6. Name of the person receiving the direct shipment.
10		<u>(c)</u>	Records shall be made available to the department within twenty-four (24)
11		ļ	hours of its request.
12		⇒SE	CTION 4. A NEW SECTION OF KRS CHAPTER 243 IS CREATED TO
13	REA	D AS I	FOLLOWS:
14	<u>(1)</u>	For th	he purposes of this section, each shipment of alcoholic beverages by a direct
15		<u>shippi</u>	ing licensee shall constitute a sale in Kentucky. The licensee shall collect
16		<u>the ta</u>	xes due to the Commonwealth and remit any excise taxes monthly to the
17		<u>depar</u>	tment and any sales taxes monthly to the Department of Revenue.
18	(2)	All ap	pplicable taxes related to the current three (3) tier system shall be collected
19		<u>by a k</u>	Kentucky-based direct shipper at the point of purchase. These taxes are to be
20		<u>remitt</u>	ted directly to the Department of Revenue.
21	<u>(3)</u>	Nothi	ng in this section shall be construed to vitiate the policy of this
22		<u>Comn</u>	nonwealth supporting an orderly three (3) tier system.
23		→Sec	ction 5. KRS 242.260 is amended to read as follows:
24	(1)	It sha	ll be unlawful for any person [or public or private carrier]to bring into,
25		transf	er to another, deliver, or distribute in any dry or moist territory, except as
26		provic	led in subsection (2) of this section, any alcoholic beverage, regardless of its
27		name.	Each package of such beverage so brought, transferred, or delivered in such

territory shall constitute a separate offense. Nothing in this section shall be construed to prevent any distiller or manufacturer or any authorized agent of a distiller, manufacturer, or wholesale dealer from transporting or causing to be transported by a licensed carrier any alcoholic beverage to their distilleries, breweries, wineries, or warehouses where the sale of such beverage may be lawful, either in or out of the state.

- 7 (2) Subsection (1) of this section shall also apply to any moist territory unless the sale
 8 of the alcoholic beverage in question has been specifically authorized in that moist
 9 territory under a limited local option election.
- 10 (3) No properly licensed common carrier or any of its employees acting on behalf of
- 11 *a consignor shall be liable for a violation of this section.*
- 12(4) Proof that the purchaser represented in writing that the delivery address is13located in wet territory shall be an absolute defense to a violation of this section
- 14 on behalf of a person holding a direct shipping license.
- 15 → Section 6. KRS 242.270 is amended to read as follows:
- 16 (1) No person shall sell or deliver any alcoholic beverages that are to be paid for on17 delivery, in dry territory.
- 18 (2) Such transactions shall be deemed sales at the place where the money is paid or the19 goods delivered.
- (3) This section shall also apply to the sale or delivery of any alcoholic beverages that
 are to be paid for on delivery in moist territory unless the sale of the alcoholic
 beverage in question has been specifically authorized in that moist territory under a
 limited local option election.

24 (4) No properly licensed common carrier or any of its employees acting on behalf of 25 a consignor shall be liable for a violation of this section.

- 26 (5) Proof that the purchaser represented in writing that the delivery address is
- 27 *located in wet territory shall be an absolute defense to a violation of this section*

