1 AN ACT relating to alcoholic beverages.

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

- 3 → Section 1. KRS 241.010 is amended to read as follows:
- 4 As used in KRS Chapters 241 to 244, unless the context requires otherwise:
- 5 (1) "Alcohol" means ethyl alcohol, hydrated oxide of ethyl or spirit of wine, from
- 6 whatever source or by whatever process it is produced;
- 7 (2) "Alcoholic beverage" means every liquid, solid, powder, or crystal, whether
- 8 patented 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 spurious or imitation liquor sold as, or under any name commonly used for,
- alcoholic beverages, whether containing any alcohol or not. It does not include the
- 12 following products:
- 13 (a) Medicinal preparations manufactured in accordance with formulas prescribed
- 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,
- 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 sale, and includes all offices, granaries, mash rooms, cooling rooms, vaults, yards, and storerooms connected with the premises; or where any part of the process of the manufacture of malt beverages is carried on; or where any apparatus connected with manufacture is kept or used; or where any of the products of brewing or fermentation are stored or kept;
- 27 (10) "Building containing licensed premises" means the licensed premises themselves

| 1  |      | and includes the land, tract of land, or parking lot in which the premises are       |
|----|------|--|
| 2  |      | contained, and any part of any building connected by direct access or by an entrance |
| 3  |      | which is under the ownership or control of the licensee by lease holdings or         |
| 4  |      | 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;  |
| 10 | (12) | "Charitable organization" means a nonprofit entity recognized as exempt from         |
| 11 |      | federal taxation under section 501(c) of the Internal Revenue Code (26 U.S.C. sec.   |
| 12 |      | 501(c)) or any organization having been established and continuously operating       |
| 13 |      | within the Commonwealth of Kentucky for charitable purposes for three (3) years      |
| 14 |      | and which expends at least sixty percent (60%) of its gross revenue exclusively for  |
| 15 |      | 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;            |
| 19 | (15) | "Commercial airport" means an airport through which more than five hundred           |
| 20 |      | thousand (500,000) passengers arrive or depart annually;                             |
| 21 | (16) | "Commercial quadricycle" means a vehicle equipped with a minimum of ten (10)         |
| 22 |      | pairs of fully operative pedals for propulsion by means of human muscular power      |
| 23 |      | 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:                |

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(d) Has a unibody design;

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| 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) "Consumer" means any individual of legal drinking age who purchases                  |
| 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 | Kentucky consumer via common carrier;   |
| 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 o              | and discounts given by wholesalers to distilled spirits and wine retailers pursuant to |  |  |
|----|--------------------|--|--|--|
| 2  | an a               | an agreement made at the time of the sale of the merchandise involved and ar           |  |  |
| 3  | cons               | idered a part of the sales transaction, constituting reductions in price pursuant      |  |  |
| 4  | to the             | e 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  | <u>(27)</u> [(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 | solut              | ion, except wine, hard cider, and malt beverages;                                      |  |  |
| 13 | <u>(28)</u> [(25)] | "Distiller" means any person who is engaged in the business of manufacturing           |  |  |
| 14 | distil             | led spirits at any distillery in the state and is registered in the Office of the      |  |  |
| 15 | Colle              | ector of Internal Revenue for the United States at Louisville, Kentucky;               |  |  |
| 16 | <u>(29)</u> [(26)] | "Distillery" means any place or premises where distilled spirits are                   |  |  |
| 17 | manı               | afactured for sale, and which are registered in the office of any collector of         |  |  |
| 18 | inter              | nal revenue for the United States. It includes any United States government            |  |  |
| 19 | bond               | ed warehouse;  |  |  |
| 20 | <u>(30)</u> [(27)] | "Distributor" means any person who distributes malt beverages for the                  |  |  |
| 21 | purp               | ose of being sold at retail;   |  |  |
| 22 | <u>(31)</u> [(28)] | "Dry" means a territory in which a majority of the electorate voted to prohibit        |  |  |
| 23 | all fo             | orms of retail alcohol sales through a local option election held under KRS            |  |  |
| 24 | Chap               | oter 242;  |  |  |
| 25 | <u>(32)</u> [(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            |  |  |

| 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)[(31)]</u>  | "Hotel" means a hotel, motel, or inn for accommodation of the traveling         |
| 6  | publi              | c, designed primarily to serve transient patrons;                               |
| 7  | <u>(35)</u> [(32)] | "Investigator" means any employee or agent of the department who is             |
| 8  | regul              | arly employed and whose primary function is to travel from place to place for   |
| 9  | the p              | surpose 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 | alcol              | 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      |
|    |                    |   |

