

**Local Government Mandate Statement  
Kentucky Legislative Research Commission  
2018 Regular Session**

**Part I: Measure Information**

**Bill Request #:** 1418

**Bill #:** SB 244

**Document ID #:** 4143

**Bill Subject/Title:** AN ACT relating to the direct shipment of wine to consumers.

**Sponsor:** Senator John Schickel

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

Office(s) Impacted: jail, law enforcement, tax collections

Requirement:  Mandatory  Optional

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

**Part II: Bill Provisions and the Estimated Fiscal Impact Relating to Local Government**

SB 244 would create a new section of KRS Chapter 243 to establish a wine direct shipper license for the shipping of wine directly to consumers from within and without the state. The license would be available to persons licensed in Kentucky or another state as a wine manufacturer, producer, supplier, importer, wholesaler, or retailer. **Section 1** of the bill would authorize a licensee to ship up to twenty-four nine (9) liter cases of wine each year directly to a customer who is at least 21, for personal consumption only. Section 1 would authorize direct shipments of wine to dry or moist as well as wet territories. Section 1 would require a licensee located outside Kentucky would be required to report annually the total amount of wine shipped into the state the preceding year. Direct shipment to a consumer in Kentucky without a wine direct shipper license would be prohibited and a person who knowingly participates in such activity would commit an unfair trade practice.

**Section 2** would amend KRS 243.030 to establish a license fee of \$100 and annual renewal fee of \$50.

**Section 3** would amend KRS 243.990 to render violation of the licensing requirement and conditions in Section 1 a Class B misdemeanor for a first offense, and a Class A misdemeanor for the second and each subsequent offense, and a fine of up to \$1,000 for each offense.

SB 244 would have **minimal impact** on local government revenue or expenses. The bill does not authorize local governments to issue wine direct shipper licenses so there would not be a source of license fees. Cities and counties that have levied a gross receipts tax on the sale of alcoholic beverages could experience a positive fiscal impact, depending where the point of purchase of the wine is: at the delivery location or at the distributor's location. Alcohol gross receipts could decline in a community that has more direct shipments of wine into the city than shipped out of the city; conversely, gross receipts tax income could increase if exports from the community exceed imports. About 15% of Kentucky cities have an alcohol gross receipts tax, which is approximately 21% of cities that allow alcohol sales of some sort.

SB 244 would have some minimal impact on local law enforcement to enforce the prohibition on shipping wine to persons under age 21 and other license conditions. The bill creates a new Class A and Class B misdemeanor for violation of the license requirement or conditions. A person convicted of a Class B misdemeanor may be jailed for up to 90 days. A person convicted of a Class A misdemeanor may be jailed for up to twelve months. Misdemeanants are housed in one of Kentucky's 76 full service jails or five life safety jails at the expense of the local jurisdiction. While the expense of housing inmates varies by jail, this estimated impact is based on \$31.34 per day, which equals the per diem and medical expenses that the Department of Corrections pays jails to house felony (not misdemeanor) offenders. While the majority of misdemeanor defendants are granted bail, those who do not will also cost local jails an average of \$31.34 per day. One first-time offender of the requirements in Section 1 of the bill would potentially cost a local jail up to approximately \$2,820.60 (90 days incarceration for a Class B misdemeanor x \$31.34 = \$2,820.60).

### **Part III: Differences to Local Government Mandate Statement from Prior Versions**

Part II pertains to the bill as introduced and there are no prior introduced versions of the bill.

**Data Source(s):** Kentucky Department of Alcoholic Beverages; Kentucky Department of Corrections; Kentucky League of Cities

**Preparer:** Mary Stephens      **Reviewer:** KHC      **Date:** 3/14/18