GENERAL ASSEMBLY
COMMONWEALTH OF KENTUCKY

2016 REGULAR SESSION

SENATE BILL NO. 11

AS ENACTED

TUESDAY, MARCH 29, 2016

RECEIVED AND FILED
DATE April 9, 2016
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ALISON LUNDERGAN GRIMES
SECRETARY OF STATE
COMMONWEALTH OF KENTUCKY
BY K. Adler

AN ACT relating to alcoholic beverages.

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

➔Section 1. KRS 241.010 is amended to read as follows:

As used in this chapter and in KRS Chapters 242 and 243, unless the context requires otherwise:

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

(2) "Alcoholic beverage" means every liquid,~~[or]~~ solid, ***powder, or crystal,*** whether patented or not, containing alcohol in an amount in excess of more than one percent (1%) of alcohol by volume, which is fit for beverage purposes. It includes every spurious or imitation liquor sold as, or under any name commonly used for, alcoholic beverages, whether containing any alcohol or not. It does not include the following products:

(a) Medicinal preparations manufactured in accordance with formulas prescribed by the United States Pharmacopoeia, National Formulary, or the American Institute of Homeopathy;

(b) Patented, patent, and proprietary medicines;

(c) Toilet, medicinal, and antiseptic preparations and solutions;

(d) Flavoring extracts and syrups;

(e) Denatured alcohol or denatured rum;

(f) Vinegar and preserved sweet cider;

(g) Wine for sacramental purposes; and

(h) Alcohol unfit for beverage purposes that is to be sold for legitimate external use;

(3) (a) "Alcohol vaporizing device" or "AWOL device" means any device, machine, or process that mixes liquor, spirits, or any other alcohol product with pure oxygen or by any other means produces a vaporized alcoholic product used for

human consumption;

(b) "Alcohol vaporizing device" or "AWOL device" does not include an inhaler, nebulizer, atomizer, or other device that is designed and intended by the manufacturer to dispense a prescribed or over-the-counter medication or a device installed and used by a licensee under this chapter to demonstrate the aroma of an alcoholic beverage;

(4) "Automobile race track" means a facility primarily used for vehicle racing that has a seating capacity of at least thirty thousand (30,000) people;

(5) ***"Bed and breakfast" means a one (1) family dwelling unit that:***

(a) Has guest rooms or suites used, rented, or hired out for occupancy or that are occupied for sleeping purposes by persons not members of the single-family unit;

(b) Holds a permit under KRS Chapter 219; and

(c) Has an innkeeper who resides on the premises or property adjacent to the premises during periods of occupancy;

(6) "Board" means the State Alcoholic Beverage Control Board created by KRS 241.030;

(7) ~~[(6)]~~ "Bottle" means any container which is used for holding alcoholic beverages for the use and sale of alcoholic beverages at retail;

(8) ~~[(7)]~~ "Brewer" means any person who manufactures malt beverages or owns, occupies, carries on, works, or conducts any brewery, either alone or through an agent;

(9) ~~[(8)]~~ "Brewery" means any place or premises where malt beverages are manufactured for sale, and includes all offices, granaries, mash rooms, cooling rooms, vaults, yards, and storerooms connected with the premises; or where any part of the process of the manufacture of malt beverages is carried on; or where any apparatus connected with manufacture is kept or used; or where any of the products

of brewing or fermentation are stored or kept;

(10)~~[(9)]~~ "Building containing licensed premises" means the licensed premises themselves and includes the land, tract of land, or parking lot in which the premises are contained, and any part of any building connected by direct access or by an entrance which is under the ownership or control of the licensee by lease holdings or ownership;

(11)~~[(10)]~~ "Caterer" means a corporation, partnership, or individual that operates the business of a food service professional by preparing food in a licensed and inspected commissary, transporting the food and alcoholic beverages to the caterer's designated and inspected banquet hall or to a location selected by the customer, and serving the food and alcoholic beverages to the customer's guests;

(12)~~[(11)]~~ "Charitable organization" means a nonprofit entity recognized as exempt from federal taxation under section 501(c) of the Internal Revenue Code (26 U.S.C. sec. 501(c)) or any organization having been established and continuously operating within the Commonwealth of Kentucky for charitable purposes for three (3) years and which expends at least sixty percent (60%) of its gross revenue exclusively for religious, educational, literary, civic, fraternal, or patriotic purposes;

(13)~~[(12)]~~ "Cider" means any fermented fruit-based beverage containing seven percent (7%) or more alcohol by volume and includes hard cider and perry cider;

(14)~~[(13)]~~ "City administrator" means city alcoholic beverage control administrator;

(15)~~[(14)]~~ "Commercial airport" means an airport through which more than five hundred thousand (500,000) passengers arrive or depart annually;

(16) "Commercial quadricycle" means a vehicle equipped with a minimum of ten (10) pairs of fully operative pedals for propulsion by means of human muscular power exclusively and which:

(a) Has four (4) wheels;

(b) Is operated in a manner similar to that of a bicycle;

(c) Is equipped with a minimum of thirteen (13) seats for passengers;

