

1 AN ACT relating to alcoholic beverages.

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

3 ➔SECTION 1. A NEW SECTION OF KRS CHAPTER 243 IS CREATED TO
4 READ AS FOLLOWS:

5 *(1) It is the policy of this Commonwealth to encourage economic growth and*
6 *eliminate artificial barriers to commerce. The traditional three (3) tier approach*
7 *for alcoholic beverage sales is by itself insufficient to help Kentucky licensees*
8 *compete in the modern marketplace.*

9 *(2) (a) A retail package license shall be allowable as an additional license for any*
10 *licensee if authorized by Section 12 of this Act.*

11 *(b) A direct shipper license shall be allowable as an additional license for any*
12 *licensee if authorized by Section 3 of this Act.*

13 *(3) This section shall not supersede any contract between or among licensees that*
14 *went into effect before the effective date of this Act.*

15 *(4) The three (3) tier system shall no longer be required for alcoholic beverage sales,*
16 *but it shall remain an available option for licensees.*

17 *(5) A retail licensee selling alcoholic beverages outside of the three (3) tier system*
18 *shall pay all applicable taxes, including the excise tax levied under KRS 243.720*
19 *and the wholesale tax levied under Section 25 of this Act.*

20 ➔Section 2. KRS 241.010 is amended to read as follows:

21 As used in KRS Chapters 241 to 244, unless the context requires otherwise:

22 (1) "Alcohol" means ethyl alcohol, hydrated oxide of ethyl or spirit of wine, from
23 whatever source or by whatever process it is produced;

24 (2) "Alcoholic beverage" means every liquid, solid, powder, or crystal, whether
25 patented or not, containing alcohol in an amount in excess of more than one percent
26 (1%) of alcohol by volume, which is fit for beverage purposes. It includes every
27 spurious or imitation liquor sold as, or under any name commonly used for,

1 alcoholic beverages, whether containing any alcohol or not. It does not include the
2 following products:

- 3 (a) Medicinal preparations manufactured in accordance with formulas prescribed
4 by the United States Pharmacopoeia, National Formulary, or the American
5 Institute of Homeopathy;
- 6 (b) Patented, patent, and proprietary medicines;
- 7 (c) Toilet, medicinal, and antiseptic preparations and solutions;
- 8 (d) Flavoring extracts and syrups;
- 9 (e) Denatured alcohol or denatured rum;
- 10 (f) Vinegar and preserved sweet cider;
- 11 (g) Wine for sacramental purposes; and
- 12 (h) Alcohol unfit for beverage purposes that is to be sold for legitimate external
13 use;
- 14 (3) (a) "Alcohol vaporizing device" or "AWOL device" means any device, machine,
15 or process that mixes liquor, spirits, or any other alcohol product with pure
16 oxygen or by any other means produces a vaporized alcoholic product used for
17 human consumption;
- 18 (b) "Alcohol vaporizing device" or "AWOL device" does not include an inhaler,
19 nebulizer, atomizer, or other device that is designed and intended by the
20 manufacturer to dispense a prescribed or over-the-counter medication or a
21 device installed and used by a licensee under this chapter to demonstrate the
22 aroma of an alcoholic beverage;
- 23 (4) "Automobile race track" means a facility primarily used for vehicle racing that has a
24 seating capacity of at least thirty thousand (30,000) people;
- 25 (5) "Bed and breakfast" means a one (1) family dwelling unit that:
- 26 (a) Has guest rooms or suites used, rented, or hired out for occupancy or that are
27 occupied for sleeping purposes by persons not members of the single-family

- 1 unit;
- 2 (b) Holds a permit under KRS Chapter 219; and
- 3 (c) Has an innkeeper who resides on the premises or property adjacent to the
- 4 premises during periods of occupancy;
- 5 (6) "Board" means the State Alcoholic Beverage Control Board created by KRS
- 6 241.030;
- 7 (7) "Bottle" means any container which is used for holding alcoholic beverages for the
- 8 use and sale of alcoholic beverages at retail;
- 9 (8) "Brewer" means any person who manufactures malt beverages or owns, occupies,
- 10 carries on, works, or conducts any brewery, either alone or through an agent;
- 11 (9) "Brewery" means any place or premises where malt beverages are manufactured for
- 12 sale, and includes all offices, granaries, mash rooms, cooling rooms, vaults, yards,
- 13 and storerooms connected with the premises; or where any part of the process of the
- 14 manufacture of malt beverages is carried on; or where any apparatus connected with
- 15 manufacture is kept or used; or where any of the products of brewing or
- 16 fermentation are stored or kept;
- 17 (10) "Building containing licensed premises" means the licensed premises themselves
- 18 and includes the land, tract of land, or parking lot in which the premises are
- 19 contained, and any part of any building connected by direct access or by an entrance
- 20 which is under the ownership or control of the licensee by lease holdings or
- 21 ownership;
- 22 (11) "Caterer" means a person operating a food service business that prepares food in a
- 23 licensed and inspected commissary, transports the food and alcoholic beverages to
- 24 the caterer's designated and inspected banquet hall or to an agreed location, and
- 25 serves the food and alcoholic beverages pursuant to an agreement with another
- 26 person;
- 27 (12) "Charitable organization" means a nonprofit entity recognized as exempt from

- 1 federal taxation under section 501(c) of the Internal Revenue Code (26 U.S.C. sec.
2 501(c)) or any organization having been established and continuously operating
3 within the Commonwealth of Kentucky for charitable purposes for three (3) years
4 and which expends at least sixty percent (60%) of its gross revenue exclusively for
5 religious, educational, literary, civic, fraternal, or patriotic purposes;
- 6 (13) "Cider" means any fermented fruit-based beverage containing seven percent (7%) or
7 more alcohol by volume and includes hard cider and perry cider;
- 8 (14) "City administrator" means city alcoholic beverage control administrator;
- 9 (15) "Commercial airport" means an airport through which more than five hundred
10 thousand (500,000) passengers arrive or depart annually;
- 11 (16) (a) "Commercial quadricycle" means a vehicle equipped with a minimum of ten
12 (10) pairs of fully operative pedals for propulsion by means of human
13 muscular power and which:
- 14 1. Has four (4) wheels;
 - 15 2. Is operated in a manner similar to that of a bicycle;
 - 16 3. Is equipped with a minimum of thirteen (13) seats for passengers;
 - 17 4. Has a unibody design;
 - 18 5. Is equipped with a minimum of four (4) hydraulically operated brakes;
 - 19 6. Is used for commercial tour purposes;
 - 20 7. Is operated by the vehicle owner or an employee of the owner; and
 - 21 8. Has an electrical assist system that shall only be used when traveling to
22 or from its storage location while not carrying passengers.
- 23 (b) A "commercial quadricycle" is not a motor vehicle as defined in KRS 186.010
24 or 189.010;
- 25 (17) "Commissioner" means the commissioner of the Department of Alcoholic Beverage
26 Control;
- 27 (18) "Consumer" means a person who purchases alcoholic beverages and who:

- 1 (a) Does not hold a license or permit issued by the department;
- 2 (b) Purchases the alcoholic beverages for personal consumption only and not for
3 resale;
- 4 (c) Is of lawful drinking age;
- 5 (d) Receives the alcoholic beverages at a location other than a licensed premises;
6 and
- 7 (e) Receives the alcoholic beverages in territory where the alcoholic beverages
8 may be lawfully sold or received;
- 9 (19) "Convention center" means any facility which, in its usual and customary business,
10 provides seating for a minimum of one thousand (1,000) people and offers
11 convention facilities and related services for seminars, training and educational
12 purposes, trade association meetings, conventions, or civic and community events
13 or for plays, theatrical productions, or cultural exhibitions;
- 14 (20) "Convicted" and "conviction" means a finding of guilt resulting from a plea of
15 guilty, the decision of a court, or the finding of a jury, irrespective of a
16 pronouncement of judgment or the suspension of the judgment;
- 17 (21) "County administrator" means county alcoholic beverage control administrator;
- 18 (22) "Department" means the Department of Alcoholic Beverage Control;
- 19 (23) "Dining car" means a railroad passenger car that serves meals to consumers on any
20 railroad or Pullman car company;
- 21 (24) "Discount in the usual course of business" means price reductions, rebates, refunds,
22 and discounts given by wholesalers to distilled spirits and wine retailers pursuant to
23 an agreement made at the time of the sale of the merchandise involved and are
24 considered a part of the sales transaction, constituting reductions in price pursuant
25 to the terms of the sale, irrespective of whether the quantity discount was:
- 26 (a) Prorated and allowed on each delivery;
- 27 (b) Given in a lump sum after the entire quantity of merchandise purchased had

- 1 been delivered; or
- 2 (c) Based on dollar volume or on the quantity of merchandise purchased;
- 3 (25) "Distilled spirits" or "spirits" means any product capable of being consumed by a
4 human being which contains alcohol in excess of the amount permitted by KRS
5 Chapter 242 obtained by distilling, mixed with water or other substances in
6 solution, except wine, hard cider, and malt beverages;
- 7 (26) "Distiller" means any person who is engaged in the business of manufacturing
8 distilled spirits at any distillery in the state and is registered in the Office of the
9 Collector of Internal Revenue for the United States at Louisville, Kentucky;
- 10 (27) "Distillery" means any place or premises where distilled spirits are manufactured for
11 sale, and which are registered in the office of any collector of internal revenue for
12 the United States. It includes any United States government bonded warehouse;
- 13 (28) "Distributor" means any person who distributes malt beverages for the purpose of
14 being sold at retail;
- 15 (29) "Dry" means a territory in which a majority of the electorate voted to prohibit all
16 forms of retail alcohol sales through a local option election held under KRS Chapter
17 242;
- 18 (30) "Election" means:
- 19 (a) An election held for the purpose of taking the sense of the people as to the
20 application or discontinuance of alcoholic beverage sales under KRS Chapter
21 242; or
- 22 (b) Any other election not pertaining to alcohol;
- 23 (31) "Horse racetrack" means a facility licensed to conduct a horse race meeting under
24 KRS Chapter 230;
- 25 (32) "Hotel" means a hotel, motel, or inn for accommodation of the traveling public,
26 designed primarily to serve transient patrons;
- 27 (33) "Investigator" means any employee or agent of the department who is regularly

1 employed and whose primary function is to travel from place to place for the
2 purpose of visiting licensees, and any employee or agent of the department who is
3 assigned, temporarily or permanently, by the commissioner to duty outside the main
4 office of the department at Frankfort, in connection with the administration of
5 alcoholic beverage statutes;

6 (34) "License" means any license issued pursuant to KRS Chapters 241 to 244;

