

2. the name and address of each consumer,
3. the purchase price of the beverages shipped and the taxes charged to the consumer for the beverages shipped, and
4. the name and address of each common carrier.

Section 2 of the bill would limit the amounts of alcoholic beverages a licensee may ship, as follows:

1. Distilled spirits – no more than 4.5 liters per consumer per day before January 1, 2021 and no more than 9 liters per consumer per day on and after that date;
2. Wine – no more than 4 cases per consumer per day; and
3. Malt beverages – no more than 31 gallons or 3 cases per customer per day

The Department for Alcoholic Beverage Control (the department) would be required to provide a list of all active direct shipper licensees to licensed common carriers on a quarterly basis, to try to reduce the number of unlicensed shipments in Kentucky. **Section 3** of the bill would redefine “retail sale” to include sale of alcoholic beverages in person, electronically, online, or by telephone.

The bill would require that all alcoholic beverage containers direct shipped to a consumer be conspicuously labeled: “CONTAINS ALCOHOL: SIGNATURE OF PERSON AGE 21 OR OLDER REQUIRED FOR DELIVERY.” The recipient would be required to present valid identification on delivery.

Section 2 would define “consumer” as a person who purchases alcoholic beverages and who:

- a. Does not hold a license or permit issued by the department;
- b. Purchases the alcoholic beverages for personal consumption only;
- c. Is of lawful drinking age; and
- d. Receives the alcoholic beverages in territory where alcoholic beverages may be lawfully sold or received.

For tax purposes, each sale and delivery of alcoholic beverages pursuant to a direct shipper license would be a sale at the address of the consumer.

Section 9 of HB 415 HCS would amend KRS 243.075 to require that the direct shipper licensee collect and remit the regulatory license fee on gross receipts from sales of alcohol imposed by a local government pursuant to that statute. A city or county that imposes such a fee would be required to file with the department a report of the applicable fee amount and remittance address for each affected license type in its jurisdiction on or before August 1, 2020.

HB 415 HCS would have an indeterminate positive fiscal impact on those local governments that impose a regulatory license fee on gross receipts from alcohol sales in their jurisdiction. Passage of HB 415 HCS would be expected to increase alcohol sales in those jurisdictions that have voted to allow alcohol sales. KRS 243.075 authorizes a “wet” city with a population less than 20,000 or a “wet” county that does not contain a city

with a population of or greater than 20,000, to impose a regulatory license fee of up to 5% on the gross receipts of the sale of alcoholic beverages of each establishment within its jurisdiction licensed to sell alcoholic beverages. For example, Danville, Kentucky imposes a regulatory license fee of 5% on gross sales of alcoholic beverages sold by the drink; 4% on packaged distilled spirits and wine, and 3% on packaged malt beverages. This regulatory license fee results in revenue in excess of \$600,000 to the city annually, from approximately 50 establishments licensed to sell alcohol in Danville.

KRS 243.075 requires the percentage fee levied be reasonably estimated to fully reimburse the local government for the estimated costs of any additional policing, regulatory, or administrative expenses related to the sale of alcoholic beverages in the city or county. Any license or fee imposed by a city or county pursuant to KRS 243.060 or KRS 243.070 must be credited against a regulatory license fee collected pursuant to KRS 243.075. If both the city and county impose a regulatory license fee, the county fee shall be applicable only outside the cities that impose the fee.

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

Part II addresses HB 415 with the House Committee Substitute. The HCS should not change the fiscal impact of the original bill. Among the changes, the Committee Substitute would:

- Amend KRS 243.075 to require that the direct shipper licensee collect and remit the regulatory license fee imposed by a local government pursuant to that statute.
- A city or county that imposes a regulatory license fee would be required to file with the Department of Alcoholic Beverage Control a report of the applicable fee amount and remittance address for each affected license type in its jurisdiction on or before August 1, 2020; adoption of the regulatory license fee after the effective date of the Act or modification of the fee or remittance address for an affected licensee is to be reported to the department within 30 days of adoption by the city or county imposing the fee.
- Require direct shipment licensees to report their shipping totals, names/addresses of each consumer and common carrier quarterly, rather than monthly.
- Remove authorization for an independent contractor of a licensee to conduct activities under that license.

Data Source(s): LRC Staff. City of Danville, office of Codes Enforcement

Preparer: Mary Stephens **Reviewer:** KHC **Date:** 3/12/20