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receipts from the sale of food, which maintains a minimum seating capacity of

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| 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, microbrewer, 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          |

| 1  | publ               | ic entrance accessible directly from the sidewalk or parking lot. Any licensee     |
|----|--------------------|--|
| 2  | hold               | ing an alcoholic beverage license on July 15, 1998, shall not, by reason of this   |
| 3  | subs               | ection, be ineligible to continue to hold his or her license or obtain a renewal,  |
| 4  | of th              | e license;   |
| 5  | <u>(47)</u> [(44)] | "Primary source of supply" or "supplier" means the distiller, winery, brewer,      |
| 6  | prod               | ucer, owner of the commodity at the time it becomes a marketable product,          |
| 7  | bottl              | er, or authorized agent of the brand owner. In the case of imported products, the  |
| 8  | prim               | ary source of supply means either the foreign producer, owner, bottler, or agent   |
| 9  | of th              | ne prime importer from, or the exclusive agent in, the United States of the        |
| 10 | forei              | gn distiller, producer, bottler, or owner;   |
| 11 | <u>(48)</u> [(45)] | "Private club" means a nonprofit social, fraternal, military, or political         |
| 12 | orga               | nization, club, or entity maintaining or operating a club room, club rooms, or     |
| 13 | prem               | nises from which the general public is excluded;                                   |
| 14 | <u>(49)</u> [(46)] | "Public nuisance" means a condition that endangers safety or health, is            |
| 15 | offer              | nsive to the senses, or obstructs the free use of property so as to interfere with |
| 16 | the c              | comfortable enjoyment of life or property by a community or neighborhood or        |
| 17 | by a               | ny considerable number of persons;   |
| 18 | <u>(50)</u> [(47)] | "Qualified historic site" means:   |
| 19 | (a)                | A contributing property with dining facilities for at least fifty (50) persons at  |
| 20 |                    | tables, booths, or bars where food may be served within a commercial district      |
| 21 |                    | listed in the National Register of Historic Places;                                |
| 22 | (b)                | A site that is listed as a National Historic Landmark or in the National           |
| 23 |                    | Register of Historic Places with dining facilities for at least fifty (50) persons |
| 24 |                    | 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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| 1  | 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;                  |
| 10 | (53)[(50)] "Restaurant" means a facility where the usual and customary business is the    |
| 11 | preparation and serving of meals to consumers, that has a bona fide kitchen facility,     |
| 12 | and that receives at least fifty percent (50%) of its food and alcoholic beverage         |
| 13 | 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;                      |
| 22 | (57)[(54)] "Riverboat" means any boat or vessel with a regular place of mooring in this   |
| 23 | state that is licensed by the United States Coast Guard to carry one hundred (100) or     |
| 24 | 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 |
| 26 | all sales made by any person, whether principal, proprietor, agent, servant, or           |
| 27 | employee, of any alcoholic beverage;  |

| 1  | <u>(59)</u> [(56)] | "Service bar" means a bar, counter, shelving, or similar structure used for      |
|----|--------------------|--|
| 2  | storii             | 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)</u> [(61)] | "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)</u> [(62)] | "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)</u> [(63)] | "Territory" means a county, city, district, or precinct;                         |
| 26 | <u>(67)</u> [(64)] | "Urban-county administrator" means an urban-county alcoholic beverage            |
| 27 | contr              | rol administrator;   |

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| 1  | <u>(68)</u> [(65)] | "Vehicle" means any device or animal used to carry, convey, transport, or            |
|----|--------------------|--|
| 2  | other              | rwise move alcoholic beverages or any products, equipment, or appurtenances          |
| 3  | used               | to manufacture, bottle, or sell these beverages;                                     |
| 4  | <u>(69)[(66)]</u>  | "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 within           |
| 8  |                    | the Commonwealth;  |
| 9  | <u>(70)</u> [(67)] | "Warehouse" means any place in which alcoholic beverages are housed or               |
| 10 | store              | d;   |
| 11 | <u>(71)</u> [(68)] | "Weak cider" means any fermented fruit-based beverage containing more than           |
| 12 | one p              | percent (1%) but less than seven percent (7%) alcohol by volume;                     |
| 13 | <u>(72)</u> [(69)] | "Wet" means a territory in which a majority of the electorate voted to permit        |
| 14 | all fo             | orms 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 alcoholic            |
| 16 | beve               | rages in (name of territory)?";  |
| 17 | <u>(73)</u> [(70)] | "Wholesale sale" means a sale to any person for the purpose of resale;               |
| 18 | <u>(74)</u> [(71)] | "Wholesaler" means any person who distributes alcoholic beverages for the            |
| 19 | purp               | ose of being sold at retail, but it shall not include a subsidiary of a manufacturer |
| 20 | or co              | operative of a retail outlet;  |
| 21 | <u>(75)</u> [(72)] | "Wine" means the product of the normal alcoholic fermentation of the juices          |
| 22 | of fi              | ruits, with the usual processes of manufacture and normal additions, and             |
| 23 | inclu              | des champagne and sparkling and fortified wine of an alcoholic content not to        |
| 24 | exce               | ed twenty-four percent (24%) by volume. It includes sake, cider, hard cider, and     |
| 25 | perry              | cider and also includes preparations or mixtures vended in retail containers if      |
| 26 | these              | preparations or mixtures contain not more than fifteen percent (15%) of              |
| 27 | alcoh              | nol 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 | a dry territory.   |
| 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;                                     |