7 (35) "Licensee" means any person to whom a license has been issued, pursuant to KRS
8 Chapters 241 to 244;

9 (36) "Limited restaurant" means:

10 (a) A facility where the usual and customary business is the preparation and
11 serving of meals to consumers, which has a bona fide kitchen facility, which
12 receives at least seventy percent (70%) of its food and alcoholic beverage
13 receipts from the sale of food, which maintains a minimum seating capacity of
14 fifty (50) persons for dining, which has no open bar, which requires that
15 alcoholic beverages be sold in conjunction with the sale of a meal, and which
16 is located in a wet or moist territory under KRS 242.1244; or

17 (b) 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 one hundred (100) persons of dining, and which is located in a wet or moist
22 territory under KRS 242.1244;

23 (37) "Local administrator" means a city alcoholic beverage administrator, county
24 alcoholic beverage administrator, or urban-county alcoholic beverage control
25 administrator;

26 (38) "Malt beverage" means any fermented undistilled alcoholic beverage of any name or
27 description, manufactured from malt wholly or in part, or from any substitute for

1 malt, and includes weak cider;

2 (39) "Manufacture" means distill, rectify, brew, bottle, and operate a winery;

3 (40) "Manufacturer" means a winery, distiller, rectifier, or brewer, and any other person
4 engaged in the production or bottling of alcoholic beverages;

5 (41) "Minor" means any person who is not twenty-one (21) years of age or older;

6 (42) "Moist" means a territory in which a majority of the electorate voted to permit
7 limited alcohol sales by any one (1) or a combination of special limited local option
8 elections authorized by KRS Chapter 242;

9 (43) "Population" means the population figures established by the federal decennial
10 census for a census year or the current yearly population estimates prepared by the
11 Kentucky State Data Center, Urban Studies Center of the University of Louisville,
12 Louisville, Kentucky, for all other years;

13 (44) "Premises" means the land and building in and upon which any business regulated
14 by alcoholic beverage statutes is operated or carried on. "Premises" shall not include
15 as a single unit two (2) or more separate businesses of one (1) owner on the same
16 lot or tract of land, in the same or in different buildings if physical and permanent
17 separation of the premises is maintained, excluding employee access by keyed entry
18 and emergency exits equipped with crash bars, and each has a separate public
19 entrance accessible directly from the sidewalk or parking lot. Any licensee holding
20 an alcoholic beverage license on July 15, 1998, shall not, by reason of this
21 subsection, be ineligible to continue to hold his or her license or obtain a renewal,
22 of the license;

23 (45) "Primary source of supply" or "supplier" means the distiller, winery, brewer,
24 producer, owner of the commodity at the time it becomes a marketable product,
25 bottler, or authorized agent of the brand owner. In the case of imported products, the
26 primary source of supply means either the foreign producer, owner, bottler, or agent
27 of the prime importer from, or the exclusive agent in, the United States of the

- 1 foreign distiller, producer, bottler, or owner;
- 2 (46) "Private club" means a nonprofit social, fraternal, military, or political organization,
3 club, or nonprofit or for-profit entity maintaining or operating a club room, club
4 rooms, or premises from which the general public is excluded;
- 5 (47) "Public nuisance" means a condition that endangers safety or health, is offensive to
6 the senses, or obstructs the free use of property so as to interfere with the
7 comfortable enjoyment of life or property by a community or neighborhood or by
8 any considerable number of persons;
- 9 (48) "Qualified historic site" means:
- 10 (a) A contributing property with dining facilities for at least fifty (50) persons at
11 tables, booths, or bars where food may be served within a commercial district
12 listed in the National Register of Historic Places;
- 13 (b) A site that is listed as a National Historic Landmark or in the National
14 Register of Historic Places with dining facilities for at least fifty (50) persons
15 at tables, booths, or bars where food may be served;
- 16 (c) A distillery which is listed as a National Historic Landmark and which
17 conducts souvenir retail package sales under KRS 243.0305; or
- 18 (d) A not-for-profit or nonprofit facility listed on the National Register of Historic
19 Places;
- 20 (49) "Rectifier" means any person who rectifies, purifies, or refines distilled spirits, malt,
21 or wine by any process other than as provided for on distillery premises, and every
22 person who, without rectifying, purifying, or refining distilled spirits by mixing
23 alcoholic beverages with any materials, manufactures any imitations of or
24 compounds liquors for sale under the name of whiskey, brandy, gin, rum, wine,
25 spirits, cordials, bitters, or any other name;
- 26 (50) "Repackaging" means the placing of alcoholic beverages in any retail container
27 irrespective of the material from which the container is made;

- 1 (51) "Restaurant" means a facility where the usual and customary business is the
2 preparation and serving of meals to consumers, that has a bona fide kitchen facility,
3 and that receives at least fifty percent (50%) of its food and alcoholic beverage
4 receipts from the sale of food at the premises;
- 5 (52) "Retail container" means any bottle, can, barrel, or other container which, without a
6 separable intermediate container, holds alcoholic beverages and is suitable~~—and~~
7 ~~destined~~ for sale to a retail outlet, whether it is suitable for delivery or shipment to
8 the consumer or not;
- 9 (53) "Retail sale" means any sale of alcoholic beverages to a consumer, including those
10 transactions taking place in person, electronically, online, by mail, or by telephone;
- 11 (54) "Retailer" means any licensee who sells and delivers any alcoholic beverage to
12 consumers, except for manufacturers with limited retail sale privileges and direct
13 shipper licensees;
- 14 (55) "Riverboat" means any boat or vessel with a regular place of mooring in this state
15 that is licensed by the United States Coast Guard to carry one hundred (100) or
16 more passengers for hire on navigable waters in or adjacent to this state;
- 17 (56) "Sale" means any transfer, exchange, or barter for consideration, and includes all
18 sales made by any person, whether principal, proprietor, agent, servant, or
19 employee, of any alcoholic beverage;
- 20 (57) "Service bar" means a bar, counter, shelving, or similar structure used for storing or
21 stocking supplies of alcoholic beverages that is a workstation where employees
22 prepare alcoholic beverage drinks to be delivered to customers away from the
23 service bar;
- 24 (58) "Sell" includes solicit or receive an order for, keep or expose for sale, keep with
25 intent to sell, and the delivery of any alcoholic beverage;
- 26 (59) "Small farm winery" means a winery whose wine production is not less than two
27 hundred fifty (250) gallons and not greater than five hundred thousand (500,000)

- 1 gallons in a calendar year;
- 2 (60) "Souvenir package" means a special package of distilled spirits available from a
3 licensed retailer that is:
- 4 (a) Available for retail sale at a licensed Kentucky distillery where the distilled
5 spirits were produced or bottled; or
- 6 (b) Available for retail sale at a licensed Kentucky distillery but produced or
7 bottled at another of that distiller's licensed distilleries in Kentucky;
- 8 (61) "State administrator" or "administrator" means the distilled spirits administrator or
9 the malt beverages administrator, or both, as the context requires;
- 10 (62) "State park" means a state park that has a:
- 11 (a) Nine (9) or eighteen (18) hole golf course; or
12 (b) Full-service lodge and dining room;
- 13 (63) "Supplemental bar" means a bar, counter, shelving, or similar structure used for
14 serving and selling distilled spirits or wine by the drink for consumption on the
15 licensed premises to guests and patrons from additional locations other than the
16 main bar;
- 17 (64) "Territory" means a county, city, district, or precinct;
- 18 (65) "Urban-county administrator" means an urban-county alcoholic beverage control
19 administrator;
- 20 (66) "Valid identification document" means an unexpired, government-issued form of
21 identification that contains the photograph and date of birth of the individual to
22 whom it is issued;
- 23 (67) "Vehicle" means any device or animal used to carry, convey, transport, or otherwise
24 move alcoholic beverages or any products, equipment, or appurtenances used to
25 manufacture, bottle, or sell these beverages;
- 26 (68) "Vintage distilled spirit" means a package or packages of distilled spirits that:
27 (a) Are in their original manufacturer's unopened container;

- 1 (b) Are not owned by a distillery; and
- 2 (c) Are not otherwise available for purchase from a licensed wholesaler within
- 3 the Commonwealth;
- 4 (69) "Warehouse" means any place in which alcoholic beverages are housed or stored;
- 5 (70) "Weak cider" means any fermented fruit-based beverage containing more than one
- 6 percent (1%) but less than seven percent (7%) alcohol by volume;
- 7 (71) "Wet" means a territory in which a majority of the electorate voted to permit all
- 8 forms of retail alcohol sales by a local option election under KRS 242.050 or
- 9 242.125 on the following question: "Are you in favor of the sale of alcoholic
- 10 beverages in (name of territory)?";
- 11 (72) "Wholesale sale" means a sale to any person for the purpose of resale;
- 12 (73) "Wholesaler" means any person who distributes alcoholic beverages for the purpose
- 13 of being sold at retail~~], but it shall not include a subsidiary of a manufacturer or~~
- 14 ~~cooperative of a retail outlet];~~
- 15 (74) "Wine" means the product of the normal alcoholic fermentation of the juices of
- 16 fruits, with the usual processes of manufacture and normal additions, and includes
- 17 champagne and sparkling and fortified wine of an alcoholic content not to exceed
- 18 twenty-four percent (24%) by volume. It includes sake, cider, hard cider, and perry
- 19 cider and also includes preparations or mixtures vended in retail containers if these
- 20 preparations or mixtures contain not more than fifteen percent (15%) of alcohol by
- 21 volume. It does not include weak cider; and
- 22 (75) "Winery" means any place or premises in which wine is manufactured from any
- 23 fruit, or brandies are distilled as a by-product of wine or other fruit, or cordials are
- 24 compounded, except a place or premises that manufactures wine for sacramental
- 25 purposes exclusively.

26 ➔Section 3. KRS 243.027 is amended to read as follows:

- 27 (1) KRS 243.027 to 243.029 shall supersede any conflicting statute in KRS Chapters

1 241 to 244.

2 (2) A direct shipper license shall authorize the holder to ship alcoholic beverages to
3 consumers. The department shall issue a direct shipper license to a successful
4 applicant that:

5 (a) Pays an annual license fee of one hundred dollars (\$100);

6 (b) 1. Is a manufacturer located in this state or any other state or an alcoholic
7 beverage supplier licensed under KRS 243.212 or 243.215; or

8 2. Is authorized to sell alcoholic beverages by the package under
9 Sections 1 and 12 of this Act; and

10 (c) If a manufacturer or alcoholic beverage supplier, holds a current license,
11 permit, or other authorization to manufacture or supply alcoholic beverages in
12 the state where the applicant is located. If an applicant is located outside of
13 Kentucky, proof of its current license, permit, or other authorization as issued
14 by its home state shall be sufficient proof of its eligibility to hold a direct
15 shipper license in Kentucky.

