

AN ACT relating to small farm wineries.

Be it enacted by the General Assembly of the Commonwealth of Kentucky:

➔Section 1. KRS 243.155 is amended to read as follows:

- (1) Any in-state or out-of-state small farm winery may apply for a small farm winery license. In addition to all other licensing requirements, an applicant for a small farm winery license shall submit with its application a copy of the small farm winery's federal basic permit and proof documenting its annual wine production. An out-of-state winery shall submit additional documentation evidencing its resident state. As part of the application process, an out-of-state winery shall publish its notice of intent, as required by KRS 243.360, in the Kentucky newspaper of highest circulation. The department shall promulgate administrative regulations establishing the form the documentation of proof of production shall take.
- (2) A small farm winery license shall authorize the licensee to perform the following functions without having to obtain separate licenses, except that each small farm winery off-premises retail site shall be separately licensed:
 - (a) Manufacture wines and bottle wines produced by that small farm winery;
 - (b) Bottle wines produced by another small farm winery;
 - (c) Serve on the premises or at small farm winery off-premises~~[off-premise]~~ retail sites complimentary samples of wine produced by it in amounts not to exceed six (6) ounces per patron per day, if the small farm winery or its off-premises~~[off-premise]~~ retail site is located in wet territory;
 - (d) Sell by the drink or by the package on premises, at small farm winery off-premises~~[off-premise]~~ retail sites, and at fairs, festivals, and other similar types of events, wine produced on the premises of the small farm winery or produced by a licensed small farm winery, at retail to consumers if all sales sites are located in wet territory;
 - (e) Sell and transport wine produced on the premises of the small farm winery to

wholesale license holders and small farm winery license holders;

(f) Consume on the premises wine produced by the small farm winery or a licensed small farm winery and purchased by the drink or by the package at the licensed premises, if the small farm winery is located in wet territory;~~†~~
~~and†~~

(g) Ship to a customer wine produced by a small farm winery if:

1. The wine is shipped by licensed common carrier; and
2. The amount of wine shipped is limited to two (2) cases per customer per order;

(h) Manufacture brandy in an amount not to exceed one thousand (1,000) gallons per year. Brandy shall only be manufactured using one hundred percent (100%) Kentucky grapes, fruit, pomace, or unmarketable wine. A small farm winery's brandy shall not be offered or sold as a stand-alone product to any manufacturer, wholesaler, retailer, or person, but may be added to fortify wine products produced by that small farm winery. Any brandy manufactured by a small farm winery shall not count toward that small farm winery's annual fifty thousand (50,000) gallon wine production limit; and

(i) Manufacture and bottle fortified wine products under the following conditions:

1. Fortified wine products may be offered as a sample or sold by the drink or by the package to customers at the small farm winery premises or at its off-premises retail site, if the small farm winery or its off-premises retail site is located in wet territory;
2. Complimentary samples of fortified wine products may only be offered in an amount not to exceed two (2) ounces per patron per day, if the small farm winery or its off-premises retail site is located in wet

territory;

3. Any fortified wine products manufactured by a small farm winery shall not count toward that small farm winery's annual fifty thousand (50,000) gallon wine production limit; and
4. All fortified wine products offered or sold by a small farm winery shall be manufactured using one hundred percent (100%) Kentucky grapes, fruit, wine, or pomace and shall be fortified only by brandy manufactured by the small farm winery.

- (3) If a licensed small farm winery is located in a dry or moist territory, KRS 242.230 to 242.430 shall apply, unless a limited local option election is held in accordance with KRS 242.124. If the proposition under KRS 242.124 is approved, a licensed small farm winery within the precinct may sell wine in accordance with subsection (2) of this section.
- (4) If the requirements of KRS 244.290(5) relating to Sunday sales on the licensed premises of a small farm winery are met, a small farm winery within that territory may sell alcoholic beverages on Sunday only in accordance with this section between the hours of 1 p.m. until the prevailing time for that locality.
- (5) Other provisions of this chapter and KRS Chapter 244 notwithstanding, a small farm winery license holder may also hold an NQ2 retail drink license and an NQ4 retail malt beverage drink license if the issuance of these licenses is in connection with the establishment and operation of a restaurant, hotel, inn, bed and breakfast, conference center, or any similar business enterprise designed to promote viticulture, enology, and tourism.
- (6) This section shall not exempt the holder of a small farm winery license from the provisions of KRS Chapters 241, 242, 243, and 244, nor from the administrative regulations of the board, nor from regulation by the board at all premises licensed by the small farm winery, except as expressly stated in this section.

- (7) Nothing contained in this section shall exempt a licensed out-of-state winery from obeying the laws of its resident state.
- (8) Upon the approval of the department, a small farm winery license may be renewed after the licensee submits to the department the winery's federal basic permit and proof of its annual wine production.