(d) Has a unibody design;

(e) Is equipped with a minimum of four (4) hydraulically operated brakes;

(f) Is used for commercial tour purposes; and

(g) Is operated by the vehicle owner or an employee of the owner;

(17)[~~(15)~~] "Commissioner" means the commissioner of the Department of Alcoholic Beverage Control;

(18)[~~(16)~~] "Convention center" means any facility which, in its usual and customary business, provides seating for a minimum of one thousand (1,000) people and offers convention facilities and related services for seminars, training and educational purposes, trade association meetings, conventions, or civic and community events or for plays, theatrical productions, or cultural exhibitions;

(19)[~~(17)~~] "Convicted" and "conviction" means a finding of guilt resulting from a plea of guilty, the decision of a court, or the finding of a jury, irrespective of a pronouncement of judgment or the suspension of the judgment;

(20)[~~(18)~~] "County administrator" means county alcoholic beverage control administrator;

(21)[~~(19)~~] "Department" means the Department of Alcoholic Beverage Control;

(22)[~~(20)~~] "Dining car" means a railroad passenger car that serves meals to consumers on any railroad or Pullman car company;

(23) "Discount in the usual course of business" means price reductions, rebates, refunds, and discounts given by wholesalers to distilled spirits and wine retailers pursuant to an agreement made at the time of the sale of the merchandise involved and are considered a part of the sales transaction, constituting reductions in price pursuant to the terms of the sale, irrespective of whether the quantity discount was:

(a) Prorated and allowed on each delivery;

(b) Given in a lump sum after the entire quantity of merchandise purchased had been delivered; or

(c) Based on dollar volume or on the quantity of merchandise purchased;

(24)[~~(21)~~] "Distilled spirits" or "spirits" means any product capable of being consumed by a human being which contains alcohol in excess of the amount permitted by KRS Chapter 242 obtained by distilling, mixed with water or other substances in solution, except wine, hard cider, and malt beverages;

(25)[~~(22)~~] "Distiller" means any person who is engaged in the business of manufacturing distilled spirits at any distillery in the state and is registered in the Office of the Collector of Internal Revenue for the United States at Louisville, Kentucky;

(26)[~~(23)~~] "Distillery" means any place or premises where distilled spirits are manufactured for sale, and which are registered in the office of any collector of internal revenue for the United States. It includes any United States government bonded warehouse;

(27)[~~(24)~~] "Distributor" means any person who distributes malt beverages for the purpose of being sold at retail;

(28)[~~(25)~~] "Dry" means a territory in which a majority of the electorate voted to prohibit all forms of retail alcohol sales through a local option election held under KRS Chapter 242;

(29)[~~(26)~~] "Election" means:

(a) An election held for the purpose of taking the sense of the people as to the application or discontinuance of alcoholic beverage sales under KRS Chapter 242; or

(b) Any other election not pertaining to alcohol;

(30)[~~(27)~~] "Field representative" means any employee or agent of the department who is regularly employed and whose primary function is to travel from place to place for the purpose of visiting taxpayers, and any employee or agent of the department who

is assigned, temporarily or permanently, by the commissioner to duty outside the main office of the department at Frankfort, in connection with the administration of alcoholic beverage statutes;

(31)[~~(28)~~] "Horse racetrack" means a facility licensed to conduct a horse race meeting under KRS Chapter 230;

(32)[~~(29)~~] "Hotel" means a hotel, motel, or inn for accommodation of the traveling public, designed primarily to serve transient patrons;

(33)[~~(30)~~] "License" means any license issued pursuant to KRS Chapters 241 to 244;

(34)[~~(31)~~] "Licensee" means any person to whom a license has been issued, pursuant to KRS Chapters 241 to 244;

(35)[~~(32)~~] "Limited restaurant" means:

(a) A facility where the usual and customary business is the serving of meals to consumers, which has a bona fide kitchen facility, which receives at least seventy percent (70%) of its gross receipts from the sale of food, which maintains a minimum seating capacity of one hundred (100) persons for dining, and which is located in a wet or moist territory under KRS 242.1244(2); or

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

(36)[~~(33)~~] "Malt beverage" means any fermented undistilled alcoholic beverage of any name or description, manufactured from malt wholly or in part, or from any substitute for malt, and includes weak cider;

(37)~~[(34)]~~ "Manufacture" means distill, rectify, brew, bottle, and operate a winery;

(38)~~[(35)]~~ "Manufacturer" means a winery, distiller, rectifier, or brewer, and any other person engaged in the production or bottling of alcoholic beverages;

(39)~~[(36)]~~ "Minor" means any person who is not twenty-one (21) years of age or older;

(40)~~[(37)]~~ "Moist" means a territory in which a majority of the electorate voted to permit limited alcohol sales by any one (1) or a combination of special limited local option elections authorized by KRS 242.022, 242.123, 242.1238, 242.124, 242.1242, 242.1244,~~[or]~~ 242.1292***, or Section 26 of this Act***;