| I  | (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 the                  |
| 4  | Commonwealth may apply to the department for issuance of a direct                      |
| 5  | shipping license that shall authorize the shipment of brands of wine                   |
| 6  | identified in the application.   |
| 7  | (b) Any brewery or microbrewery located within or outside the Commonwealth             |
| 8  | may apply to the department for issuance of a direct shipping license that             |
| 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 the          |
| 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 sell    |
| 14 | alcoholic beverages at retail in its state of domicile and who is not a                |
| 15 | manufacturer may apply for a direct shipping license.                                  |
| 16 | (7) No distiller, rectifier, winery, or other person holding a direct shipping license |
| 17 | shall offer to sell or sell any brands and product names to Kentucky consumers         |
| 18 | that have not been registered as provided by this section.                             |
| 19 | (8) (a) The department shall create and maintain an electronic database that           |
| 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, the        |
| 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 a   |
| 24 | consumer located in a dry territory.   |
| 25 | (10) Nothing contained in this section shall exempt a licensed out-of-state person     |
| 26 | from obeying the laws of its state of domain.  |
| 27 | →SECTION 3. A NEW SECTION OF KRS CHAPTER 243 IS CREATED TO                             |

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| 1  | REA        | AD AS FOLLOWS:  |
|----|------------|---|
| 2  | <u>(1)</u> | 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  | <u>(2)</u> | 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 | <u>(3)</u> | 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 |            | shipping licensee.  |
| 17 | <u>(4)</u> | (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 |            | <u>territory.</u>   |
| 22 |            | (c) Direct shipments of alcoholic beverages to addresses in dry territories are   |
| 23 |            | <u>prohibited.</u>  |
| 24 | <u>(5)</u> | 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  |            | (b) Shipment records shall include the:   |
| 4  |            | 1. Name of the person placing the order;  |
| 5  |            | 2. Quantity of the product ordered;   |
| 6  |            | 3. Delivery address;  |
| 7  |            | 4. Date of the order;   |
| 8  |            | 5. Common carrier used for delivery; and  |
| 9  |            | 6. Name of the person receiving the direct shipment.                                  |
| 10 |            | (c) Records shall be made available to the department within twenty-four (24)         |
| 11 |            | hours of its request.   |
| 12 |            | → SECTION 4. A NEW SECTION OF KRS CHAPTER 243 IS CREATED TO                           |
| 13 | REAI       | O AS FOLLOWS:   |
| 14 | <u>(1)</u> | For the purposes of this section, each shipment of alcoholic beverages by a direct    |
| 15 |            | shipping licensee shall constitute a sale in Kentucky. The licensee shall collect     |
| 16 |            | the taxes due to the Commonwealth and remit any excise taxes monthly to the           |
| 17 |            | department and any sales taxes monthly to the Department of Revenue.                  |
| 18 | <u>(2)</u> | All applicable taxes related to the current three (3) tier system shall be collected  |
| 19 |            | by a Kentucky-based direct shipper at the point of purchase. These taxes are to be    |
| 20 |            | remitted directly to the Department of Revenue.                                       |
| 21 | <u>(3)</u> | Nothing in this section shall be construed to vitiate the policy of this              |
| 22 |            | Commonwealth supporting an orderly three (3) tier system.                             |
| 23 |            | → Section 5. KRS 242.260 is amended to read as follows:                               |
| 24 | (1)        | It shall be unlawful for any person [or public or private carrier ]to bring into,     |
| 25 |            | transfer to another, deliver, or distribute in any dry or moist territory, except as  |
| 26 |            | provided 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     |

