

## Prohibit importers from directly shipping alcohol

The Wine & Spirits Wholesalers of Kentucky, Kentucky Beer Wholesalers Association, Kentucky Malt Beverage Council, Kentucky Association of Beverage Retailers, and the Kentucky Retail Federation seek clarification that importers are not allowed to directly ship foreign-made alcohol to Kentucky consumers pursuant to Kentucky's new direct shipper law.

### Background

- HB 415 passed the General Assembly during the 2020 session, allowing the direct shipment of beer, wine and spirits to Kentucky consumers.
- Throughout the committee and floor process, the bill was described as limiting shipments by an in- or out-of-state manufacturer or producer. In other words, any brewery, winery or distillery located in the U.S. could obtain a Kentucky direct shipper license and ship products made at its facility to Kentucky consumers. For example, a Kentuckian could order a case of wine from a California winery or a case of beer from a Colorado brewery, and a Kentucky distillery could ship bourbon to Kentuckians or to consumers in other states that allow it.
- In addition to specifically authorizing manufacturers to obtain a direct shipper license, HB 415 (now KRS 243.027(2)(a)) contained language allowing out-of-state "suppliers" under KRS 243.212 and KRS 243.215 to also qualify for a license. Suppliers include out-of-state manufacturers, wholesalers, distributors, and importers that are the "primary source of supply" for its products. In our view, such inclusion was meant for purposes of an out-of-state manufacturer that already has a Kentucky supplier's license; in essence, having a supplier's license as an out-of-state manufacturer was a de facto qualification for getting a direct shipper's license
- In its proposed regulation, the ABC specifically allows importers to obtain a direct shipper license. Presumably, due to the statute's reference to KRS 243.212 and KRS 243.215, only out-of-state importers would be able to obtain a license, not those located in Kentucky.
- For a foreign-made alcohol product to be sold in the U.S., it must be imported by a federally licensed importer. Currently, Kentucky wholesalers and distributors are required to purchase foreign products from an importer to sell those products to retailers.

### Bottom line

- Allowing importers to directly ship foreign-made products would greatly expand the intent of Kentucky's direct shipping law, which we believe should be limited to domestic manufacturers and domestic products.

### Contact

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