16 (3) (a) A manufacturer applicant shall only be authorized to ship alcoholic beverages
17 that are sold under a brand name owned or exclusively licensed to the
18 manufacturer, provided the alcoholic beverages were:

19 1. Produced by the manufacturer;

20 2. Produced for the manufacturer under a written contract with another
21 manufacturer; or

22 3. Bottled for or by the manufacturer.

23 (b) An applicant licensed under KRS 243.212 or 243.215 shall only be authorized
24 to ship alcoholic beverages for which it is the primary source of supply.

25 (4) The department shall establish the form for a direct shipper license application
26 through the promulgation of an administrative regulation. These requirements shall
27 include only the following:

- 1 (a) The address of the direct shipper licensee~~[manufacturer or supplier]~~; and
- 2 (b) If the applicant is located outside this state, a copy of the applicant's current
- 3 license, permit, or other authorization to manufacture, sell, store, or supply
- 4 alcoholic beverages in the state where the applicant is located.
- 5 (5) For purposes of this section, the holder of a direct shipper license may utilize the
- 6 services of a third party to fulfill shipments, subject to the following:
- 7 (a) The third party shall not be required to hold any alcoholic beverage license,
- 8 but no licensed entity shall serve as a third party to fulfill shipments other than
- 9 the holder of a storage license or transporter's license;
- 10 (b) The third party may operate from the premises of the direct shipper licensee or
- 11 from another business location; and
- 12 (c) The direct shipper licensee shall be liable for any violation of KRS 242.250,
- 13 242.260, 242.270, or 244.080 that may occur by the third party.
- 14 (6) A direct shipper licensee shall:
- 15 (a) Agree that the Secretary of State shall serve as its registered agent for service
- 16 of process. The licensee shall agree that legal service on the agent constitutes
- 17 legal service on the direct shipper licensee;
- 18 (b) Maintain the records required under KRS 243.027 to 243.029 and provide the
- 19 department and the Department of Revenue access to or copies of these
- 20 records;
- 21 (c) Allow the department or the Department of Revenue to perform an audit of
- 22 the direct shipper licensee's records or an inspection of the direct shipper
- 23 licensee's licensed premises upon request. If an audit or inspection reveals a
- 24 violation, the department or the Department of Revenue may recover
- 25 reasonable expenses from the licensee for the cost of the audit or inspection;
- 26 (d) Register with the Department of Revenue, and file all reports and pay all taxes
- 27 required under KRS 243.027 to 243.029; and

- 1 (e) Submit to the jurisdiction of the Commonwealth of Kentucky for any
2 violation of KRS 242.250, 242.260, 242.270, or 244.080 or for nonpayment of
3 any taxes owed.
- 4 (7) (a) Each direct shipper licensee shall submit to the department and the
5 Department of Revenue a quarterly report for that direct shipper license
6 showing:
- 7 1. The total amount of alcoholic beverages shipped into the state per
8 consumer;
 - 9 2. The name and address of each consumer;
 - 10 3. The purchase price of the alcoholic beverages shipped and the amount of
11 taxes charged to the consumer for the alcoholic beverages shipped; and
 - 12 4. The name and address of each common carrier.
- 13 (b) The Department of Revenue shall create a form through the promulgation of
14 an administrative regulation for reporting under paragraph (a) of this
15 subsection.
- 16 (c) The department shall provide a list of all active direct shipper licensees to
17 licensed common carriers on a quarterly basis to reduce the number of
18 unlicensed shipments in the Commonwealth.
- 19 (8) A direct shipper licensee shall submit a current copy of its alcoholic beverage
20 license from its home state along with the one hundred dollar (\$100) license fee
21 every year upon renewal of its direct shipper license.
- 22 (9) Notwithstanding any provision of this section to the contrary, a manufacturer
23 located and licensed in Kentucky may ship by a common carrier holding a Kentucky
24 transporter's license samples of alcoholic beverages produced by the manufacturer
25 in quantities not to exceed one (1) liter of any particular product in one (1) calendar
26 year of distilled spirits or wine, or ninety-six (96) ounces of any particular product
27 in one (1) calendar year of malt beverages, to the following:

- 1 (a) Marketing or media representatives twenty-one (21) years of age or older;
- 2 (b) Distilled spirits, wine, or malt beverage competitions or contests;
- 3 (c) Wholesalers or distributors located outside of Kentucky;
- 4 (d) Federal, state, or other regulatory testing labs; and
- 5 (e) Third-party product formulation and development partners.

6 Such samples shall be marked by affixing across the product label, a not readily
7 removed disclaimer with the words "Sample-Not for Sale" and the name of the
8 manufacturer.

9 ➔Section 4. KRS 243.0305 is amended to read as follows:

10 (1) Any licensed Kentucky distiller that is located in wet territory or in any precinct that
11 has authorized the limited sale of alcoholic beverages at distilleries under KRS
12 242.1243 and that has a gift shop or other retail outlet on its premises may conduct
13 the activities permitted under this section as a part of its distiller's license.

14 (2) (a) For purposes of all retail drink and package sales that occur pursuant to
15 subsection (3), (8), or (9) of this section, the distillery shall:

16 1. Be permitted to transfer its products from the distillery proper to the
17 location where those sales occur without having to transfer physical
18 possession of those distilled spirits to a licensed wholesaler; and

19 2. Effective January 1, 2022, without otherwise reporting those distilled
20 spirits to a licensed wholesaler, report and pay all taxes required to the
21 Department of Revenue at the time and in the manner required by the
22 Department of Revenue in accordance with its powers under KRS
23 131.130(3).

24 (b) 1. Effective January 1, 2022, a distiller selling distilled spirits in
25 accordance with this subsection shall pay all wholesale sales taxes due
26 under KRS 243.884. For the purposes of this subsection, "wholesale
27 sales" means a sale of distilled spirits made by a distiller under

- 1 subsection (3)(b), (8), and (9) of this section, if required by KRS
2 243.884.
- 3 2. Effective January 1, 2022, a distiller shall pay the excise tax on distilled
4 spirits in accordance with KRS 243.720 and 243.730.
- 5 (c) All other distilled spirits that are produced by the distillery shall be sold and
6 physically transferred in compliance with all other relevant provisions of KRS
7 Chapters 241 to 244.
- 8 (3) A distiller may sell souvenir packages at retail:
- 9 (a) To consumers in accordance with KRS 243.027 to 243.029 if it holds a direct
10 shipper license; and
- 11 (b) To distillery visitors of legal drinking age, in quantities not to exceed an
12 aggregate of ~~four and one half (4 1/2) liters per purchaser per day for sales~~
13 ~~prior to January 1, 2021, and in quantities not to exceed an aggregate of~~ nine
14 (9) liters per purchaser per day ~~[on and after January 1, 2021]~~.
- 15 (4) Hours of sale for souvenir packages sold to distillery visitors at retail shall be in
16 conformity with KRS 244.290(3).
- 17 (5) Except as provided in this section, souvenir package sales to distillery visitors shall
18 be governed by all the statutes and administrative regulations governing the retail
19 sale of distilled spirits by the package.
- 20 (6) Souvenir packages sold to distillery visitors under subsection (3)(b) of this section
21 shall be registered with the department pursuant to KRS 244.440 and made
22 available to a Kentucky licensed wholesaler.
- 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
- 9 (b) Employ persons to engage in the sale or service of alcohol under an NQ2
- 10 license, if each employee completes the department's Server Training in
- 11 Alcohol Regulations program within thirty (30) days of beginning
- 12 employment.
- 13 (9) A distiller may sell to consumers at fairs, festivals, and other similar types of events
- 14 located in wet territory alcoholic beverages by the drink, containing spirits distilled
- 15 or bottled on the premises of the distillery.
- 16 (10) A distiller may offer for sale in its gift shop products that were produced in
- 17 collaboration with a brewer or microbrewer, except that:
- 18 (a) These packages shall not be exclusive to the distiller's gift shop; and
- 19 (b) The distiller shall purchase the jointly branded souvenir package only from a
- 20 licensed malt beverage distributor.
- 21 (11) Except as expressly stated in this section, this section does not exempt the holder of
- 22 a distiller's license from:
- 23 (a) The provisions of KRS Chapters 241 to 244;
- 24 (b) The administrative regulations of the board; and
- 25 (c) Regulation by the board at all the distiller's licensed premises.
- 26 (12) Nothing in this section shall be construed to **prohibit a licensee from participating**
- 27 **in a**~~vitalize the policy of this Commonwealth supporting an orderly~~ three (3) tier

1 system for the production and sale of alcoholic beverages.

2 ➔Section 5. KRS 243.034 is amended to read as follows:

- 3 (1) A limited restaurant license may be issued to an establishment meeting the
4 definition criteria established in KRS 241.010(36) as long as the establishment is
5 within:
- 6 (a) Any wet territory; or
 - 7 (b) Any moist precinct that has authorized the sale of alcoholic beverages under
8 KRS 242.1244.
- 9 (2) A limited restaurant license shall authorize the licensee to purchase, receive,
10 possess, and sell alcoholic beverages at retail by the drink for consumption on the
11 licensed premises or off-premises consumption pursuant to KRS 243.081. The
12 licensee shall purchase alcoholic beverages only from *a licensee authorized to sell*
13 *alcoholic beverages by the package*~~[licensed wholesalers or distributors]~~. The
14 *limited restaurant* license shall not authorize the licensee to sell alcoholic
15 beverages by the package.
- 16 (3) The holder of a limited restaurant license shall maintain at least seventy percent
17 (70%) of its gross receipts from the sale of food and maintain the minimum
18 applicable seating requirement required for the type of limited restaurant license.
- 19 (4) A limited restaurant as defined by KRS 241.010(36)(a) shall:
- 20 (a) Only sell alcoholic beverages incidental to the sale of a meal; and
 - 21 (b) Not have an open bar and shall not sell alcoholic beverages to any person who
22 has not purchased or does not purchase a meal.
- 23 ➔Section 6. KRS 243.039 is amended to read as follows:
- 24 (1) A limited golf course license may be issued to an establishment that is a nine (9) or
25 an eighteen (18) hole golf course that meets United States Golf Association criteria
26 as a regulation golf course as long as the establishment is within:
- 27 (a) Any wet territory; or

1 (b) Any moist precinct that has specifically authorized the sale of distilled spirits,
2 wine, and malt beverages at that establishment under KRS 242.123.