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

(42)~~[(39)]~~ "Private club" means a nonprofit social, fraternal, military, or political organization, club, or entity maintaining or operating a club room, club rooms, or premises from which the general public is excluded;

(43)~~[(40)]~~ "Public nuisance" means a condition that endangers safety or health, is offensive to the senses, or obstructs the free use of property so as to interfere with the comfortable enjoyment of life or property by a community or neighborhood or by any considerable number of persons;

(44)~~[(41)]~~ "Qualified historic site" means a contributing property with dining facilities for at least fifty (50) persons at tables, booths, or bars where food may be served

within a commercial district listed in the National Register of Historic Places, or a site that is listed as a National Historic Landmark or in the National Register of Historic Places with dining facilities for at least fifty (50) persons at tables, booths, or bars where food may be served. Notwithstanding the provisions of this subsection:

(a) A distillery which is listed as a National Historic Landmark and which conducts souvenir retail package sales under KRS 243.0305; and

(b) A not-for-profit or nonprofit facility listed on the National Register of Historic Places;

shall be deemed a "qualified historic site" under this section;

(45) ~~[(42)]~~ "Rectifier" means any person who rectifies, purifies, or refines distilled spirits or wine by any process other than as provided for on distillery premises, and every person who, without rectifying, purifying, or refining distilled spirits by mixing alcoholic beverages with any materials, manufactures any imitations of or compounds liquors for sale under the name of whiskey, brandy, gin, rum, wine, spirits, cordials, bitters, or any other name;

(46) ~~[(43)]~~ "Repackaging" means the placing of alcoholic beverages in any retail container irrespective of the material from which the container is made;

(47) ~~[(44)]~~ "Restaurant" means a facility where the usual and customary business is the serving of meals to consumers, that has a bona fide kitchen facility, and that receives at least fifty percent (50%) of its food and beverage receipts from the sale of food;

(48) ~~[(45)]~~ "Retail container" means any bottle, can, barrel, or other container which, without a separable intermediate container, holds alcoholic beverages and is suitable and destined for sale to a retail outlet, whether it is suitable for delivery to the consumer or not;

(49) ~~[(46)]~~ "Retail outlet" means retailer, hotel, motel, restaurant, railroad dining car,

club, and any facility where alcoholic beverages are sold directly to the consumers;

(50)~~[(47)]~~ "Retail sale" means any sale where delivery is made in Kentucky to any consumers;

(51)~~[(48)]~~ "Retailer" means any person who sells at retail any alcoholic beverage for the sale of which a license is required;

(52)~~[(49)]~~ "Riverboat" means any boat or vessel with a regular place of mooring in this state that is licensed by the United States Coast Guard to carry one hundred (100) or more passengers for hire on navigable waters in or adjacent to this state;

(53)~~[(50)]~~ "Sale" means any transfer, exchange, or barter for consideration, and includes all sales made by any person, whether principal, proprietor, agent, servant, or employee, of any alcoholic beverage;

(54)~~[(51)]~~ "Service bar" means a bar, counter, shelving, or similar structure used for storing or stocking supplies of alcoholic beverages that is a workstation where employees prepare alcoholic beverage drinks to be delivered to customers away from the service bar. A service bar shall be located in an area where the general public, guests, or patrons are prohibited;

(55)~~[(52)]~~ "Sell" includes solicit or receive an order for, keep or expose for sale, keep with intent to sell, and the delivery of any alcoholic beverage;

(56)~~[(53)]~~ "Small farm winery" means a winery producing wines, in an amount not to exceed ***one hundred***~~[fifty]~~ thousand ***(100,000)***~~[(50,000)]~~ gallons in a calendar year;

(57)~~[(54)]~~ "Souvenir package" means a special package of ***distilled spirits available from a licensed retailer that is:***~~[Kentucky straight bourbon whiskey]~~

(a) Available for retail sale at a licensed Kentucky distillery where the ***distilled spirits were***~~[whiskey was]~~ produced or bottled***; or***

(b) Available for retail sale at a licensed Kentucky distillery but produced or bottled at another of that distiller's licensed distilleries in Kentucky~~[that is available from a licensed retailer]~~;

(58) ~~[(55)]~~ "State director" means the director of the Division of Distilled Spirits or the director of the Division of Malt Beverages, or both, as the context requires;

(59) ~~[(56)]~~ "State park" means a state park that has a:

(a) Nine (9) or eighteen (18) hole golf course; or

(b) Full-service lodge and dining room, and may include a nine (9) or eighteen (18) hole golf course;

(60) ~~[(57)]~~ "Supplemental bar" means a bar, counter, shelving, or similar structure used for serving and selling distilled spirits or wine by the drink for consumption on the licensed premises to guests and patrons from additional locations other than the main bar. A supplemental bar shall be continuously constructed and accessible to patrons for distilled spirits or wine sales or service without physical separation by walls, doors, or similar structures;

(61) ~~[(58)]~~ "Territory" means a county, city, district, or precinct;

(62) ~~[(59)]~~ "Vehicle" means any device or animal used to carry, convey, transport, or otherwise move alcoholic beverages or any products, equipment, or appurtenances used to manufacture, bottle, or sell these beverages;