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| 1  |            | territory shall constitute a separate offense. Nothing in this section shall be        |
|----|------------|--|
| 2  |            | construed to prevent any distiller or manufacturer or any authorized agent of a        |
| 3  |            | distiller, manufacturer, or wholesale dealer from transporting or causing to be        |
| 4  |            | transported by a licensed carrier any alcoholic beverage to their distilleries,        |
| 5  |            | breweries, wineries, or warehouses where the sale of such beverage may be lawful,      |
| 6  |            | 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 | <u>(3)</u> | 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 | <u>(4)</u> | Proof that the purchaser represented in writing that the delivery address is           |
| 13 |            | located 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 on     |
| 17 |            | delivery, in dry territory.  |
| 18 | (2)        | Such transactions shall be deemed sales at the place where the money is paid or the    |
| 19 |            | goods delivered.   |
| 20 | (3)        | This section shall also apply to the sale or delivery of any alcoholic beverages that  |
| 21 |            | are to be paid for on delivery in moist territory unless the sale of the alcoholic     |
| 22 |            | beverage in question has been specifically authorized in that moist territory under a  |
| 23 |            | limited local option election.   |
| 24 | <u>(4)</u> | 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 | <u>(5)</u> | 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 It shall be unlawful for any person of dry territory to receive or accept any alcoholic 4 beverage from a direct shipper 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.
- 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
- the distilled spirits administrator. Licenses that authorize traffic in all alcoholic beverages
- 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)        | Direct shipping license, per annum\$450.00   |
| 8  | <u>(34)</u> | A nonrefundable fee of sixty dollars (\$60) shall be charged to process each new         |
| 9  |             | transitional license pursuant to KRS 243.045.  |
| 10 | <u>(35)</u> | [(34)] Other special licenses the board finds necessary for the proper regulation and    |
| 11 |             | control of the traffic in distilled spirits and wine and provides for by administrative  |
| 12 |             | regulation. In establishing the amount of license taxes that are required to be fixed    |
| 13 |             | by the board, it shall have regard for the value of the privilege granted.               |
| 14 | <u>(36)</u> | [(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.   |
| 18 | A no        | onrefundable application fee of fifty dollars (\$50) shall be charged to process each    |
| 19 | new         | application under this section, except for subsections (4), (8), (9), (10), (12), (15),  |
| 20 | (19)        | , and (20) of this section. The application fee shall be applied to the licensing fee if |
| 21 | the l       | icense is issued; otherwise it shall be retained by the department.                      |
| 22 |             | → Section 9. KRS 243.0305 is amended to read as follows:                                 |
| 23 | (1)         | Any licensed Kentucky distiller that is located in wet territory or in any precinct that |
| 24 |             | has authorized the limited sale of alcoholic beverages at distilleries under KRS         |
| 25 |             | 242.1243 and that has a gift shop or other retail outlet on its premises may conduct     |
| 26 |             | 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      |

| 1  |     | registered to distribute the brands of any distiller <u>shall</u> [ may] permit the distiller to |
|----|-----|--|
| 2  |     | deliver its products[ 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;  |

| 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.  |
| 4  | (8)  | 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  |      | (a) Hold an NQ2 retail drink license for the sale of alcoholic beverages on the          |
| 8  |      | distillery premises and employ[. Notwithstanding KRS 243.110, a licensed                 |
| 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 |      | 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) Employ] 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
- 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
- packaged in retail containers;
- 14 (c) By wineries to rectifiers or other wineries, or to the holders of special
- 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
- any alcoholic beverages to any person who is not authorized by the law of the state
- of the person's residence, and of the United States government if located in the
- United States, to receive and possess those alcoholic beverages. *Except as provided*
- 22 <u>in KRS 243.155 and Sections 2 and 9 of this Act</u>, no distiller, rectifier, or winery
- shall sell or contract to sell, give away, or deliver any of its products to any retailer
- or consumer in Kentucky.
- 25 (3) Employees of distillers, rectifiers, and wineries may sample the products produced
- by that manufacturer for purposes of education, quality control, and product
- development.

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 wineries in Kentucky, or from nonresident distillers or wineries authorized by the law of the state of their residence and by the United States government, if the distillers or wineries are located in the United States, to make the sales.
- Wineries may purchase distilled spirits or wine only from licensed distillers or wineries in Kentucky, or from nonresident distillers or wineries authorized by law of the state of their residence, and by the United States government if located in the 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.
- → 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.
- 25 (2) The holder of a transporter's license shall cause each truck or vehicle to display the 26 name of the licensee and the state license numbers in a manner prescribed by an 27 administrative regulation promulgated by the board.