3 (2) A limited golf course license shall authorize the licensee to purchase, receive,
4 possess, and sell distilled spirits, wine, and malt beverages at retail by the drink for
5 consumption on the licensed premises. The licensee shall purchase distilled spirits,
6 wine, and malt beverages only from a licensee authorized to sell alcoholic
7 beverages by the package~~[licensed wholesalers or distributors]~~. The limited golf
8 course license shall not authorize the licensee to sell distilled spirits, wine, and malt
9 beverages by the package.

10 ➔Section 7. KRS 243.055 is amended to read as follows:

11 (1) As used in this section, the following definitions shall apply:

12 (a) "Hotel" means any hotel, motel, inn, or other establishment which offers
13 overnight accommodations to the public for hire;

14 (b) "In-room service" means:

15 1. The delivery of alcoholic beverages in unbroken packages by an
16 employee of the hotel to a registered guest's room when the alcoholic
17 beverages have been ordered by a guest and when the guest shall be
18 billed for the cost of the alcoholic beverages at the time of delivery, with
19 all sales of the alcoholic beverages being completed upon delivery; and

20 2. ~~[, additionally,]~~The provision of a cabinet or other facility located in a
21 hotel guest's room which contains alcoholic beverages and which is
22 provided upon written request of the guest and which is accessible by
23 lock and key or remote control device only to the guest, with the sale of
24 the alcoholic beverages contained therein being final at the time
25 requested, except for a credit which may be given to the guest for any
26 unused portion. The licensee may stock a cabinet or other facility located
27 in a hotel guest's room pursuant to this section, with fifty (50) milliliter

1 containers of distilled spirits.

2 (2) The department may issue a hotel in-room service license to any hotel which is
3 licensed to sell distilled spirits, wine, and malt beverages upon the payment of the
4 fee set forth in KRS 243.030. The license shall authorize the licensee to sell
5 distilled spirits, wine, and malt beverages by in-room service. The sale of alcoholic
6 beverages by in-room service shall be subject to all restrictions and limitations
7 contained in KRS Chapters 241 to 244, and the administrative regulations issued
8 under those chapters, and shall be authorized only on the days and only during the
9 hours as the sale of alcoholic beverages is otherwise authorized in the county or
10 municipality. All alcoholic beverages sold pursuant to this section shall be
11 considered by the drink sales and shall be subject to all state and local taxes
12 imposed on alcoholic beverages and shall be purchased from a **licensee authorized**
13 **to sell alcoholic beverages by the package**~~[licensed wholesaler and distributor].~~

14 ➔Section 8. KRS 243.082 is amended to read as follows:

15 (1) A "Nonquota type 1" or "NQ1" retail drink license may be issued to an applicant
16 operating as, or in:

- 17 (a) A convention center or a convention hotel complex;
- 18 (b) A horse racetrack;
- 19 (c) An automobile racetrack;
- 20 (d) A railroad system;
- 21 (e) A commercial airlines system or charter flight system; or
- 22 (f) A state park.

23 (2) Any licensee holding an NQ1 retail drink license located in a qualifying convention
24 center or a convention hotel complex, horse racetrack, an automobile racetrack, or
25 state park may purchase, receive, possess, and sell alcoholic beverages at retail by
26 the drink for consumption on the licensed premises. The license shall permit all
27 alcoholic beverage sales on the premises without additional supplemental licenses.

1 The licensee shall purchase alcoholic beverages only from a licensee authorized to
2 sell alcoholic beverages by the package~~[licensed wholesalers or distributors]~~. The
3 holder of an NQ1 retail drink license under this section shall store alcoholic
4 beverages in the manner prescribed in KRS 244.260.

5 (3) A qualifying convention center or a convention hotel complex holding an NQ1
6 retail drink license may also hold a supplemental hotel in-room service license.

7 (4) A qualifying railroad system holding an NQ1 retail drink license may purchase,
8 receive, possess, and sell alcoholic beverages at retail by the drink or by the
9 package, upon any train that includes a dining car and is operated by the licensee in
10 the state. Sales shall be made only while the train is in motion. A railroad system
11 holding an NQ1 retail drink license may sell alcoholic beverages in unbroken
12 packages smaller than two hundred (200) milliliters of distilled spirits and one
13 hundred (100) milliliters of wine and may purchase alcoholic beverages from
14 nonresidents.

15 (5) A qualifying commercial airlines system or charter flight system holding an NQ1
16 retail drink license may purchase, receive, possess, and sell alcoholic beverages at
17 retail by the drink, and by miniature bottle, for consumption upon regularly
18 scheduled or charter flights of the licensee, in and out of Kentucky. The license
19 shall authorize the licensee to store alcoholic beverages for retail sale at a location
20 or locations, if operating from more than one (1) airport in Kentucky, as designated
21 on the license application.

22 (6) An NQ1 retail drink license may be issued to any qualifying applicant within a state
23 park meeting the criteria established in KRS 241.010 so long as the state park is
24 located, in whole or in part, within:

25 (a) Any wet territory; or

26 (b) Any precinct that has authorized the sale of alcoholic beverages under KRS
27 242.022.

1 ➔Section 9. KRS 243.084 is amended to read as follows:

- 2 (1) A "Nonquota type 2" or "NQ2" retail drink license may be issued to an applicant
3 operating as, or in:
- 4 (a) A hotel that:
- 5 1. Contains at least fifty (50) sleeping units; and
6 2. Receives from its total food and alcoholic beverage sales at least fifty
7 percent (50%) of its gross receipts from the sale of food;
- 8 (b) A restaurant;
9 (c) An airport;
10 (d) A riverboat;
11 (e) A distiller; or
12 (f) A business located within, or adjacent to, an entertainment destination center
13 licensed premises.
- 14 (2) A holder of an NQ2 retail drink license may purchase, receive, possess, and sell
15 alcoholic beverages at retail by the drink for consumption on the licensed premises
16 or off-premises consumption pursuant to KRS 243.081. The licensee shall purchase
17 alcoholic beverages only from **a licensee authorized to sell alcoholic beverages by**
18 **the package**~~licensed wholesalers or distributors~~. A distiller may purchase its own
19 products for retail drink sales under KRS 243.0305. The holder of an NQ2 retail
20 drink license shall store alcoholic beverages in the manner prescribed in KRS
21 244.260.
- 22 (3) (a) To qualify for an NQ2 license, a riverboat shall have a regular or alternative
23 place of mooring in a wet county or city of this state.
- 24 (b) If a riverboat moors or makes landfall in a location other than its regular or
25 alternate regular place of mooring, all alcoholic beverages shall be kept
26 locked.
- 27 (c) A riverboat licensed under this subsection shall not take on or discharge

1 passengers when mooring or making landfall in dry option territory.

2 ➔Section 10. KRS 243.086 is amended to read as follows:

3 (1) A "Nonquota type 3" or "NQ3" retail drink license may be issued to an applicant
4 operating as, or in:

5 (a) A private club;

6 (b) A dining car; or

7 (c) A bed and breakfast.

8 (2) The holder of an NQ3 retail drink license may purchase, receive, possess, and sell
9 alcoholic beverages at retail by the drink for consumption on the licensed premises.

10 The licensee shall purchase alcoholic beverages only from *a licensee authorized to*
11 *sell alcoholic beverages by the package*~~[licensed wholesalers or distributors]~~. The
12 holder of an NQ3 retail drink license shall store alcoholic beverages in the manner
13 prescribed in KRS 244.260.

14 (3) A qualifying private club holding an NQ3 retail drink license shall exclude the
15 general public from the licensed premises.

16 (4) A qualifying bed and breakfast holding an NQ3 retail drink license shall only sell
17 alcoholic beverages by the drink to paid overnight guests of the licensee.

18 ➔Section 11. KRS 243.088 is amended to read as follows:

19 (1) A "Nonquota type 4" or "NQ4" retail malt beverage drink license may be issued to
20 the holder of a quota retail drink license, microbrewery license, small farm winery
21 license, or any other business wishing to sell malt beverages by the drink for
22 consumption on the premises only.

23 (2) An NQ4 retail malt beverage drink license shall authorize the licensee to:

24 (a) Sell malt beverages at retail by the drink from only the licensed premises for
25 consumption at the licensed premises only; and

26 (b) Purchase malt beverages only from a *licensee authorized to sell malt*
27 *beverages by the package*~~[distributor]~~.

1 (3) The holder of an NQ4 retail malt beverage drink license may also hold a nonquota
2 retail malt beverage package license.

3 (4) A nonquota retail malt beverage drink license shall not be issued to any premises
4 from which gasoline and lubricating oil are sold or from which the servicing and
5 repair of motor vehicles is conducted, unless there is maintained in inventory on the
6 premises for sale at retail not less than five thousand dollars (\$5,000) of food,
7 groceries, and related products valued at cost. For purposes of this subsection, the
8 term "food and groceries" has the meaning provided in KRS 243.280. This section
9 shall not apply to any licensed premises that sells no fuel other than marine fuel.

10 ➔Section 12. KRS 243.110 is amended to read as follows:

11 (1) Except as provided in subsection (3) of this section, each kind of license listed in
12 KRS 243.030 shall be incompatible with every other kind listed in that section and
13 no person or entity holding a license of any of those kinds shall apply for or hold a
14 license of another kind listed in KRS 243.030.

15 (2)~~[(a)]~~ Each kind of license listed in KRS 243.040~~[(1), (3), or (4)]~~ shall be
16 compatible~~[incompatible]~~ with every other kind listed in KRS 243.040~~[(1), (3), or~~
17 ~~(4), and no person holding a license of any of those kinds shall apply for or hold a~~
18 ~~license of any other kind listed in KRS 243.040(1), (3), or (4)].~~

19 ~~(b) A brewery holding a license listed in KRS 243.040(5) or (8) shall not apply~~
20 ~~for or hold a license listed in KRS 243.040(3) or (4)].~~

21 (3) (a) The holder of a quota retail package license may also hold a quota retail drink
22 license, an NQ1 retail drink license, an NQ2 retail drink license, an NQ3 retail
23 drink license, or a special nonbeverage alcohol license.

24 (b) The holder of a transporter's license may also hold a distilled spirits and wine
25 storage license.

26 (c) The holder of a distiller's license may also hold a rectifier's license, a special
27 nonbeverage alcohol license, a winery license, or a small farm winery license.