(63) ~~[(60)]~~ "Warehouse" means any place in which alcoholic beverages are housed or stored;

(64) ~~[(61)]~~ "Weak cider" means any fermented fruit-based beverage containing more than one percent (1%) but less than seven percent (7%) alcohol by volume;

(65) ~~[(62)]~~ "Wet" means a territory in which a majority of the electorate voted to permit all forms of retail alcohol sales by a local option election under KRS 242.050, 242.125, or 242.1292 on the following question: "Are you in favor of the sale of alcoholic beverages in (name of territory)?";

(66) ~~[(63)]~~ "Wholesale sale" means a sale to any person for the purpose of resale;

(67) ~~[(64)]~~ "Wholesaler" means any person who distributes alcoholic beverages for the purpose of being sold at retail, but it shall not include a subsidiary of a manufacturer

or cooperative of a retail outlet;

(68)[~~(65)~~] "Wine" means the product of the normal alcoholic fermentation of the juices of fruits, with the usual processes of manufacture and normal additions, and includes champagne and sparkling and fortified wine of an alcoholic content not to exceed twenty-four percent (24%) by volume. It includes sake, cider, hard cider, and perry cider and also includes preparations or mixtures vended in retail containers if these preparations or mixtures contain not more than fifteen percent (15%) of alcohol by volume. It does not include weak cider; and

(69)[~~(66)~~] "Winery" means any place or premises in which wine is manufactured from any fruit, or brandies are distilled as a by-product of wine or other fruit, or cordials are compounded, except a place or premises that manufactures wine for sacramental purposes exclusively.

➔SECTION 2. A NEW SECTION OF KRS CHAPTER 243 IS CREATED TO READ AS FOLLOWS:

(1) An "authorized public consumption" license or "APC" license may be issued in wet territory to an applicant operating as, or in a commercial quadricycle business.

(2) The following qualifications are required before an APC license may be issued to a commercial quadricycle business for the operation of quadricycles on a public highway:

(a) The applicant shall have a business office;

(b) The applicant shall maintain general liability insurance of at least two million dollars ($2,000,000). No license shall be issued or renewed without written documentation of this insurance;

(c) The applicant shall possess a permit issued by the local government that has jurisdiction to grant rights to the applicant to operate its business on public roadways and highways within a specific designated operational area as its

premises; and

(d) If the local government that has jurisdiction for the premises as described in paragraph (c) of this subsection chooses to issue permits under this section, that local government shall adopt an ordinance for operation of a commercial quadricycle business that contains:

1. Hours of operation;

2. Local licensing requirements;

3. Any additional insurance requirements;

4. Standards for the approval of authorized travel routes;

5. Safety and equipment standards;

6. Local inspection requirements;

7. Standards for vehicle operation; and

8. Standards for loading and unloading passengers.

(3) A holder of an APC license that operates as a commercial quadricycle business:

(a) May permit patrons to bring unopened packages of alcoholic beverages onto the licensed premises and open and drink them in nondescriptive plastic cups after boarding, and while riding, the quadricycle;

(b) Shall not permit patrons to bring or possess any glass containers of alcoholic beverages on the quadricycle;

(c) Shall not permit patrons to bring opened packages or drinks of alcoholic beverages from retail premises on the quadricycle;

(d) Shall only permit patrons to drink and consume alcoholic beverages in nondescriptive plastic cups while riding the quadricycle; and

(e) Shall not sell, permit, offer for sale, or provide or offer any samples of alcoholic beverages.

(4) An employee driver of a commercial quadricycle business holding an APC license shall:

(a) Be certified by the department's server training in alcohol regulations (STAR) education program;

(b) Not consume or be under the influence of alcoholic beverages or controlled substances while driving and operating a quadricycle; and

(c) Not be convicted of any criminal offense or violation related to alcoholic beverages or controlled substances for a minimum period of two (2) years prior to employment.

(5) Any local licensing fee imposed under Section 9 or 10 of this Act for an APC license shall not exceed the amount imposed under Section 4 of this Act for an APC license.

(6) This section does not exempt the holder of an APC license from KRS Chapters 241 to 244 or any administrative regulation promulgated by the board, except as expressly stated in this section.

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

(1) Notwithstanding any other provision of law, any city or county that conducted an election under KRS 242.1244(2) prior to January 1, 2016, for by the drink sales of alcoholic beverages in restaurants and dining facilities seating one hundred (100) persons or more may elect to act under this section.

(2) Upon a determination by the legislative body of a city or county that:

(a) An economic hardship exists within the city or county; and

(b) Expanded sales of alcoholic beverages by the drink could aid in economic growth;

the city or county may, after conducting a public hearing that is noticed to the public in accordance with the KRS Chapter 424, adopt an ordinance authorizing by the drink sales of alcoholic beverages in restaurants and dining facilities containing seating for at least fifty (50) persons and meeting the requirements of

subsection (3) of this section.