1		on behalf of a person holding a direct shipping license.		
2		→Section 7. KRS 242.280 is amended to read as follows:		
3	(1)	It shall be unlawful for any person of dry territory to receive or accept any alcoholic		
4		beverage from a <u>direct shipper</u> [common carrier] or from any person who has		
5		transported the beverage in or into such territory for compensation, hire, or profit of		
6		any kind whatsoever either directly or indirectly.[Each and every package of said		
7		alcoholic beverage so received or accepted shall constitute a separate offense.]		
8		Nothing in this section shall be construed to prevent any distiller or manufacturer of		
9		alcoholic beverages or any authorized agent of a distiller or manufacturer or		
10		wholesale dealer from receiving or accepting any alcoholic beverages which are to		
11		be sold in a territory where the sale of such beverages may be lawful either in or out		
12		of the state.		
13	(2)	Subsection (1) of this section shall apply to any moist territory unless the sale of the		
14		alcoholic beverage in question has been specifically authorized in that moist		
15		territory under a limited local option election.		
16		→ Section 8. KRS 243.030 is amended to read as follows:		
17	The	following licenses that authorize traffic in distilled spirits and wine may be issued by		
18	8 the distilled spirits administrator. Licenses that authorize traffic in all alcoholic beverages			
19	may be issued by both the distilled spirits administrator and malt beverages administrator.			
20	The	licenses and their accompanying fees are as follows:		
21	(1)	Distiller's license:		
22		(a) Class A, per annum\$3,090.00		
23		(b) Class B (craft distillery), per annum\$1,000.00		
24	(2)	Rectifier's license:		
25		(a) Class A, per annum\$2,580.00		
26		(b) Class B (craft rectifier), per annum\$825.00		
27	(3)	Winery license, per annum\$1,030.00		

1	(4)	Small farm winery license, per annum	\$110.00
2		(a) Small farm winery off-premises retail license, per annum	\$30.00
3	(5)	Wholesaler's license, per annum	\$2,060.00
4	(6)	Quota retail package license, per annum	\$570.00
5	(7)	Quota retail drink license, per annum	\$620.00
6	(8)	Transporter's license, per annum	\$210.00
7	(9)	Special nonbeverage alcohol license, per annum	\$60.00
8	(10)	Special agent's or solicitor's license, per annum	\$30.00
9	(11)	Bottling house or bottling house storage license,	
10		per annum	\$1,030.00
11	(12)	Special temporary license, per event	\$100.00
12	(13)	Special Sunday retail drink license, per annum	\$520.00
13	(14)	Caterer's license, per annum	\$830.00
14	(15)	Special temporary alcoholic beverage	
15		auction license, per event	\$100.00
16	(16)	Extended hours supplemental license, per annum	\$2,060.00
17	(17)	Hotel in-room license, per annum	\$210.00
18	(18)	Air transporter license, per annum	\$520.00
19	(19)	Sampling license, per annum	\$110.00
20	(20)	Replacement or duplicate license	\$25.00
21	(21)	Entertainment destination center license, per annum	\$7,730.00
22	(22)	Limited restaurant license, per annum	\$780.00
23	(23)	Limited golf course license, per annum	\$720.00
24	(24)	Small farm winery wholesaler's license, per annum	\$110.00
25	(25)	Qualified historic site license, per annum	\$1,030.00
26	(26)	Nonquota type 1 license, per annum	\$4,120.00
27	(27)	Nonquota type 2 license, per annum	\$830.00

1	(28) Nonquota type 3 license, per annum\$310.00
2	(29) Distilled spirits and wine storage license, per annum\$620.00
3	(30) Out-of-state distilled spirits and wine supplier's license, per annum\$1,550.00
4	(31) Limited out-of-state distilled spirits and
5	wine supplier's license, per annum\$260.00
6	(32) Authorized public consumption license, per annum\$250.00
7	(33) <i>Direct shipping license, per annum\$450.00</i>
8	(34) A nonrefundable fee of sixty dollars (\$60) shall be charged to process each new
9	transitional license pursuant to KRS 243.045.
10	(35)[(34)] Other special licenses the board finds necessary for the proper regulation and

control of the traffic in distilled spirits and wine and provides for by administrative
regulation. In establishing the amount of license taxes that are required to be fixed
by the board, it shall have regard for the value of the privilege granted.

14 (36)[(35)] The fee for each of the first five (5) supplemental bar licenses shall be the
15 same as the fee for the primary retail drink license. There shall be no charge for
16 each supplemental license issued in excess of five (5) to the same licensee at the
17 same premises.

A nonrefundable application fee of fifty dollars (\$50) shall be charged to process each new application under this section, except for subsections (4), (8), (9), (10), (12), (15), (19), and (20) of this section. The application fee shall be applied to the licensing fee if the license is issued; otherwise it shall be retained by the department.

