

1 AN ACT relating to distilleries.

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

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

- 4 (1) To promote economic development and tourism in any dry or moist county or city
5 in which a distillery is located, a local option election for the sale of alcoholic
6 beverages may be held in a city or county precinct where the distillery is located,
7 notwithstanding any other provision of the Kentucky Revised Statutes.
- 8 (2) A petition seeking a local option election under this section shall state "We the
9 undersigned registered voters hereby petition for an election on the following
10 question: 'Are you in favor of the sale of alcoholic beverages at distilleries located
11 in (name of precinct)?'".
- 12 (3) When a majority of the votes cast in an election held under subsections (1) and (2)
13 of this section are in favor of establishing moist territory, the premises of the
14 distilleries located in that precinct shall become moist in the manner specified in
15 KRS 242.200.

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

17 ➔Section 2. KRS 243.0305 is amended to read as follows:

- 18 (1) Any licensed Kentucky distiller that is located in wet territory or in any precinct that
19 has authorized the limited sale of alcoholic beverages at distilleries under KRS
20 242.1243 and that has a gift shop or other retail outlet on its premises may conduct
21 the activities permitted under this section as a part of its distiller's license.
- 22 (2) For purposes of all retail drink and package sales under this section, a wholesaler
23 registered to distribute the brands of any distiller shall permit the distiller to deliver
24 its products directly from the distillery proper to any portion of the distillery
25 premises. However, for purposes of all retail drink and package sales by distillers
26 under subsections (3), (8), and (9) of this section, all direct shipments shall be
27 invoiced from the distiller to the wholesaler and from the wholesaler to the distiller,

1 and all products directly shipped shall be included in the wholesaler's inventory and
2 depletions for purposes of tax collections imposed pursuant to KRS 243.710 to
3 243.895 and 243.990.

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

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

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

20 (4) Hours of sale for souvenir packages at retail shall be in conformity with KRS
21 244.290(3).

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

25 (6) No wholesaler may restrict the sale of souvenir packages to the distiller of origin
26 exclusively, but shall make souvenir packages available to any Kentucky retail
27 licensee licensed for the sale of distilled spirits by the package.

- 1 (7) Notwithstanding any provision of KRS 244.050 to the contrary, a distillery holding
2 a sampling license may allow visitors to sample distilled spirits under the following
3 conditions:
- 4 (a) Sampling shall be permitted only on the licensed premises during regular
5 business hours;
 - 6 (b) A distillery shall not charge for the samples; and
 - 7 (c) A distillery shall not provide more than one and three-fourths (1-3/4) ounces
8 of samples per visitor per day.
- 9 (8) Notwithstanding the provisions of KRS 243.110, in accordance with this section, a
10 distillery located in wet territory or in any territory that has authorized the limited
11 sale of alcoholic beverages under an election held pursuant to KRS 242.1243 may:
- 12 (a) Hold an NQ2 retail drink license for the sale of alcoholic beverages on the
13 distillery premises; and
 - 14 (b) Employ persons to engage in the sale or service of alcohol under an NQ2
15 license, if each employee completes the department's Server Training in
16 Alcohol Regulations program within thirty (30) days of beginning
17 employment.
- 18 (9) A distiller may sell to consumers at fairs, festivals, and other similar types of events
19 located in wet territory alcoholic beverages by the drink, containing spirits distilled
20 or bottled on the premises of the distillery.
- 21 (10) *A distiller may offer for sale in its gift shop, products that were produced in*
22 *collaboration with a brewer or microbrewer. These packages shall not be*
23 *exclusive to the gift shop.*
- 24 **(11)** Except as expressly stated in this section, this section does not exempt the holder of
25 a distiller's license from:
- 26 (a) The provisions of KRS Chapters 241 to 244;
 - 27 (b) The administrative regulations of the board; and

1 (c) Regulation by the board at all the distiller's licensed premises.

2 ~~(12)~~~~(11)~~ Nothing in this section shall be construed to vitiate the policy of this
3 Commonwealth supporting an orderly three (3) tier system for the production and
4 sale of alcoholic beverages.

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

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

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

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

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

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

27 (b) Rectifiers that rectify fifty thousand (50,000) gallons or less of distilled spirits

1 per calendar year at the premises shall obtain a rectifier's license, Class B
2 (craft rectifier).

3 (4) (a) A distiller that is located in wet territory, or in any precinct that has authorized
4 the limited sale of alcoholic beverages at distilleries under KRS 242.1243,
5 may sell distilled spirits by the drink or by the package at retail to consumers
6 in accordance with KRS 243.0305.

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

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

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

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

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