(3) The ordinance enacted by a city or county pursuant to subsection (2) of this section shall authorize the sale of alcoholic beverages under the following limitations:

(a) Sales shall only be conducted in restaurants and other dining facilities meeting the requirements of subsection (35)(b) of Section 1 of this Act; and

(b) The provisions of Section 7 of this Act shall apply to any restaurant or dining facility operating under a license issued pursuant to this section.

(4) A city or county acting under this section may allow limited restaurant sales as defined in subsection (35) of Section 1 of this Act.

(5) The enactment of an ordinance under this section shall not:

(a) Modify the city's or county's ability to issue a limited restaurant license to restaurants or other dining facilities meeting the requirements of subsection (35)(a) of Section 1 of this Act; or

(b) Affect, alter, or otherwise impair any license previously issued to a restaurant or dining facility meeting the requirements of subsection (35)(a) of Section 1 of this Act.

➔Section 4. KRS 243.030 is amended to read as follows:

The following kinds of distilled spirits and wine licenses may be issued by the director of the Division of Distilled Spirits, the fees for which shall be:

(1) Distiller's license:

(a) Class A, per annum $3,090.00

(b) Class B (craft distillery), per annum $1,000.00

(2) Rectifier's license:

(a) Class A, per annum $2,580.00

(b) Class B (craft rectifier), per annum.....$825.00

(3) Winery license, per annum $1,030.00

(4) Small farm winery license, per annum $110.00

(a) Small farm winery off-premises retail license, per annum $30.00

(5) Wholesaler's license, per annum $2,060.00

(6) Quota retail package license, per annum $570.00

(7) Quota retail drink license, per annum $620.00

(8) Transporter's license, per annum $210.00

(9) Special nonbeverage alcohol license, per annum $60.00

(10) Special agent's or solicitor's license, per annum $30.00

(11) Bottling house or bottling house storage license, per annum $1,030.00

(12) Special temporary license, per event $90.00

(13) Special Sunday retail drink license, per annum $520.00

(14) Caterer's license, per annum $830.00

(15) Special temporary ***alcoholic beverage*** ~~[distilled spirits and wine]~~ auction license, per event $110.00

(16) Extended hours supplemental license, per annum $2,060.00

(17) Hotel in-room license, per annum $210.00

(18) Air transporter license, per annum $520.00

(19) Sampling license, per annum $110.00

(20) Replacement or duplicate license $25.00

(21) Entertainment destination license, per annum $7,730.00

(22) Limited restaurant license, per annum $780.00

(23) Limited golf course license, per annum $720.00

(24) Small farm winery wholesaler's license, per annum $110.00

(25) Qualified historic site license (includes distilled spirits, wine, and malt beverages by the drink), per annum $1,030.00

(26) Nonquota type 1 license, per annum $4,120.00

(27) Nonquota type 2 license, per annum $830.00

(28) Nonquota type 3 license, per annum $310.00

(29) Distilled spirits and wine storage license, per annum $620.00

(30) Out-of-state distilled spirits and wine supplier's license, per annum $1,550.00

(31) Limited out-of-state distilled spirits and wine supplier's license, per annum $260.00

(32) Micro out-of-state distilled spirits and wine supplier's license, per annum $10.00

(33) ***Authorized public consumption license, per annum $250.00***

(34) A nonrefundable fee of sixty dollars ($60) shall be charged to process each new transitional license pursuant to KRS 243.045.

(35) ~~[(34)]~~ Other special licenses the board finds necessary for the proper regulation and control of the traffic in distilled spirits and wine and provides for by administrative regulation. In establishing the amount of license taxes that are required to be fixed by the board, it shall have regard for the value of the privilege granted.

(36) ~~[(35)]~~ The fee for each of the first five (5) supplemental bar licenses shall be the same as the fee for the primary retail drink license. There shall be no charge for each supplemental license issued in excess of five (5) to the same licensee at the same premises.

A nonrefundable application fee of fifty dollars ($50) shall be charged to process each new application under this section, except for subsections (4), (8), (9), (10), (12), (15), (19), and (20) of this section. The application fee shall be applied to the licensing fee if the license is issued; otherwise it shall be retained by the department.

➔Section 5. KRS 243.0305 is amended to read as follows:

(1) Any licensed Kentucky distiller that is located in wet territory ***or in any precinct that has authorized the limited sale of alcoholic beverages at distilleries under Section 26 of this Act*** and that has a gift shop or other retail outlet on its premises

may conduct the activities permitted under this section as a part of its distiller's license.

(2) A wholesaler registered to distribute the brands of any distiller may permit the distiller to deliver a souvenir package directly from the distillery proper to ***any***~~[the]~~ portion of the distillery premises~~[operated by the licensee for the sale of souvenir packages]~~. However, all direct shipments shall be invoiced from the distiller to the wholesaler and from the wholesaler to the distiller, and all products directly shipped shall be included in the wholesaler's inventory and depletions for purposes of tax collections imposed pursuant to KRS 243.710 to 243.895 and 243.990.