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Section 9. KRS 243.0305 is amended to read as follows:

- (1) Any licensed Kentucky distiller that is located in wet territory or in any precinct that
 has authorized the limited sale of alcoholic beverages at distilleries under KRS
 242.1243 and that has a gift shop or other retail outlet on its premises may conduct
 the activities permitted under this section as a part of its distiller's license.
- 27 (2) For purposes of all retail drink and package sales under this section, a wholesaler

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1		registered to distribute the brands of any distiller shall may permit the distiller to	
2		deliver <i>its products</i> [a souvenir package] directly from the distillery proper to any	
3		portion of the distillery premises. However, for purposes of all retail drink and	
4		package sales by distillers under subsections (3), (8), and (9) of this section, all	
5		direct shipments shall be invoiced from the distiller to the wholesaler and from the	
6		wholesaler to the distiller, and all products directly shipped shall be included in the	
7		wholesaler's inventory and depletions for purposes of tax collections imposed	
8		pursuant to KRS 243.710 to 243.895 and 243.990.	
9	(3)	A distiller may sell souvenir packages at retail to distillery visitors of legal drinking	
10		age, and to telephone or Internet purchases of legal age, in quantities not to	
11		exceed an aggregate of one (1) nine (9) liter case per consumer [four and one half	
12		(4-1/2) liters per visitor] per day. If it holds a direct shipping license a distiller may	
13		ship packages to the consumer via licensed common carrier authorized to deliver	
14		distilled spirits in the jurisdiction to which the direct shipment shall be delivered.	
15	(4)	Hours of sale for souvenir packages at retail shall be in conformity with KRS	
16		244.290(3).	
17	(5)	Except as provided in this section, souvenir package sales shall be governed by all	
18		the statutes and administrative regulations governing the retail sale of distilled	
19		spirits by the package.	
20	(6)	No wholesaler may restrict the sale of souvenir packages to the distiller of origin	
21		exclusively, but shall make souvenir packages available to any Kentucky retail	
22		licensee licensed for the sale of distilled spirits by the package.	
23	(7)	Notwithstanding any provision of KRS 244.050 to the contrary, a distillery holding	
24		a sampling license may allow visitors to sample distilled spirits under the following	
25		conditions:	
26		(a) Sampling shall be permitted only on the licensed premises during regular	
27		business hours;	

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1 (b) A distillery shall not charge for the samples; and 2 (c) A distillery shall not provide more than one and three-fourths (1-3/4) ounces 3 of samples per visitor per day. (8) 4 Notwithstanding the provisions of KRS 243.110, in accordance with this section, a 5 distillery located in wet territory or in any territory that has authorized the limited 6 sale of alcoholic beverages under an election held pursuant to KRS 242.1243 may: 7 Hold an NQ2 retail drink license for the sale of alcoholic beverages on the (a) distillery premises and employ[. Notwithstanding KRS 243.110, a licensed 8 9 distiller may also hold any of the retail licenses available to it under this 10 section; 11 (b) Sell alcoholic beverages produced or bottled on the premises of its Kentucky 12 licensed distillery for on-premises purposes without having to transfer 13 physical possession of those alcoholic beverages to a licensed wholesaler if: 14 1. All direct shipments are invoiced from the distiller to its wholesaler and 15 from the wholesaler to the distiller; and 16 $\frac{2}{2}$ All products directly shipped are included in the wholesaler's inventory 17 and depletions for purposes of tax collections imposed pursuant to KRS 18 243.710 to 243.890 and 243.990; and 19 (c) <u>Employ</u> persons to engage in the sale or service of alcohol under an NQ2 20 license, if each employee completes the department's Server Training in 21 Alcohol Regulations program within thirty (30) days of beginning 22 employment. 23 (9)A distiller may sell to consumers at fairs, festivals, and other similar types of events 24 located in wet territory alcoholic beverages by the drink, containing spirits distilled 25 or bottled on the premises of the distillery. 26 (10) Except as expressly stated in this section, this section does not exempt the holder of 27 a distiller's license from:

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1		(a) The provisions of KRS Chapters 241 to 244;
2		(b) The administrative regulations of the board; and
3		(c) Regulation by the board at all the distiller's licensed premises.
4	(11)	Nothing in this section shall be construed to vitiate the policy of this
5		Commonwealth supporting an orderly three (3) tier system for the production and
6		sale of alcoholic beverages.
7		→ Section 10. KRS 243.130 is amended to read as follows:
8	(1)	Sales and deliveries of distilled spirits and wine may be made at wholesale, and
9		from the licensed premises only:
10		(a) By distillers to rectifiers, wineries, holders of special nonbeverage alcohol
11		licenses so far as they may make the purchases, or other distillers;
12		(b) By rectifiers to wineries or to distillers if distilled spirits sold to distillers are
13		packaged in retail containers;
14		(c) By wineries to rectifiers or other wineries, or to the holders of special
15		nonbeverage alcohol licenses;
16		(d) By distillers, rectifiers, or wineries to wholesalers; or
17		(e) By distillers, rectifiers, or wineries for export out of the state.
18	(2)	No distiller, rectifier, or winery shall sell or contract to sell, give away, or deliver
19		any alcoholic beverages to any person who is not authorized by the law of the state
20		of the person's residence, and of the United States government if located in the
21		United States, to receive and possess those alcoholic beverages. <i>Except as provided</i>
22		in KRS 243.155 and Sections 2 and 9 of this Act, no distiller, rectifier, or winery
23		shall sell or contract to sell, give away, or deliver any of its products to any retailer
24		or consumer in Kentucky.
25	(3)	Employees of distillers, rectifiers, and wineries may sample the products produced
26		by that manufacturer for purposes of education, quality control, and product
27		development.

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(4) Distillers may purchase distilled spirits only from other licensed distillers in this state or in another state or province, but distillers may purchase from rectifiers licensed in Kentucky, distilled spirits which are packaged in retail containers.

4 (5) Rectifiers may purchase distilled spirits and wine only from licensed distillers or
5 wineries in Kentucky, or from nonresident distillers or wineries authorized by the
6 law of the state of their residence and by the United States government, if the
7 distillers or wineries are located in the United States, to make the sales.

8 (6) Wineries may purchase distilled spirits or wine only from licensed distillers or
9 wineries in Kentucky, or from nonresident distillers or wineries authorized by law
10 of the state of their residence, and by the United States government if located in the
11 United States, to make the sales.

12 (7) Nothing shall prohibit the purchase or sale of warehouse receipts by any person, but
13 this subsection does not authorize the owner of a warehouse receipt to accept
14 delivery of any distilled spirits unless the owner is a person who is permitted by law
15 to receive the distilled spirits.

16 → Section 11. KRS 243.200 is amended to read as follows:

17 A transporter's license may be issued as a primary license to a motor carrier (1)18 authorized to transact business in the Commonwealth by the Transportation Cabinet 19 or the Federal Motor Carrier Safety Administration or to another person engaged in 20 business as a common carrier. A person holding a transporter's license may 21 transport alcoholic beverages to or from the licensed premises of any licensee under 22 this chapter to a consumer if both the consignor and consignee in each case are 23 authorized by the law of the states of their residence to sell, purchase, ship, or 24 receive the alcoholic beverages.

(2) The holder of a transporter's license shall cause each truck or vehicle to display the
name of the licensee and the state license numbers in a manner prescribed by an
administrative regulation promulgated by the board.

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(3) An application for a transporter's license shall include a statement that the applicant,
 if issued a license, shall allow any authorized investigators of the department to stop
 and examine the cargo of any truck or vehicle in which alcoholic beverages are
 being transported within the boundaries of the Commonwealth of Kentucky.

5 (4) Applicants for the transporter's license under this section, and their employees, shall
6 be exempt from the residency requirements of KRS 243.100.

7 (5) A licensee may move, within the same county, alcoholic beverages from one (1) of 8 the licensee's licensed premises to another without a transporter's license. A licensee 9 may move alcoholic beverages from one (1) of the licensee's licensed premises 10 located in one (1) county to a licensed premises located in another county, without a 11 transporter's license, with prior written approval of the administrator for good cause 12 shown. The licensee shall keep and maintain, in one (1) of its licensed premises, 13 adequate books and records of the transactions involved in transporting alcoholic 14 beverages from one (1) licensed premises to another in accordance with standards 15 established in administrative regulations promulgated by the board. The records 16 shall be available to the department and the Department of Revenue upon request.

