AN ACT relating to distilleries.

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

Section 1. KRS 242.1243 is amended to read as follows:

(1) To promote economic development and tourism in any dry or moist county or city in which a distillery is located, a local option election for the sale of alcoholic beverages may be held in a city or county precinct where the distillery is located, notwithstanding any other provision of the Kentucky Revised Statutes.

(2) A petition seeking a local option election under this section shall state "We the undersigned registered voters hereby petition for an election on the following question: 'Are you in favor of the sale of alcoholic beverages at distilleries located in (name of precinct)?'".

(3) When a majority of the votes cast in an election held under subsections (1) and (2) of this section are in favor of establishing moist territory, the premises of the distilleries located in that precinct shall become moist in the manner specified in KRS 242.200.

(4) The provisions of this section shall expire three (3) years after July 15, 2016.

Section 2. 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.

(2) For purposes of all retail drink and package sales under this section, a wholesaler registered to distribute the brands of any distiller shall permit the distiller to deliver its products directly from the distillery proper to any portion of the distillery premises. However, for purposes of all retail drink and package sales by distillers under subsections (3), (8), and (9) of this section, all direct shipments shall be invoiced from the distiller to the wholesaler and from the wholesaler to the distiller,
and all products directly shipped shall be included in the wholesaler's inventory and
deplications for purposes of tax collections imposed pursuant to KRS 243.710 to
243.895 and 243.990.

(3) A distiller may sell souvenir packages at retail:

(a) To distillery visitors of legal drinking age, in quantities not to exceed an
aggregate of four and one-half (4-1/2) liters per purchaser per day for sales
prior to January 1, 2021, and in quantities not to exceed an aggregate of nine
(9) liters per purchaser per day on and after January 1, 2021. At the
purchaser's request, an order may be delivered or shipped directly to the
purchaser. All deliveries or shipments shall be made through a licensed
common carrier authorized to deliver or ship distilled spirits in the jurisdiction
to which the products will be delivered or shipped; and

(b) Pursuant to subscription or distillery-sponsored club programs, in quantities
not to exceed an aggregate of nine (9) liters per calendar year, provided that
the enrollment and payment for the subscription or club is arranged in person
at the distillery. At the member's request, an order may be delivered or
shipped directly to the member. All deliveries or shipments shall be made
through a licensed common carrier authorized to deliver or ship distilled
spirits in the jurisdiction to which the products will be delivered or shipped.

(4) Hours of sale for souvenir packages at retail shall be in conformity with KRS
244.290(3).

(5) Except as provided in this section, souvenir package sales shall be governed by all
the statutes and administrative regulations governing the retail sale of distilled
spirits by the package.

(6) No wholesaler may restrict the sale of souvenir packages to the distiller of origin
exclusively, but shall make souvenir packages available to any Kentucky retail
licensee licensed for the sale of distilled spirits by the package.
(7) Notwithstanding any provision of KRS 244.050 to the contrary, a distillery holding a sampling license may allow visitors to sample distilled spirits under the following conditions:
   (a) Sampling shall be permitted only on the licensed premises during regular business hours;
   (b) A distillery shall not charge for the samples; and
   (c) A distillery shall not provide more than one and three-fourths (1 3/4) ounces of samples per visitor per day.

(8) Notwithstanding the provisions of KRS 243.110, in accordance with this section, a distillery located in wet territory or in any territory that has authorized the limited sale of alcoholic beverages under an election held pursuant to KRS 242.1243 may:
   (a) Hold an NQ2 retail drink license for the sale of alcoholic beverages on the distillery premises; and
   (b) Employ persons to engage in the sale or service of alcohol under an NQ2 license, if each employee completes the department's Server Training in Alcohol Regulations program within thirty (30) days of beginning employment.

(9) A distiller may sell to consumers at fairs, festivals, and other similar types of events located in wet territory alcoholic beverages by the drink, containing spirits distilled or bottled on the premises of the distillery.

(10) A distiller may offer for sale in its gift shop, products that were produced in collaboration with a brewer or microbrewer. These packages shall not be exclusive to the gift shop.

(11) Except as expressly stated in this section, this section does not exempt the holder of a distiller's license from:
   (a) The provisions of KRS Chapters 241 to 244;
   (b) The administrative regulations of the board; and
(c) Regulation by the board at all the distiller’s licensed premises.

(12) Nothing in this section shall be construed to vitiate the policy of this Commonwealth supporting an orderly three (3) tier system for the production and sale of alcoholic beverages.

Section 3. KRS 243.120 is amended to read as follows:

(1) A distiller's, rectifier's, or winery license shall authorize the licensee to engage in the business of distiller, rectifier, or winery at the premises specifically designated in the license, to maintain aging warehouses, and to transport for himself or herself only any alcoholic beverage which he or she is authorized under the license to manufacture or sell. The licensee shall transport alcoholic beverages only by a vehicle operated by himself or herself, which has affixed to its sides at all times a sign of form and size prescribed by the state board, containing among other things the name and license number of the licensee. No distilled spirits or wine shall be transported on the same truck or vehicle with malt beverages, except by a common carrier, unless the owner of the truck or vehicle holds a distributor's license.

(2) The manufacture of distilled spirits at the distillery shall not be less than six hundred (600) gallons in one (1) year.

(b) Distillers that produce more than fifty thousand (50,000) gallons of distilled spirits per calendar year at the premises shall obtain a distiller's license, Class A.

(c) Distillers that produce fifty thousand (50,000) gallons or less of distilled spirits per calendar year at the premises shall obtain a distiller's license, Class B (craft distillery).

(3) (a) Rectifiers that rectify more than fifty thousand (50,000) gallons of distilled spirits per calendar year at the premises shall obtain a rectifier's license, Class A.

(b) Rectifiers that rectify fifty thousand (50,000) gallons or less of distilled spirits
per calendar year at the premises shall obtain a rectifier's license, Class B
(craft rectifier).

(4) (a) A 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,
may sell distilled spirits by the drink or by the package at retail to consumers
in accordance with KRS 243.0305.

(b) Any distilled spirits sold under this subsection shall be taxed and distributed
in the same manner as sales under KRS 243.0305(2).

(c) Except as provided in this subsection, sales under this subsection shall be
governed by all of the statutes and administrative regulations governing the
retail sale of distilled spirits by the drink.

(5) Nothing in this section shall be construed to:

(a) Vitiate the policy of this Commonwealth supporting an orderly three (3) tier
    system for the production and sale of alcoholic beverages; or

(b) Allow delivery or shipment of alcohol into dry or moist territory.