- 1 (d) A commercial airline system or charter flight system retail license, a
2 commercial airline system or charter flight system transporter's license, and a
3 retail drink license if held by a commercial airline or charter flight system may
4 be held by the same licensee.
- 5 (e) A Sunday retail drink license and supplemental license may be held by the
6 holder of a primary license.
- 7 (f) The holder of a distiller's, winery, small farm winery, brewer, microbrewery,
8 wholesaler, distributor, quota retail package, nonquota retail malt beverage
9 package, small farm winery wholesaler's, distilled spirits and wine supplier's,
10 or malt beverage supplier's license may also hold a direct shipper license.
- 11 (g) The holder of a manufacturer, wholesaler, or distributor license may also
12 hold a quota retail package license and a nonquota retail malt beverage
13 package license. The holder of a small farm winery wholesaler's license
14 may also hold a quota retail package license.
- 15 (4) Any person may hold two (2) or more licenses of the same kind.
- 16 (5) A person or entity shall not evade the prohibition against applying for or holding
17 licenses of two (2) kinds by applying for a second license through or under the name
18 of a different person or entity. The state administrator shall examine the ownership,
19 membership, and management of applicants, and shall deny the application for a
20 license if the applicant is substantially interested in a person or entity that holds an
21 incompatible license.
- 22 ➔Section 13. KRS 243.120 is amended to read as follows:
- 23 (1) A distiller's, rectifier's, or winery license shall authorize the licensee to engage in
24 the business of distiller, rectifier, or winery at the premises specifically designated
25 in the license, to maintain aging warehouses, and to transport for himself or herself
26 only any alcoholic beverage which he or she is authorized under the license to
27 manufacture or sell. The licensee shall transport alcoholic beverages only by a

1 vehicle operated by himself or herself, which has affixed to its sides at all times a
2 sign of form and size prescribed by the state board, containing among other things
3 the name and license number of the licensee.

- 4 (2) (a) 1. A licensee holding a distiller's license, Class A license, or Class B
5 license shall distill no less than six hundred (600) gallons in one (1) year
6 at the distillery's licensed premises.
- 7 2. A licensee that engages in the distilling process for the exclusive
8 purpose of providing training and education, conducting research, or
9 teaching about the distilling process, aging, or bottling of distilled spirits
10 shall be exempt from subparagraph 1. of this paragraph, so long as the
11 licensee does not produce spirits for sale to the general public.
- 12 (b) Distillers that produce more than fifty thousand (50,000) gallons of distilled
13 spirits per calendar year at the premises shall obtain a distiller's license, Class
14 A.
- 15 (c) Distillers that produce fifty thousand (50,000) gallons or less of distilled
16 spirits per calendar year at the premises shall obtain a distiller's license, Class
17 B (craft distillery).
- 18 (3) (a) Rectifiers that rectify more than fifty thousand (50,000) gallons of distilled
19 spirits per calendar year at the premises shall obtain a rectifier's license, Class
20 A.
- 21 (b) Rectifiers that rectify fifty thousand (50,000) gallons or less of distilled spirits
22 per calendar year at the premises shall obtain a rectifier's license, Class B
23 (craft rectifier).
- 24 (4) (a) A distiller that is located in wet territory, or in any precinct that has authorized
25 the limited sale of alcoholic beverages at distilleries under KRS 242.1243,
26 may sell distilled spirits by the drink or by the package at retail to consumers
27 in accordance with KRS 243.0305.

1 (b) *A distiller may hold a quota retail package license and a nonquota retail*
 2 *malt beverage license. Under one (1) or both of these licenses, the distiller*
 3 *may sell alcoholic beverages at a retail premises located in wet territory*
 4 *separate from the distillery premises.*

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

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

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

11 (a) *Prohibit a licensee from participating in a*~~Vitiate the policy of this~~
 12 ~~Commonwealth supporting an orderly~~ three (3) tier system for the production
 13 and sale of alcoholic beverages; or

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

15 ➔Section 14. KRS 243.130 is amended to read as follows:

16 (1) Sales and deliveries of distilled spirits and wine may be made at wholesale, and
 17 from the licensed premises only:

18 (a) By distillers to rectifiers, wineries, holders of special nonbeverage alcohol
 19 licenses so far as they may make the purchases, or other distillers;

20 (b) By rectifiers to wineries or to distillers if distilled spirits sold to distillers are
 21 packaged in retail containers;

22 (c) By wineries to rectifiers or other wineries, or to the holders of special
 23 nonbeverage alcohol licenses;

24 (d) By distillers, rectifiers, or wineries to wholesalers; or

25 (e) By distillers, rectifiers, or wineries for export out of the state.

26 (2) No distiller, rectifier, or winery shall sell or contract to sell, give away, or deliver
 27 any alcoholic beverages to any person who is not authorized by the law of the state

1 of the person's residence, and of the United States government if located in the
2 United States, to receive and possess those alcoholic beverages. Except as provided
3 in Section 1 of this Act, KRS 243.027 to 243.029, and KRS 243.0305, no distiller,
4 rectifier, or winery shall sell or contract to sell, give away, or deliver any of its
5 products to any retailer or consumer in Kentucky.

6 (3) Employees of distillers, rectifiers, and wineries may sample the products produced
7 by that manufacturer for purposes of education, quality control, and product
8 development.

9 (4) Distillers may purchase distilled spirits only from other licensed distillers in this
10 state or in another state or province, but distillers may purchase from rectifiers
11 licensed in Kentucky, distilled spirits which are packaged in retail containers.

12 (5) Rectifiers may purchase malt, distilled spirits, and wine only from licensed brewers,
13 distillers, or wineries in Kentucky, or from nonresident brewers, distillers, or
14 wineries authorized by the law of the state of their residence and by the United
15 States government, if the brewers, distillers, or wineries are located in or outside the
16 United States, to make the sales.

17 (6) Wineries may purchase distilled spirits or wine only from licensed distillers or
18 wineries in Kentucky, or from nonresident distillers or wineries authorized by law
19 of the state of their residence, and by the United States government if located in the
20 United States, to make the sales.

21 (7) Nothing shall prohibit the purchase or sale of warehouse receipts by any person, but
22 this subsection does not authorize the owner of a warehouse receipt to accept
23 delivery of any distilled spirits unless the owner is a person who is permitted by law
24 to receive the distilled spirits.

25 (8) Nothing in this section shall be construed to:

26 (a) Prohibit a licensee from participating in a ~~Vitiate the policy of this~~
27 ~~Commonwealth supporting an orderly~~ three (3) tier system for the production

1 and sale of alcoholic beverages; or

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

3 ➔Section 15. KRS 243.150 is amended to read as follows:

4 (1) A brewer's license shall authorize the licensee to engage in the business of a brewer
5 at the premises specifically designated in the license, and to transport for itself only
6 any malt beverage which the licensee is authorized by its license to manufacture or
7 sell, but the licensee shall transport any malt beverages in accordance with the
8 requirements provided by KRS 243.120 for distillers.

9 (2) A brewer may sell any malt beverage produced under its license to:

10 (a) A licensed wholesaler from the licensed premises;

11 (b) Any of its employees for home consumption;

12 (c) Charitable or fraternal organizations holding group meetings, picnics, or
13 outings;

14 (d) A customer, strictly limited to the following types of sales on the premises of
15 a brewery located in wet territory:

16 1. By the drink sales for consumption on the premises only, to be
17 conducted in a taproom or similar space that is located at the licensed
18 brewery; and

19 2. Package sales for off-premises consumption only by using a refillable,
20 resealable growler;~~and~~

21 (e) Consumers, if the brewer holds a direct shipper license under KRS 243.027 to
22 243.029; **and**

23 **(f) A customer, if the brewer holds a nonquota retail malt beverage package**
24 **license.**

25 (3) A licensed brewer may buy malt beverages from another licensed brewer in this
26 state or nonresident brewer authorized by the law of the state of its residence, and
27 by the United States government if located in the United States, to make these sales;

1 (4) Employees of a licensed brewer may sample the products produced by that
2 manufacturer for purposes of education, quality control, and product development.

3 (5) A brewer may serve on the licensed premises of its brewery complimentary samples
4 of malt beverages produced at the brewery in an amount not to exceed sixteen (16)
5 ounces per patron per day, if the brewery is located in wet territory.

6 ➔Section 16. KRS 243.154 is amended to read as follows:

7 (1) A small farm winery wholesaler's license shall authorize the licensee:

8 (a) To purchase, receive, store, or possess wine produced by small farm winery
9 licensees;

10 (b) To sell the wine at wholesale from the licensed premises only; and

11 (c) To transport from the licensed premises for itself~~[himself or herself]~~ only any
12 wine produced by small farm winery licensees that the small farm winery
13 wholesaler's license authorizes the holder~~[him or her]~~ to sell.

14 (2) A small farm winery wholesaler licensed under this section shall:

15 (a) Transport the wine in the manner provided for manufacturers in KRS
16 243.120; and

17 (b) Transport the wine from a small farm winery's licensed premises or another
18 wholesaler's premises to the small farm winery wholesaler's premises.

19 (3) A small farm winery wholesaler licensed under this section shall not purchase,
20 receive, store, possess, sell, or transport wine or distilled spirits under that license,
21 except as provided in this section, and shall comply with all provisions of the
22 Kentucky Revised Statutes applicable to wholesalers licensed under KRS 243.030,
23 to the extent the provisions are not inconsistent with this section.

24 (4) A small farm winery wholesaler licensed under this section shall be allowed to have
25 its licensed premises on or in the licensed premises of a small farm winery.

26 (5) The holder of a small farm winery wholesaler's license may also hold a direct
27 shipper license and a quota retail package license.