(3) A distiller may sell souvenir packages at retail to distillery visitors of legal drinking age, in quantities not to exceed an aggregate of ***four and one-half (4 1/2)***~~[three (3)]~~ liters per visitor per day~~[, with the exception of a purchase by a partnership, limited liability partnership, corporation, limited liability company, or other business entity holding an event on the premises of the distillery, in which case the limitation shall be one (1) liter per visitor attending the event. These sales shall be permitted only through the gift shop or other retail outlet on the distiller's premises]~~.

(4) Hours of sale for souvenir packages at retail shall be ***in conformity with KRS 244.290(3)***~~[9 a.m. until 9 p.m. prevailing time Monday through Saturday. The licensed premises may remain open if it has a separate department pursuant to KRS 244.290(1)]~~.

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

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

(7) Notwithstanding any provision of Section 21 of this Act to the contrary, a

distillery holding a sampling license may allow visitors to sample distilled spirits under the following conditions:

(a) Sampling shall be permitted only on the licensed premises during regular business hours;

(b) A distillery shall not charge for the samples; and

(c) A distillery shall not provide more than one and three-fourths (1.75) ounces of samples per visitor per day.

(8) In accordance with this section, a distillery located in wet territory or in any territory that has authorized the limited sale of alcoholic beverages under an election held pursuant to Section 26 of this Act may:

(a) Hold an NQ3 retail drink license for the sale of alcoholic beverages on the distillery premises. Notwithstanding KRS 243.110, a licensed distiller may also hold any of the retail licenses available to it under this section;

(b) Sell alcoholic beverages produced or bottled on the premises of its Kentucky licensed distillery for on-premises purposes without having to transfer physical possession of those alcoholic beverages to a licensed wholesaler if:

1. All direct shipments are invoiced from the distiller to its wholesaler and from the wholesaler to the distiller; and

2. All products directly shipped are included in the wholesaler's inventory and depletions for purposes of tax collections imposed pursuant to KRS 243.710 to 243.895 and 243.990; and

(c) Employ persons to engage in the sale or service of alcohol under an NQ3 license, if each employee completes the department's Server Training in Alcohol Regulations program within thirty (30) days of the beginning of his or her employment.

(9) Except as expressly stated in this section, this section does not exempt the holder of a distiller's license from:

(a) The provisions of KRS Chapters 241 to 244;

(b) The administrative regulations of the board; and

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

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

➔Section 6. KRS 243.033 is amended to read as follows:

(1) A caterer's license may be issued as a supplementary license to a caterer that holds a quota retail package license, a quota retail drink license, an NQ1 license, an NQ2 license, or a limited restaurant license.

(2) The caterer's license may be issued as a primary license to a caterer in any wet territory or in any moist territory under KRS 242.1244 for the premises that serves as the caterer's commissary and designated banquet hall. No primary caterer's license shall be issued to a premises that operates as a restaurant. The alcoholic beverage stock of the caterer shall be kept under lock and key at the licensed premises during the time that the alcoholic beverages are not being used in conjunction with a catered function.

(3) The caterer's license shall authorize the caterer to:

(a) Purchase and store alcoholic beverages in the manner prescribed in KRS 243.088, 243.250, and 244.310;

(b) Transport, sell, serve, and deliver malt beverages by the drink at locations away from the licensed premises or at the caterer's designated banquet hall in conjunction with the catering of food and malt beverages for a customer and his or her guests, in:

1. Cities and counties established as moist territory under KRS 242.1244 if the receipts from the catering of food at any catered event are at least seventy percent (70%) of the gross receipts from the catering of both

food and malt beverages; or

2. All other wet territory if the receipts from the catering of food at any catered event are at least thirty-five percent (35%) of the gross receipts from the catering of both food and malt beverages;

(c) Transport, sell, serve, and deliver distilled spirits and wine by the drink at locations away from the licensed premises or at the caterer's designated banquet hall in conjunction with the catering of food and alcoholic beverages for a customer and his or her guests, in:

1. Cities and counties established as moist territory under KRS 242.1244 if the receipts from the catering of food at any catered event are at least seventy percent (70%) of the gross receipts from the catering of both food and alcoholic beverages;

2. Cities and counties established as wet territory permitting distilled spirits and wine drink sales by ordinance under KRS 243.072 if the receipts from the catering of food at any catered event are at least fifty percent (50%) of the gross receipts from the catering of both food and alcoholic beverages; or

3. All other wet territory in which the sale of distilled spirits and wine by the drink is authorized if the receipts from the catering of food at any catered event are at least thirty-five percent (35%) of the gross receipts from the catering of both food and alcoholic beverages;

(d) Receive and fill telephone orders for alcoholic beverages in conjunction with the ordering of food for a catered event; and

(e) Receive payment for alcoholic beverages served at a catered event on a by-the-drink or by-the-event basis. The caterer may bill the host for by-the-function sales of alcoholic beverages in the usual course of the caterer's business.

(4) A caterer licensee shall not cater alcoholic beverages at locations for which retail alcoholic beverage licenses or special temporary licenses have been issued. A caterer licensee may cater a fundraising event for which a special temporary ***alcoholic beverage***~~[distilled spirits and wine]~~ auction license has been issued under KRS 243.036.