17 (6) Distilled spirits and wine may be transported by any licensed retailer selling 18 distilled spirits or wine, by the package or by the drink, from the premises of a 19 licensed wholesaler to the licensed premises of the retail licensee. Any retailer 20 transporting alcoholic beverages under this subsection shall do so in a vehicle 21 marked in conformity with administrative regulations of the board. Both the 22 wholesaler and the retailer engaging in activity under this subsection shall be 23 responsible for maintaining records documenting the transactions.

→ Section 12. KRS 243.355 is amended to read as follows:

A distilled spirits and wine storage license may be issued as a primary license or as
 a supplementary license to the holder of a distiller's license, rectifier's license, [or]
 quota retail package license, or direct shipping license.

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(2) A distilled spirits and wine storage license may be issued to any person operating a
 bonded warehouse for distilled spirits, and who does not at the same time, and for
 the same premises, hold a federal operating permit for distilling purposes, but who
 possesses only a federal operating permit for a bonded warehouse for distilled
 spirits as defined by federal law and the Internal Revenue Code.

6 (3) A licensee under this section may operate a bonded warehouse or warehouses for
7 premises specifically designated, but this license shall become void if a federal
8 operating permit for distilling purposes is issued for the same premises, and shall
9 remain void while the federal permit remains in effect. Upon the granting of a
10 federal operating permit for distilling purposes, the licensee of the premises
11 previously licensed under this section shall obtain a license as set out in KRS
12 243.030(1).

(4) A distilled spirits and wine storage license may be issued to persons or entities not
otherwise entitled under Kentucky law to store or warehouse distilled spirits or
wine, but who are so authorized by the federal government. The license shall
authorize the licensee to operate a warehouse or place of storage for distilled spirits
or wine on the premises specifically designated.

18 (5) A quota retail package licensee holding a supplemental distilled spirits and wine
 19 storage license may store distilled spirits and wine at the storage licensed premises
 20 convenient to the licensee's regular retail package licensed premises.

→ Section 13. KRS 244.165 is amended to read as follows:

- 22 (1) <u>Except for persons holding a direct shipping license</u>[Except as provided in
 23 subsection (2) of this section], it shall be unlawful for any person in the business of
- selling alcoholic beverages in another state or country to ship or cause to be shipped
 any alcoholic beverage directly to any Kentucky resident who does not hold a valid
 wholesaler or distributor license issued by the Commonwealth of Kentucky.
- 27 [(2) A small farm winery located in another state may ship wine to a customer in

1		Ken	tucky if:
2		(a)	The wine is purchased by the customer in person at the winery;
3		(b) -	The wine is shipped by licensed common carrier; and
4		[(c)]	The amount of wine shipped is limited to two (2) cases per customer per
5			visit.]
6	<u>(2)</u> [((3)]	Any person who violates subsection (1) of this section shall, for the first
7		offe	nse, be mailed a certified letter by the department ordering that person to cease
8		and	desist any shipments of alcoholic beverages to Kentucky residents, and for the
9		seco	ond and each subsequent offense, be guilty of a Class D felony.
10		⇒s	ection 14. KRS 244.240 is amended to read as follows:
11	(1)	No o	distiller, rectifier, winery, or wholesaler and no employee, servant, or agent of a
12		disti	iller, rectifier, winery, or wholesaler shall:
13		(a)	Be interested directly or indirectly in any way in any retailer business or
14			premises[where distilled spirits or wine is sold at retail or in any business
15			devoted wholly or partially to the sale of distilled spirits or wine at retail];
16		(b)	Make or cause to be made any loan to any person engaged in the manufacture
17			or sale of distilled spirits or wine at wholesale or retail;
18		(c)	Make any gift or render any kind of service whatsoever, directly or indirectly,
19			to any licensee that may tend to influence the licensee to purchase the product
20			of the distiller, rectifier, winery, or wholesaler; or
21		(d)	Enter into a contract with any retail licensee under which the licensee agrees
22			to confine the licensee's sales to distilled spirits or wine manufactured or sold
23			by one (1) or more distillers, rectifiers, wineries, or wholesalers. This type of
24			contract shall be void.
25	(2)	Notl	hing in this section shall prohibit the giving of discounts in the usual course of
26		busi	ness if the same discounts are offered to all licensees holding the same license
27		type	buying similar quantities.