1 ➔Section 17. KRS 243.157 is amended to read as follows:

- 2 (1) A microbrewery license shall authorize the licensee to perform the following
3 functions:
- 4 (a) Engage in the business of a brewer under the terms and conditions of KRS
5 243.150, provided that production of malt beverages at the microbrewery shall
6 not exceed fifty thousand (50,000) barrels in one (1) year;
- 7 (b) Serve on the premises complimentary samples of malt beverages produced by
8 the microbrewery in amounts not to exceed sixteen (16) ounces per patron,
9 provided the microbrewery is located in wet territory or a precinct that has
10 authorized the sale of alcoholic beverages at microbreweries under KRS
11 242.1239;
- 12 (c) Sell malt beverages produced on the premises of the microbrewery to
13 authorized alcoholic beverage licensees~~[licensed distributors]~~;
- 14 (d) Sell malt beverages produced on the premises of the microbrewery for on- and
15 off-premises purposes in accordance with subsection (3)(b) and (c) of this
16 section, pursuant to the following:
- 17 1. Without restriction on the amount of malt beverages sold by the drink
18 for on-premises consumption provided the microbrewery is located in
19 wet territory or a precinct that has authorized the sale of alcoholic
20 beverages at microbreweries under KRS 242.1239; and
- 21 2. With a restriction on the amount of malt beverages sold for off-premises
22 consumption, in an aggregate amount not to exceed thirty-one (31)
23 gallons per person per day that shall not include more than three (3)
24 cases in case format;
- 25 (e) Sell:
- 26 1. Unlimited amounts of malt beverages by the drink; and
27 2. Not more than one (1) case of packaged malt beverages;

- 1 produced on the premises of the microbrewery to consumers at fairs, festivals,
2 and other similar types of events located in wet territory, in accordance with
3 subsection (3)(b)2. and (c)2. of this section; and
- 4 (f) Sell and deliver up to two thousand five hundred (2,500) barrels of malt
5 beverages annually to any retail license holder, provided that:
- 6 1. Any products sold and delivered under this paragraph that are not
7 otherwise registered by a licensed distributor shall be registered with the
8 department by the microbrewery; and
- 9 2. The microbrewer notifies the distributor of any self-distribution delivery
10 by electronic or other means.
- 11 (2) A microbrewery license shall not be deemed to be incompatible with any other
12 license~~[except for a distributor's license under the provisions of KRS 243.180].~~
- 13 (3) In accordance with the provisions of this section, a microbrewery license holder
14 may:
- 15 (a) Hold retail drink and package licenses both on and off the premises of the
16 microbrewery. The holder of a microbrewery license is exempt from the
17 provisions of ~~KRS 244.570 and~~ 244.590 as applied to any retail licenses
18 held by the microbrewery license holder, and from any other sections which
19 would restrict the co-ownership of the microbrewery license and any retail
20 licenses described in this section;
- 21 (b) Sell malt beverages produced on the premises of the microbrewery for on-
22 premises purposes without having to transfer physical possession of those
23 malt beverages to a licensed distributor provided:
- 24 1. The microbrewery possesses a retail drink license for those premises;
25 and
- 26 2. The microbrewery reports and pays all taxes required by subsection
27 (5)(a) and (b) of this section to the Department of Revenue at the time

1 and in the manner required by the Department of Revenue in accordance
2 with its powers under KRS 131.130(3); and

3 (c) Sell malt beverages produced within a three (3) tier system on the premises of
4 the microbrewery for off-premises purposes without having to transfer
5 physical possession of those malt beverages to a licensed distributor provided
6 that:

7 1. The microbrewery possesses a retail package license for those premises;
8 and

9 2. The microbrewery reports and pays all taxes required by subsection
10 (5)(a) and (b) of this section to the Department of Revenue at the time
11 and in the manner required by the Department of Revenue in accordance
12 with its powers under KRS 131.130(3).

13 (4) The provisions of subsection (3)(b) and (c) of this section shall apply only to malt
14 beverages that are produced by the microbrewery at its licensed premises and:

15 (a) Offered for sale by the microbrewery at that same premises under the
16 microbrewery's retail drink or package license; or

17 (b) Offered for sale by the microbrewery at a fair, festival, or other similar type of
18 event as authorized under subsection (1)(e) of this section.

19 All other malt beverages produced by the microbrewery which are offered for retail
20 sale ~~may~~shall be sold and physically transferred to a licensed distributor in
21 compliance with all other relevant provisions of KRS Chapters 241 to 244, and a
22 licensed microbrewery shall not otherwise affect sales of malt beverages directly to
23 retail customers except as provided in subsection (3)(b) and (c) of this section under
24 KRS 243.027 to 243.029 if the microbrewery holds a direct shipper license.

25 (5) (a) A microbrewery selling malt beverages in accordance with subsection (1)(f) or
26 (3)(b) and (c) of this section shall pay all wholesale sales taxes due under KRS
27 243.884. For the purposes of this subsection, "wholesale sales" means a sale

1 of malt beverages made by a microbrewery under subsection (1)(f) or (3)(b)
2 and (c) of this section, as applicable.

3 (b) A microbrewery shall pay the excise tax on malt beverages in accordance with
4 KRS 243.720(3) and 243.730 and shall be entitled to the credit set forth in
5 KRS 243.720(3)(b).

6 (6) A microbrewery shall not be located in dry territory.

7 (7) An employee of a microbrewery may sample the products produced by that
8 microbrewery for purposes of education, quality control, and product development.

9 (8) This section does not exempt the holder of a microbrewery license from the
10 provisions of KRS Chapters 241 to 244, nor from any rules of the board as
11 established by administrative regulations, nor from regulation by the board, except
12 as expressly stated in this section. The provisions of this section shall not be
13 deemed inconsistent with the provisions of KRS 244.602.

14 (9) Nothing in this section shall be construed to **prohibit a licensee from participating**
15 **in a**~~vitate the policy of this Commonwealth, as set forth in KRS 244.167 and~~
16 ~~244.602, supporting an orderly~~ three (3) tier system for the production and sale of
17 malt beverages.

18 **(10) Notwithstanding any statute to the contrary, a microbrewery shall not be required**
19 **to use a distributor to sell its products. The microbrewery may sell its products**
20 **directly to any consumer or alcoholic beverage licensee.**

21 ➔Section 18. KRS 243.170 is amended to read as follows:

22 (1) A wholesaler may sell, deliver, and transport distilled spirits and wine at wholesale,
23 and from the licensed premises only, to:

24 (a) Other wholesalers;

25 (b) Retailers; or

26 (c) A point out of the state to persons authorized by the law of the state of their
27 residence, and by the United States government if located in the United States,

1 to receive the distilled spirits and wine.

2 (2) A wholesaler may purchase distilled spirits and wine at wholesale from licensed
3 distillers, rectifiers, wineries, or other wholesalers and from nonresidents authorized
4 by the law of the states of their residence, and by the United States government if
5 located in the United States, to make the sales. A wholesaler may not transport
6 distilled spirits and wine from any point to its own licensed premises, except as
7 provided in KRS 243.200.

8 (3) ~~A[No]~~ wholesaler **may also hold a direct shipper license and a quota retail**
9 **package license**~~[shall sell or contract to sell, give away, or deliver any distilled~~
10 ~~spirits or wine to any person in Kentucky who is not licensed to receive, possess,~~
11 ~~distribute, or sell distilled spirits and wine, and no wholesaler shall sell or contract~~
12 ~~to sell, give away, or deliver any distilled spirits or wine to any consumer. This~~
13 ~~section does not permit sales or deliveries of distilled spirits in Kentucky by~~
14 ~~licensed wholesalers to nonresidents who are not licensed by their own states].~~

15 (4) A wholesaler may extend credit on distilled spirits and wine sold to retail licensees
16 for a period not to exceed thirty (30) days from the date of invoice, with the date of
17 invoice included in the total number of days. When the thirty (30) day period has
18 passed without payment in full, no wholesaler shall sell to the licensee except for
19 cash on delivery.

20 ➔Section 19. KRS 243.180 is amended to read as follows:

21 (1) A distributor's license shall authorize the licensee to:

22 (a) Purchase malt beverages from Kentucky breweries or from out-of-state
23 breweries or distributors licensed to do business by the state in which they are
24 located;

25 (b) Import a non-United States brand malt beverage from an importer or
26 wholesaler registered with the Kentucky Department of Revenue;

27 (c) Sell his or her products to the holder of a special nonbeverage alcohol license;

1 or

2 (d) Store malt beverages and to sell them only, from the licensed premises, to
3 other distributors, to licensed retailers, to any of its employees for home
4 consumption, and to charitable or fraternal organizations holding group
5 meetings, picnics, or outings.

6 (2) A distributor shall transport malt beverages only by a vehicle owned, rented, or
7 leased and operated by the distributor, which has affixed to its sides at all times a
8 sign of form and size prescribed by the state board, containing among other things
9 the name and license number of the licensee. No distilled spirits or wine shall be
10 transported on the same truck or vehicle with malt beverages, except by a common
11 carrier, unless the owner of such truck or vehicle holds a wholesaler's license.

12 (3) A distributor's license ~~shall~~~~must~~ be obtained for each separate warehouse, agent,
13 distributor, broker, jobber, or place of business from which orders are received or
14 beverages are distributed unless it is a licensed brewery.

15 **(4) The holder of a distributor's license may also hold a direct shipper license and a**
16 **nonquota retail malt beverage package license.**

17 ➔Section 20. KRS 243.240 is amended to read as follows:

18 (1) A quota retail package license shall authorize the licensee to:

19 (a) Purchase, receive, possess, and sell distilled spirits and wine at retail in
20 unbroken packages only, and only for consumption off the licensed premises;
21 and

22 (b) Deliver to the consumer, at the consumer's request, alcoholic beverages that
23 are purchased from the licensed premises, in quantities not to exceed~~four and~~
24 ~~one half (4 1/2) liters of distilled spirits and four (4) cases of wine per~~
25 ~~consumer per day for sales prior to January 1, 2021, and in quantities not to~~
26 ~~exceed~~ an aggregate of nine (9) liters of distilled spirits and four (4) cases of
27 wine per consumer per day~~on and after January 1, 2021~~.

- 1 (2) The licensee shall purchase distilled spirits and wine in retail packages only and
 2 only from:
- 3 (a) Licensed wholesalers;
- 4 (b) Those licensees authorized to sell distilled spirits and wine by the package at
 5 retail[, but only if the distilled spirits and wine have first gone through the
 6 three (3) tier system]; or
- 7 (c) From a distillery souvenir gift shop.

8 **(3) The holder of a quota retail package license may also hold a direct shipper**
 9 **license.**

10 ➔Section 21. KRS 243.250 is amended to read as follows:

11 A quota retail drink license shall authorize the licensee to purchase, receive, possess, and
 12 sell distilled spirits and wine at retail by the drink for consumption on the licensed
 13 premises, or off-premises consumption pursuant to KRS 243.081. The licensee shall
 14 purchase distilled spirits and wine only from **licensees authorized to sell alcoholic**
 15 **beverages by the package**[licensed wholesalers].

16 ➔Section 22. KRS 243.280 is amended to read as follows:

- 17 (1) A nonquota retail malt beverage package license shall authorize the licensee to:
- 18 (a) Sell malt beverages at retail by the package from the licensed premises only
 19 for consumption off the licensed premises only; and
- 20 (b) Purchase malt beverages only from a **licensee authorized to sell alcoholic**
 21 **beverages by the package**[distributor].
- 22 (2) The holder of a quota retail package license under KRS 243.240 may also obtain a
 23 license under this section.
- 24 (3) The holder of a nonquota retail malt beverage package license may also hold: ~~[-a]~~
 25 **(a) An NQ4 retail malt beverage drink license; and**
 26 **(b) A direct shipper license.**
- 27 (4) A nonquota retail malt beverage package license shall not be issued to sell malt

1 beverages at retail for any premises from which gasoline and lubricating oil are sold
2 or from which the servicing and repair of motor vehicles is conducted, unless there
3 is maintained in inventory on the premises for sale at retail not less than five
4 thousand dollars (\$5,000) of food, groceries, and related products valued at cost.

