

**Local Mandate Fiscal Impact Estimate  
Kentucky Legislative Research Commission  
2016 Regular Session**

**Part I: Measure Information**

**Bill Request #:** 1306

**Bill #:** HB 433

**Bill Subject/Title:** Alcoholic Beverages.

**Sponsor:** Rep. L. Belcher

Unit of Government:  City  County  Urban-County  
 Charter County  Consolidated Local  Unified Local  
Government

Office(s) Impacted: County Judge/Executives, Fiscal Courts, County Clerks, City Clerks,  
local licensing offices, local law enforcement

Requirement:  Mandatory  Optional

Effect on Powers & Duties:  Modifies Existing  Adds New  Eliminates Existing

**Part II: Purpose and Mechanics**

Section 1 of HB 433 amends KRS 241.010 to define “Discount in the usual course of business” and to change the definition of “Souvenir package” to mean a special package of distilled spirits available from a licensed retailer that is: available for retail sale at a licensed Kentucky distillery where the distilled spirits were produced or bottled, or available for retail sale at a licensed Kentucky distillery but produced or bottled at another of that distiller’s licensed distilleries in Kentucky.

Section 2 creates a new section of KRS Chapter 242 to promote economic development and tourism. Section 2 permits a local option election in a city or county precinct where a distillery is located. The election would allow the sale of alcoholic beverages at distilleries located in the precinct.

Section 3 amends KRS 243.030 to establish state fees of \$2,580 per annum for a Class A rectifier’s license and \$825 per annum for a Class B rectifier’s license; \$830 per annum for a Class A NQ 3 license and \$310 per annum for a Class B NQ 3 license; and \$110 per event for a Special temporary alcoholic beverage auction license.

Section 4 amends KRS 243.0305 to increase the permitted sale of souvenir packages from 3 liters per visitor per day to 9 liters per visitor per day. The section also establishes rules for distillery use of a sampling license or an NQ3 license. Lastly, Section 4 excludes its sampling license privilege from Section 15 and conforms to Section 2.

Section 5 amends KRS 243.033 to permit a caterer licensee to cater alcoholic beverages at a private party or special event at a non-federally bonded portion of the licensed premises of a distillery.

Section 7 amends KRS 243.036 to permit a charitable organization to obtain a special temporary alcoholic beverage auction license. Section 7 also permits a distiller, rectifier, winery, small farm winery, brewer, microbrewery, wholesaler, distributor, retailer, or other person to donate any of its products to a charitable organization possessing a special temporary alcoholic beverage auction license.

Under current law (KRS 243.060), the fiscal court of each county or a consolidated local government in which traffic in alcoholic beverages is not prohibited may impose license fees for the privilege of trafficking in alcoholic beverages. (The fees set forth in the section are the maximum allowed.) These licenses may be issued by the county or consolidated local government administrator. Section 8 amends KRS 243.060 to permit the fiscal court of each county or a consolidated local government to establish fees for Class A and Class B NQ 3 licenses. In a county containing a consolidated local government, a Class A licensee shall pay \$1,800 per annum. All other Class A licensees shall pay \$1,000 per annum. All Class B licensees shall pay \$300 per annum.

Under current law (KRS 243.070), the legislative body of any city or a consolidated local government may impose license fees for the privilege of manufacturing and trafficking in alcoholic beverages. (The fees set forth in the section are the maximum allowed.) Section 9 amends KRS 243.070 to permit the legislative body of any city or consolidated local government to establish fees of \$3,000 per annum for a Class A rectifier's license and \$960 per annum for a Class B rectifier's license. Also, Section 9 amends KRS 243.070 to permit the legislative body of any city or any consolidated local government to establish fees for Class A and Class B NQ 3 licenses. In a county containing a consolidated local government, a Class A licensee shall pay \$1,800 per annum. All other Class A licensees shall pay \$1,000 per annum. All Class B licensees shall pay \$300 per annum. The section also establishes a special temporary alcoholic beverage auction license in the amount of \$200 per event.