(5) A caterer licensee shall not cater distilled spirits and wine on Sunday except in territory in which the Sunday sale of distilled spirits and wine is permitted under the provisions of KRS 244.290 and 244.295. A caterer licensee shall not cater malt beverages on Sunday except in territory in which the Sunday sale of malt beverages is permitted under the provisions of KRS 244.480.

(6) The location at which alcoholic beverages are sold, served, and delivered by a caterer, pursuant to this section, shall not constitute a public place for the purpose of KRS Chapter 222. If the location is a multi-unit structure, only the unit or units at which the function being catered is held shall be excluded from the public place provisions of KRS Chapter 222.

(7) The caterer licensee shall post a copy of his or her caterer's license at the location of the function for which alcoholic beverages are catered.

(8) The name and license numbers of the caterer shall be painted or securely attached, in a contrasting color, in a form prescribed by the board by promulgation of an administrative regulation, upon all vehicles used by the caterer to transport alcoholic beverages.

(9) All restrictions and prohibitions applying to a distilled spirits and wine quota retail drink licensee not inconsistent with this section shall apply to the caterer licensee.

(10) The caterer licensee shall maintain records as set forth in KRS 244.150 and in administrative regulations promulgated by the board.

➔Section 7. KRS 243.034 is amended to read as follows:

(1) A limited restaurant license may be issued to an establishment meeting the

definition criteria established in ***subsection (35) of Section 1 of this Act***~~[KRS 241.010(32)]~~ as long as the establishment is within:

(a) Any wet territory; or

(b) Any moist precinct that has authorized the sale of alcoholic beverages under KRS 242.1244.

(2) A limited restaurant license shall authorize the licensee to purchase, receive, possess, and sell distilled spirits, wine, and malt beverages at retail by the drink for consumption on the licensed premises. The licensee shall purchase distilled spirits, wine, and malt beverages only from licensed wholesalers or distributors. The license shall not authorize the licensee to sell distilled spirits, wine, or malt beverages by the package.

(3) The holder of a limited restaurant license shall maintain at least seventy percent (70%) of its gross receipts from the sale of food and maintain the minimum applicable seating requirement required for the type of limited restaurant license.

(4) (a) A limited restaurant as defined by ***subsection (35)(b) of Section 1 of this Act***~~[KRS 241.010(32)(b)]~~ shall:

1. Only sell distilled spirits, wine, and malt beverages incidental to the sale of a meal; and
2. Not have an open bar and shall not sell distilled spirits, wine, and malt beverages to any person who has not purchased or does not purchase a meal.

(b) Distilled spirits, wine, and malt beverages shall be deemed to be purchased in conjunction with a meal if the distilled spirits, wine, and malt beverages are served after the meal is ordered and no more than one-half (1/2) hour after the meal is completed.

➔Section 8. KRS 243.036 is amended to read as follows:

(1) A special temporary ***alcoholic beverage***~~[distilled spirits and wine]~~ auction license

may be issued to a charitable organization~~[, upon the payment of the fee set forth in KRS 243.030 and upon satisfaction of the requirements prescribed by administrative regulation promulgated by the department]~~.

(2) A special temporary ***alcoholic beverage***~~[distilled spirits and wine]~~ auction license shall authorize the charitable organization to:

(a) Purchase, transport, receive, possess, store, sell, and deliver ***alcoholic beverages***~~[distilled spirits and wine]~~ to be sold at ***charity events by*** auction ***or by raffle***~~[in the manner prescribed by administrative regulation promulgated by the department]~~;

(b) ***Purchase, transport, receive, possess, store, sell, and deliver limited specially labeled bottles of distilled spirits, wine, and malt beverages to be sold at charity events in the manner prescribed by administrative regulations promulgated by the board;***

(c) Obtain ***alcoholic beverages***~~[distilled spirits and wine]~~ from distillers, rectifiers, wineries, ***small farm wineries, brewers, microbreweries,*** wholesalers, distributors, retailers, or any other person, by gift or donation, for the purpose of charity auctions ***or raffles***~~[in the manner prescribed by administrative regulation promulgated by the department]~~; and

(d)~~[(c)]~~ Receive payment for ***alcoholic beverages***~~[distilled spirits and wine]~~ sold at auctions ***or by raffles***~~[in the manner prescribed by administrative regulation promulgated by the department]~~.

(3) Each ***alcoholic beverage***~~[distilled spirits and wine]~~ auction ***or raffle*** conducted by a charitable organization shall be subject to all restrictions and limitations contained in KRS Chapters 241 to 244 and the administrative regulations issued under those chapters and shall be authorized only on the days and only during the hours that the sale of alcoholic beverages is otherwise authorized in the county or municipality.

(4) The location at which the ***alcoholic beverages***~~[distilled spirits and wine]~~ are

auctioned ***or raffled*** under this section shall not constitute a public place for the purpose of KRS Chapter 222. ***Alcoholic beverage***~~[Distilled spirits and wine]~~ auctions ***or raffles*** may be conducted on licensed or unlicensed premises. The charitable organization possessing a special temporary ***alcoholic beverage***~~[distilled spirits and wine]~~ auction license shall post a copy of the license at the location of the auction ***or raffle***. During this period not more than one (1) auction shall be held.