5 (5) The term "food and groceries" means:

6 (a) Any food or food product intended for human consumption except alcoholic
7 beverages, tobacco, hot foods, and hot food products prepared for immediate
8 consumption; *and*

9 (b) Seeds and plants to grow food for personal consumption.

10 (6) The provisions of this section shall not apply to any licensed premises which sells
11 no fuel other than marine fuel.

12 ➔Section 23. KRS 243.730 is amended to read as follows:

13 (1) (a) Wholesalers of distilled spirits and wine shall pay and report the tax levied by
14 KRS 243.720(1) and (2) on or before the twentieth day of the calendar month
15 next succeeding the month in which possession or title of the distilled spirits
16 and wine is transferred from the wholesaler to retailers or consumers in this
17 state, in accordance with rules and regulations of the Department of Revenue
18 designed reasonably to protect the revenues of the Commonwealth.

19 (b) Distributors or retailers of malt beverages, who purchase malt beverages
20 directly from a brewer, shall pay and report the tax levied by KRS 243.720(3)
21 on or before the twentieth day of the calendar month next succeeding the
22 month in which the brewer sells, transfers, or passes title of the malt beverage
23 to the distributor or retailer, in accordance with rules and regulations of the
24 Department of Revenue designed reasonably to protect the revenues of the
25 Commonwealth. The credit allowed brewers in this state, under the provisions
26 of KRS 243.720(3)(b), shall flow through to the distributor or retailer who
27 purchases malt beverages directly from the brewer. If a brewer sells, transfers,

1 or passes title to malt beverages to any of its employees for home
2 consumption or to any charitable or fraternal organization pursuant to the
3 provisions of KRS 243.150, the brewer shall be responsible for paying and
4 reporting the tax levied by KRS 243.720(3) in accordance with the provisions
5 of subsection (c) of this section.

6 (c) Every brewer selling, transferring, or passing title to malt beverages to any
7 person in this state other than a distributor or retailer, and every other person
8 selling, transferring, or passing title of distilled spirits, wine, or malt
9 beverages to distributors, retailers, or consumers shall report and pay the tax
10 levied by KRS 243.720(1), (2), or (3) on or before the twentieth day of the
11 calendar month next succeeding the month in which possession or title of
12 distilled spirits, wine, or malt beverages is transferred to a distributor, retailer,
13 or consumer in this state, in accordance with rules and regulations of the
14 Department of Revenue designed reasonably to protect the revenues of the
15 Commonwealth.

16 (d) Every distributor, retailer, or consumer possessing, using, selling, or
17 distributing distilled spirits, wine, or malt beverages in this state upon which
18 the tax levied by KRS 243.720(1), (2), or (3) and KRS 243.884 has not been
19 paid shall be jointly and severally liable for reporting and paying the tax due,
20 in accordance with rules and regulations of the Department of Revenue
21 designed reasonably to protect the revenues of the Commonwealth. Such
22 liability shall not be extinguished until the tax has been paid to the
23 Department of Revenue.

24 (e) **Package retailers making sales under Section 1 of this Act and outside a**
25 **three (3) tier system shall pay and report the applicable taxes levied by KRS**
26 **243.720(1), (2), and (3) on or before the twentieth day of the calendar**
27 **month next succeeding the month in which possession or title of the**

1 alcoholic beverages is transferred from the package retailer to alcoholic
 2 beverage licensees, customers, or consumers in accordance with
 3 administrative regulations of the Department of Revenue designed
 4 reasonably to protect the revenues of the Commonwealth.

5 (f) Notwithstanding the provisions of paragraph (a) of this subsection, every
 6 owner of a small farm winery shall pay and report the tax levied by KRS
 7 243.720 (1) and (2) on a quarterly basis, in accordance with administrative
 8 regulations of the Department of Revenue designed reasonably to protect the
 9 revenues of the Commonwealth.

10 (2) Every wholesaler of distilled spirits or wine before using, selling, or distributing by
 11 sale or gift distilled spirits and wine shall qualify with the Department of Revenue.

12 (3) Every brewer before selling or distributing by sale or gift malt beverages, or before
 13 importing malt beverages into the state, shall qualify with the Department of
 14 Revenue in such manner as the Department of Revenue may require.

15 ➔Section 24. KRS 243.850 is amended to read as follows:

16 To assist~~[For the purpose of assisting]~~ in the enforcement of KRS 243.720 to 243.850
 17 and 243.884~~[or any amendments thereof]~~, every licensee, except retailers operating
 18 within a three (3) tier system, whether subject to the payment of taxes imposed by
 19 those~~[said]~~ sections~~[or any amendments thereof]~~, shall, on or before the twentieth day of
 20 each month, render to the Department of Revenue a statement, in writing, of all its~~[his]~~
 21 trafficking in alcoholic beverages during the preceding month. This~~[Such]~~ statement shall
 22 be taken directly from the records of the reporting licensee, and shall set forth on forms
 23 furnished by the Department of Revenue any required~~[such]~~ information~~[as shall be~~
 24 ~~required by it]~~. This~~[Such]~~ statement shall include alcohol destined for sale outside the
 25 state, as well as alcoholic beverages subject to the tax imposed by KRS 243.720 to
 26 243.850 and 243.884~~[or any amendments thereof]~~.~~[Provided, that]~~ The Department of
 27 Revenue shall have authority to require from retail licensees and other licensees, other

1 reports and statements needed to enforce~~[at such times as are necessary for the~~
2 ~~enforcement of]~~ KRS 243.720 to 243.850 and 243.884~~[or any amendments thereof]~~.

3 ➔Section 25. KRS 243.884 is amended to read as follows:

4 (1) (a) For the privilege of making "wholesale sales" or "sales at wholesale" of beer,
5 wine, or distilled spirits, a tax is hereby imposed upon all wholesalers of wine
6 and distilled spirits, all distributors of beer, all direct shipper licensees
7 shipping alcohol to a consumer at a Kentucky address, all distillers making
8 sales pursuant to KRS 243.0305(3)(b), (8), and (9), all retail licensees
9 making package sales as authorized by Section 1 of this Act, and all
10 microbreweries selling malt beverages under KRS 243.157.

11 (b) The tax imposed by paragraph (a) of this subsection shall be paid only once,
12 regardless of the number of times the beer, wine, or distilled spirits may be
13 sold.

14 (c) Prior to July 1, 2015, the tax shall be imposed at the rate of eleven percent
15 (11%) of the gross receipts of any such wholesaler or distributor derived from
16 "sales at wholesale" or "wholesale sales" made within the Commonwealth,
17 except as provided in subsection (3) of this section. For the purposes of this
18 section, the gross receipts of a microbrewery making "wholesale sales" shall
19 be calculated by determining the dollar value amount that the microbrewer
20 would have collected had it conveyed to a distributor the same volume sold to
21 a consumer as allowed under KRS 243.157 (3)(b) and (c).

22 ~~(d)~~~~(e)~~ On and after July 1, 2015, the following rates shall apply:

- 23 1. For distilled spirits, eleven percent (11%) of wholesale sales or sales at
24 wholesale; and
25 2. For wine and beer:
26 a. Ten and three-quarters of one percent (10.75%) for wholesale sales
27 or sales at wholesale made on or after July 1, 2015, and before

- 1 June 1, 2016;
- 2 b. Ten and one-half of one percent (10.5%) for wholesale sales or
- 3 sales at wholesale made on or after June 1, 2016, and before June
- 4 1, 2017;
- 5 c. Ten and one-quarter of one percent (10.25%) for wholesale sales
- 6 or sales at wholesale made on or after June 1, 2017, and before
- 7 June 1, 2018; and
- 8 d. Ten percent (10%) for wholesale sales or sales at wholesale made
- 9 on or after June 1, 2018.

10 ~~(e)~~~~(d)~~ On and after March 12, 2021, the following rates shall apply for direct

11 shipper sales:

- 12 1. For distilled spirits shipments, eleven percent (11%) for wholesale sales
- 13 or sales at wholesale; and
- 14 2. For wine and beer shipments, ten percent (10%) for wholesale sales or
- 15 sales at wholesale.

16 ~~(f)~~~~(e)~~ For direct shipper sales, if a wholesale price is not readily available, the

17 direct shipper licensee shall calculate the wholesale price to be seventy

18 percent (70%) of the retail price of the alcoholic beverages.

19 **(g) Beginning August 1, 2022, the following rates shall apply for retail package**

20 **sales as authorized by Section 1 of this Act:**

- 21 **1. For distilled spirits, eleven percent (11%) for wholesale sales or sales**
- 22 **at wholesale; and**
- 23 **2. For wine and malt beverages, ten percent (10%) for wholesale sales or**
- 24 **sales at wholesale.**

25 **(h) For retail package sales authorized by Section 1 of this Act, if a wholesale**

26 **price is not readily available, the licensee shall calculate the wholesale price**

27 **to be seventy percent (70%) of the retail price of the alcoholic beverages.**

1 (2) Wholesalers of distilled spirits and wine, distributors of malt beverages,
2 microbreweries, distillers, retail licensees making package sales under Section 1
3 of this Act, and direct shipper licensees shall pay and report the tax levied by this
4 section on or before the twentieth day of the calendar month next succeeding the
5 month in which possession or title of the distilled spirits, wine, or malt beverages is
6 transferred from the wholesaler or distributor to retailers, or by microbreweries,
7 distillers, retail licensees making package sales under Section 1 of this Act, or
8 direct shipper licensees to consumers in this state, in accordance with rules and
9 regulations of the Department of Revenue designed reasonably to protect the
10 revenues of the Commonwealth.

11 (3) Gross receipts from sales at wholesale or wholesale sales shall not include the
12 following sales:

13 (a) Sales made between wholesalers or between distributors;

14 (b) Sales from the first fifty thousand (50,000) gallons of wine produced by a
15 small farm winery in a calendar year made by:

16 1. The small farm winery; or

17 2. A wholesaler of that wine produced by the small farm winery; and

18 (c) Sales made between a direct shipper licensee and a consumer located outside
19 of Kentucky.