1 (3) An application for a transporter's license shall include a statement that the applicant,
2 if issued a license, shall allow any authorized investigators of the department to stop
3 and examine the cargo of any truck or vehicle in which alcoholic beverages are
4 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 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.
  - (6) Distilled spirits and wine may be transported by any licensed retailer selling distilled spirits or wine, by the package or by the drink, from the premises of a licensed wholesaler to the licensed premises of the retail licensee. Any retailer transporting alcoholic beverages under this subsection shall do so in a vehicle marked in conformity with administrative regulations of the board. Both the wholesaler and the retailer engaging in activity under this subsection shall be responsible for maintaining records documenting the transactions.
- → Section 12. KRS 243.355 is amended to read as follows:

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

| 1 | (2) | A distilled spirits and wine storage license may be issued to any person operating a |
|---|-----|--|
| 2 |     | bonded warehouse for distilled spirits, and who does not at the same time, and for   |
| 3 |     | the same premises, hold a federal operating permit for distilling purposes, but who  |
| 4 |     | possesses only a federal operating permit for a bonded warehouse for distilled       |
| 5 |     | spirits as defined by federal law and the Internal Revenue Code.                     |

- A licensee under this section may operate a bonded warehouse or warehouses for premises specifically designated, but this license shall become void if a federal operating permit for distilling purposes is issued for the same premises, and shall remain void while the federal permit remains in effect. Upon the granting of a federal operating permit for distilling purposes, the licensee of the premises previously licensed under this section shall obtain a license as set out in KRS 243.030(1).
- 13 (4) A distilled spirits and wine storage license may be issued to persons or entities not
  14 otherwise entitled under Kentucky law to store or warehouse distilled spirits or
  15 wine, but who are so authorized by the federal government. The license shall
  16 authorize the licensee to operate a warehouse or place of storage for distilled spirits
  17 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) Except for persons holding a direct shipping license [Except as provided in 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

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| 1  |               | Ken               | tucky if:   |
|----|---------------|-------------------|---|
| 2  |               | <del>(a)</del>    | The wine is purchased by the customer in person at the winery;                      |
| 3  |               | <del>(b)</del>    | The wine is shipped by licensed common carrier; and                                 |
| 4  |               | <del>[(c)</del> ] | The amount of wine shipped is limited to two (2) cases per customer per             |
| 5  |               |                   | visit.]   |
| 6  | <u>(2)</u> [( | <del>(3)]</del>   | 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              | and each subsequent offense, be guilty of a Class D felony.                         |
| 10 |               | <b>→</b> 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             | ller, 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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27

1 (3) A retailer shall not require or demand that a distiller, rectifier, winery, or wholesaler 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,
- possess, and sell alcoholic beverages at retail by the drink for consumption on the
- licensed premises. The licensee shall purchase alcoholic beverages only from
- licensed wholesalers or distributors. The license shall not authorize the licensee to
- 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
- applicable seating requirement required for the type of limited restaurant license.
- 18 (4) A limited restaurant as defined by KRS  $241.010(39)\frac{(35)}{(35)}$  (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.
- **→** 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
- alcoholic beverages in restaurants and dining facilities seating one hundred (100)
- persons or more or any city with limited sale precincts created pursuant to KRS
- 27 242.1292 may elect to act under this section.

Upon a determination by the legislative body of a city or county that:

1

(2)

| 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 o      | city or county may, after conducting a public hearing that is noticed to the public |
| 6  |      | in a       | ccordance with the KRS Chapter 424, adopt an ordinance authorizing by the           |
| 7  |      | drin       | k sales of alcoholic beverages in restaurants and dining facilities containing      |
| 8  |      | seati      | ing for at least fifty (50) persons and meeting the requirements of subsection (3)  |
| 9  |      | of th      | nis section.  |
| 10 | (3)  | The        | ordinance enacted by a city or county pursuant to subsection (2) of this section    |
| 11 |      | shal       | l 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 c        | ity or county acting under this section may allow limited restaurant sales as       |
| 17 |      | defii      | ned in KRS 241.010 <u>(<b>39</b>)</u> <del>[(35)]</del> .                           |
| 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>(<b>39</b>)</u> <del>[(35)]</del> (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 |      | <b>→</b> S | ection 17. The following KRS section is repealed:                                   |
| 25 | 243. | 886        | Reimbursement for collecting and reporting.   |

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