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1	(3)	A retailer shall not require or demand that a distiller, rectifier, winery, or wholesaler		
2		violate this section.		
3		→Section 15. KRS 243.034 is amended to read as follows:		
4	(1)	A limited restaurant license may be issued to an establishment meeting the		
5		definition criteria established in KRS 241.010(35) as long as the establishment is		
6		within:		
7		(a) Any wet territory; or		
8		(b) Any moist precinct that has authorized the sale of alcoholic beverages under		
9		KRS 242.1244.		
10	(2)	A limited restaurant license shall authorize the licensee to purchase, receive,		
11		possess, and sell alcoholic beverages at retail by the drink for consumption on the		
12		licensed premises. The licensee shall purchase alcoholic beverages only from		
13		licensed wholesalers or distributors. The license shall not authorize the licensee to		
14		sell alcoholic beverages by the package.		
15	(3)	The holder of a limited restaurant license shall maintain at least seventy percent		
16		(70%) of its gross receipts from the sale of food and maintain the minimum		
17		applicable seating requirement required for the type of limited restaurant license.		
18	(4)	A limited restaurant as defined by KRS 241.010(39)[(35)](a) shall:		
19		(a) Only sell alcoholic beverages incidental to the sale of a meal; and		
20		(b) Not have an open bar and shall not sell alcoholic beverages to any person who		
21		has not purchased or does not purchase a meal.		
22		Section 16. KRS 243.0341 is amended to read as follows:		
23	(1)	Notwithstanding any other provision of law, any city or county that conducted an		
24		election under KRS 242.1244(2) prior to January 1, 2016, for by the drink sales of		
25		alcoholic beverages in restaurants and dining facilities seating one hundred (100)		
26		persons or more or any city with limited sale precincts created pursuant to KRS		
27		242.1292 may elect to act under this section.		

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1	(2)	Upon a determination by the legislative body of a city or county that:	
2		(a) An economic hardship exists within the city or county; and	
3		(b) Expanded sales of alcoholic beverages by the drink could aid in economic	
4		growth;	
5		the city or county may, after conducting a public hearing that is noticed to the public	
6		in accordance with the KRS Chapter 424, adopt an ordinance authorizing by the	
7		drink sales of alcoholic beverages in restaurants and dining facilities containing	
8		seating for at least fifty (50) persons and meeting the requirements of subsection (3)	
9		of this section.	
10	(3)	The ordinance enacted by a city or county pursuant to subsection (2) of this section	
11		shall authorize the sale of alcoholic beverages under the following limitations:	
12		(a) Sales shall only be conducted in restaurants and other dining facilities meeting	
13		the requirements of KRS 241.010(39)[(35)](a); and	
14		(b) The provisions of KRS 243.034 shall apply to any restaurant or dining facility	
15		operating under a license issued pursuant to this section.	
16	(4)	A city or county acting under this section may allow limited restaurant sales as	
17		defined in KRS 241.010(39)[(35)].	
18	(5)	The enactment of an ordinance under this section shall not:	
19		(a) Modify the city's or county's ability to issue a limited restaurant license to	
20		restaurants or other dining facilities meeting the requirements of KRS	
21		241.010 <u>(39)</u> [(35)](b); or	
22		(b) Affect, alter, or otherwise impair any license previously issued to a restaurant	
23		or dining facility meeting the requirements of KRS 241.010(39)[(35)](b).	
24		\Rightarrow Section 17. The following KRS section is repealed:	
25	243.	886 Reimbursement for collecting and reporting.	