20 ➔Section 26. KRS 244.167 is amended to read as follows:

21 (1) It is unlawful:

22 (a) For any distiller, rectifier, winery, brewer, or importer to solicit, accept, or fill
23 any order for any alcoholic beverage from any wholesaler or distributor in the
24 Commonwealth of Kentucky unless the supplier is the primary source of
25 supply for the brand of alcoholic beverage sold or sought to be sold;

26 (b) For any wholesaler, distributor, or any other licensee in this Commonwealth to
27 order, purchase, or receive any alcoholic beverage from any supplier unless

1 the supplier is the primary source of supply for the brand ordered, purchased,
2 or received;

3 (c) For a retailer to order, purchase, or receive any alcoholic beverage from any
4 source other than any of the following:

5 1. A wholesaler or distributor who has purchased the brand from the
6 primary source of supply;~~or~~

7 2. A wholesaler or distributor who is the designated representative of the
8 primary source of supply in this Commonwealth and who has purchased
9 alcoholic beverages from the designated representative of the primary
10 source of supply within or without this Commonwealth;

11 **3. A licensed manufacturer; or**

12 **4. A licensed retailer;** and

13 (d) For alcoholic beverages to be transported from a wholesaler's or distributor's
14 warehouse within twenty-four (24) hours of the time they are unloaded.

15 (2) The Alcoholic Beverage Control Board may suspend for a period not to exceed one
16 (1) year the license of any wholesaler, distributor, or retailer who violates the
17 provisions of this section.

18 (3) Upon determination by the Alcoholic Beverage Control Board that a primary source
19 of supply has violated the provisions of this section, no wholesaler, distributor, or
20 retailer may accept any shipment of alcoholic beverages from the primary source of
21 supply for a period of one (1) year.

22 ➔Section 27. KRS 244.240 is amended to read as follows:

23 (1) No distiller, rectifier, winery, or wholesaler and no employee, servant, or agent of a
24 distiller, rectifier, winery, or wholesaler shall:

25 (a)~~Except as provided in KRS 243.0305 and 243.155, be interested directly or~~
26 ~~indirectly in any way in any premises where distilled spirits or wine is sold at~~
27 ~~retail or in any business devoted wholly or partially to the sale of distilled~~

1 ~~spirits or wine at retail;~~

2 ~~(b) Make or cause to be made any loan to any person engaged in the manufacture~~
3 ~~or sale of distilled spirits or wine at wholesale or retail;~~

4 ~~(c)~~ Make any gift or render any kind of service whatsoever, directly or indirectly,
5 to any licensee that may tend to influence the licensee to purchase the product
6 of the distiller, rectifier, winery, or wholesaler; or

7 ~~(b)~~~~(d)~~ Enter into a contract with any retail licensee under which the licensee
8 agrees to confine the licensee's sales to distilled spirits or wine manufactured
9 or sold by one (1) or more distillers, rectifiers, wineries, or wholesalers. This
10 type of contract shall be void.

11 (2) Nothing in this section shall prohibit the giving of discounts in the usual course of
12 business if the same discounts are offered to all licensees holding the same license
13 type buying similar quantities.

14 (3) A retailer shall not require or demand that a distiller, rectifier, winery, or wholesaler
15 violate this section.

16 ➔Section 28. KRS 244.260 is amended to read as follows:

17 (1) No wholesaler shall purchase, import, keep upon the licensed premises, or sell any
18 distilled spirits or wine in any container except in the original sealed package
19 containing quantities of not less than fifty (50) milliliters each of distilled spirits or
20 one hundred (100) milliliters of wine, and not exceeding one and seventy-five
21 hundredths (1.75) liters of distilled spirits or two hundred twenty (220) liters of
22 wine, as received from the distiller, rectifier, winery, or wholesaler. The containers
23 shall be in sizes authorized by federal law and at all times shall have affixed to them
24 all labels required by federal law or the administrative regulations of the board.

25 (2) Except as permitted by KRS 243.055 and 243.082(4) and subsection (3) of this
26 section, licensees holding retail distilled spirits and wine drink licenses shall not
27 keep upon their licensed premises any distilled spirits or wine in any container

1 except in the original package as ~~received from the wholesaler and~~ authorized by
2 federal law. Containers of distilled spirits shall not exceed one and seventy-five
3 hundredths (1.75) liters or be less than fifty (50) milliliters of distilled spirits.
4 Containers of wine shall not exceed two hundred twenty (220) liters or be less than
5 one hundred (100) milliliters. All containers shall at all times have affixed to them
6 any labels required by federal law or administrative regulations of the board.

7 (3) Licensees holding retail distilled spirits and wine package licenses shall not keep
8 upon their licensed premises any distilled spirits or wine in any container except in
9 the original package as ~~received from the wholesaler and~~ authorized by federal
10 law. Containers of distilled spirits shall not exceed one and seventy-five hundredths
11 (1.75) liters or be less than fifty (50) milliliters of distilled spirits. Containers of
12 wine shall not exceed two hundred twenty (220) liters or be less than one hundred
13 (100) milliliters. Except as permitted by subsection (2) of this section, all containers
14 shall at all times remain sealed and shall have affixed to them any labels required by
15 federal law or administrative regulations of the board.

16 ➔Section 29. KRS 244.590 is amended to read as follows:

17 (1) No brewer or distributor shall induce through any of the following means any
18 retailer selling malt beverages by the package or drink to purchase any malt
19 beverages from that brewer or distributor to the exclusion in whole or in part of
20 malt beverages sold or offered for sale by other persons:

21 (a) ~~By acquiring or holding, after the expiration of any existing license, any~~
22 ~~interest in any license with respect to the premises of the retailer;~~

23 (b) ~~By acquiring any interest in real or personal property owned, occupied, or~~
24 ~~used by the retailer in the conduct of the retailer's business;~~

25 (e)} By furnishing, giving, renting, lending, or selling to the retailer, any
26 equipment, fixtures, signs, supplies, money, services, or other things of value,
27 except as the malt beverages administrator, having regard for the public

1 health, the quantity and value of the articles involved, the prevention of
 2 monopoly, and the practice of deception, may permit through the
 3 promulgation of an administrative regulation;

4 ~~(b)~~~~(d)~~ By paying or crediting the retailer for any advertising, display, or
 5 distribution service subject to the exceptions that the board may permit
 6 through the promulgation of an administrative regulation;

7 ~~[(e) By guaranteeing any loan or the repayment of any financial obligation of the~~
 8 ~~retailer;]~~ or

9 ~~(c)~~~~(f)~~ By requiring the retailer to take and dispose of a certain quota of any
 10 malt beverages.

11 (2) Notwithstanding any provisions in KRS Chapters 241 to 244 and this section, a
 12 brewer or distributor may:

13 (a) Give, rent, loan, or sell to any retailer selling malt beverages by the package or
 14 drink signs, posters, placards, designs, devices, decorations, or graphic
 15 displays bearing advertising matter and for use in windows or elsewhere in the
 16 interior of a retail malt beverage establishment; and

17 (b) Provide or furnish draught-line cleaning or coil-cleaning service to a nonquota
 18 retail malt beverage package licensee either directly or indirectly with the
 19 consent of the distributor.

20 (3) A retailer shall not require or demand that a brewer or distributor violate this
 21 section.

22 (4) Sampling events conducted under KRS 243.0307(2)(d) shall not be a violation of
 23 this section.

24 ➔Section 30. KRS 244.602 is amended to read as follows:

25 The General Assembly finds that KRS 244.602 to 244.606 are necessary in order to:

26 (1) **Allow a licensee to participate in a**~~Provide an orderly~~ three (3) tier system for the
 27 distribution and sale of quality malt beverages in the Commonwealth of Kentucky;

1 (2) Promote the public health, safety, and welfare of the people of the Commonwealth
2 of Kentucky; and

3 (3) Provide a distribution system of malt beverages that will facilitate the collection and
4 accountability of state and local taxes.

5 ➔Section 31. KRS 211.285 is amended to read as follows:

6 (1) There is hereby created the malt beverage educational fund which shall provide
7 moneys on a matching basis for educational information and materials that deter or
8 eliminate underage drinking. The fund shall consist of moneys generated from one
9 percent (1%) of the excise tax collected from the sale and distribution of malt
10 beverages under KRS 243.720 and one percent (1%) of the wholesale tax collected
11 from distributors of malt beverages, *malt beverage retail licensees authorized*
12 *under Section 1 of this Act*, and microbreweries under KRS 243.884.

13 (2) The malt beverage educational fund shall be established in the State Treasury as a
14 trust and revolving account under KRS 45.253. Moneys in the account shall be
15 distributed by the State Treasurer to the Malt Beverage Educational Corporation, a
16 nonprofit organization that is organized under the laws of this state, upon the
17 authorization of the secretary of the Cabinet for Health and Family Services. The
18 moneys shall be awarded to the corporation solely to fund educational programs to
19 deter or eliminate underage drinking.

20 (3) The secretary of the Cabinet for Health and Family Services shall authorize that
21 moneys from the fund be disbursed to the corporation upon the secretary's receipt of
22 a certification from the corporation showing the moneys the corporation has
23 received from malt beverage distributors, *malt beverage retail licensees authorized*
24 *under Section 1 of this Act*, microbreweries, and other private sources since the last
25 certification. The moneys disbursed from the fund shall be equal to the
26 contributions that the corporation has received from its members and other private
27 sources during that period. The moneys in the fund shall be disbursed in accordance

1 with a schedule established by the secretary, and shall be disbursed until the moneys
2 in the fund are exhausted or until the moneys in the fund lapse in accordance with
3 subsection (4) of this section, whichever comes first.

4 (4) Moneys that are credited to the fund and not issued to the corporation shall lapse at
5 the end of the fiscal year and shall be returned to the general fund.

6 (5) As a condition of receiving the governmental funds, the corporation's board of
7 directors shall include the following among its directors:

8 (a) The Governor or his or her designee;

9 (b) The Attorney General or his or her designee;

10 (c) The President of the Senate or his or her designee;

11 (d) The Speaker of the House or his or her designee;

12 (e) The secretary of the Cabinet for Health and Family Services or his or her
13 designee; and

14 (f) The commissioner of the Department of Alcoholic Beverage Control or his or
15 her designee.

16 (6) All expenditures of moneys from the fund shall be approved by a majority of those
17 persons set out in subsection (5)(a) to (f) of this section. If the moneys from the
18 fund are not expended in their entirety, any moneys that remain unused by the
19 corporation at the end of the fiscal year shall be returned to the general fund.

20 (7) Any moneys from the fund that are not expended shall be returned to the general
21 fund upon the dissolution of the corporation.

22 (8) Any high school in the Commonwealth of Kentucky that was registered with the
23 Department of Education as of July 1, 1997, may make an application to the Malt
24 Beverage Education Corporation by February 28 of each year and shall be granted a
25 minimum of five hundred dollars (\$500) annually from the funds contributed by the
26 malt beverage educational fund for the single purpose of supporting "Project
27 Graduation" events.

- 1 ➔Section 32. The following KRS section is repealed:
- 2 244.570 Brewer or distributor not to be financially interested in retail premises.