Section 10 amends KRS 243.086 to add a distiller to the list of entities that may be issued a NQ3 retail drink license. A NQ3 retail drink license issued to a distiller shall authorize the licensee to exercise the privileges of an NQ2 retail drink license at the designated premises.

Section 11 amends KRS 243.090 to require that most alcohol licenses issued by a city or county administrator shall expire on the same date as the corresponding state license.

Section 12 amends KRS 243.120 to create Class A and Class B Rectifier's licenses. In addition, a distiller that is located in wet territory, or in any precinct that has authorized the limited sale of alcoholic beverages at distilleries under Section 2, may sell distilled spirits by the drink at retail to consumers in accordance with Section 4.

Section 15 amends KRS 244.050 to permit the sale of samples of distilled spirits, wine, and malted beverages. The section also limits its sampling license privilege to the requirements of Section 4.

Section 16 amends KRS 244.130 to permit a Kentucky distillery to provide free novelty items and free production by-products to visitors who are 21 years of age or older.

Section 17 amends KRS 244.240 to permit discounts in the usual course of business if the same discounts are offered to all licensees holding the same license type buying similar quantities of alcoholic beverages. Section 18 repeals KRS 243.892 which prohibits discounts.

### **Part III: Fiscal Explanation, Bill Provisions, and Estimated Cost**

**The fiscal impact of HB 433 on local governments varies depending on which provisions are under consideration.**

**Several HB 433 provisions promote a moderate increase in economic activity through tourism and other means.**

- Section 2 promotes economic development and tourism in a dry or moist county or city in which a distillery is located by allowing a local option election for the sale of alcoholic beverages in the city or county precinct where the distillery is located.
- Section 4 permits any licensed Kentucky distiller that is located in wet territory or any precinct that has authorized the limited sale of alcoholic beverages under Section 2 to expand sales. The section increases the size of souvenir alcohol packages that a distiller may sell to a visitor from 3 liters per day to 9 liters per day. The section also permits a distiller authorized under Section 2 to hold an NQ 3 retail drink license. Lastly, any distiller with a sampling license may provide samples to visitors.
- Section 5 permits a caterer licensee to cater alcoholic beverages at a private party or special event at a non-federally bonded portion of the licensed premises of the distillery.
- Section 7 expands the right of charitable organizations to sell alcoholic beverages.
- Section 10 permits a distiller to obtain a NQ3 retail drink license.
- Section 15 permits the sale of samples of distilled spirits, wine, and malted beverages.
- Section 17 permits discounts in the usual course of business if the same discounts are offered to all licensees holding the same license type buying similar quantities of alcoholic beverages. Section 18 repeals the prohibition against discounts in the usual course of business.

**By promoting business activity and increased employment, HB 433 will generate additional tax revenue for local governments through: Property Taxes, Income (Occupational) Taxes, Motor Vehicle and Operator Licensing Taxes, and Fees and Charges. While the amount of this additional tax revenue is indeterminable, it is expected to range from minimal to moderate.**

Section 2 promotes economic development and tourism in a dry or moist county or city in which a distillery is located by allowing a local option election for the sale of alcoholic beverages in the city or county precinct where the distillery is located. Under KRS 242.020, a local option election shall not take place unless a petition is signed by qualified voters of the territory affected, and the number of signatures equals or exceeds 25% of the votes cast in the last general election. KRS 242.030 prohibits a local option election from being held on the same day that a primary or general election is held in the territory. Since Section 2 permits a local option election only in the county or city precinct where the distillery is located, a county will incur a cost of \$2,000, for that is the cost to a county of conducting an election in one precinct. **This cost is minimal.**

**Sections 8 and 9 amend KRS 243.060 and KRS 243.070, respectively, to permit counties and cities to impose license fees for the privilege of trafficking in alcoholic beverages. Since these fees are used for covering the cost of issuing the license, education, and enforcement, there is no fiscal impact.**

**Data Source(s):** Department of Alcoholic Beverage Control; Cabinet for Economic Development; Kentucky County Clerk's Association; Kentucky Annual Economic Report (2006)

**Preparer:** Scott Varland      **Reviewer:** JWN      **Date:** 2/25/16