(5) A special temporary ***alcoholic beverage***~~[distilled spirits and wine]~~ auction license shall not be issued for any period longer than thirty (30) days. During this period not more than one (1) auction shall be held.

(6) Notwithstanding any other provision of KRS Chapters 241 to 244, a distiller, rectifier, winery, ***small farm winery, brewer, microbrewery,*** wholesaler, distributor, or retailer may donate, give away, or deliver any of its products to a charitable organization possessing a special temporary ***alcoholic beverage***~~[distilled spirits and wine]~~ auction license under this section.

(7) All restrictions and prohibitions applying to ***an alcoholic beverage***~~[a distilled spirits and wine]~~ retail package and ***alcoholic beverage***~~[distilled spirits and wine]~~ by the drink license, not inconsistent with this section, shall apply to a special temporary ***alcoholic beverage***~~[distilled spirits and wine]~~ auction license.

➔Section 9. KRS 243.060 is amended to read as follows:

(1) The fiscal court of each county or a consolidated local government in which traffic in alcoholic beverages is not prohibited under KRS Chapter 242 may impose license fees for the privilege of trafficking in alcoholic beverages. These licenses may be issued by the county or consolidated local government administrator. The license fees are subject to the provisions of subsections (2) to (6) of this section, and shall not exceed the following:

(a) Quota retail package license, per annum:

1. In counties containing a consolidated local government.....$1,200.00

2. In all other counties $1,000.00

(b) Quota retail drink license, per annum:

1. In counties containing a consolidated local government.....$1,600.00

2. In all other counties $1,000.00

(c) Nonquota type 2 retail drink license (includes distilled spirits, wine, and malt beverages), per annum:

1. In counties containing a consolidated local government.....$1,800.00

2. In all other counties.... .....$1,000.00

(d) Nonquota type 3 retail drink license (includes distilled spirits, wine, and malt beverages), per annum..... ....$300.00

(e) Special temporary license, per event:

1. In counties containing a consolidated local government.....$266.66

2. In all other counties $166.66

(f) Special Sunday retail drink license, per annum $300.00

(g) Nonquota retail malt beverage package license, per annum.....$400.00

(h) Nonquota type 4 retail malt beverage drink license, per annum.....$400.00

(i) Limited restaurant license (includes distilled spirits, wine, and malt beverages), per annum:

1. In counties containing a consolidated local government.....$2,000.00

2. In all other counties.....$1,400.00

(j) Limited golf course license (includes distilled spirits, wine, and malt beverages), per annum:

1. In counties containing a consolidated local government.....$2,000.00

2. In all other counties.....$1,400.00

(k) Authorized public consumption license, per annum.....$250.00

(2) The fee for the following license types may not be increased by more than five percent (5%) above the January 1, 2013, fee for the current license or the former

license type listed beside it, during any five (5) year period. The fees for the licenses described in this subsection are still subject to the maximum amounts listed for those licenses in subsection (1) of this section:

(a) Quota retail package license: retail package liquor license;

(b) Quota retail drink license: retail drink license;

(c) Nonquota type 2 retail drink license: restaurant drink license;

(d) Nonquota retail malt beverage package license: retail malt beverage license;

(e) Nonquota type 4 retail malt beverage drink license: retail malt beverage license;

(f) Limited restaurant license; and

(g) Limited golf course license.

(3) The fee for each of the first five (5) supplemental bar licenses shall be the same as the fee for the primary drink license. There shall be no charge for each supplemental license issued in excess of five (5) to the same licensee at the same premises.

(4) The holder of a nonquota retail malt beverage package license may obtain a Nonquota type 4 malt beverage drink license for a fee of fifty dollars ($50). The holder of a Nonquota type 4 malt beverage drink license may obtain a nonquota retail malt beverage package license for a fee of fifty dollars ($50).

(5) Any amount paid to any city within the county as a license fee for the same privilege for the same year may be credited against the county license fee.

(6) If any part of this section is held invalid, all of this section and of KRS 243.600 shall also be considered invalid.

➔Section 10. KRS 243.070 is amended to read as follows:

(1) The legislative body of any city or a consolidated local government in which traffic in alcoholic beverages is not prohibited under KRS Chapter 242 may impose license fees for the privilege of manufacturing and trafficking in alcoholic beverages. Only those licenses set out in this section shall be issued. The license fees are subject to

the provisions of subsections~~[(16),]~~ (17),~~[and]~~ (18), ***and (19)*** of this section, and shall not exceed the amounts specified in subsections (2) to ***(16)***~~[(15)]~~ of this section.

(2) Distilled spirit licenses as set forth in KRS 243.030:

(a) Distiller's license, per annum $500.00

(b) Rectifier's license:

1. Class A, per annum $3,000.00

2. Class B (craft rectifier), per annum.....$960.00

(c) Wholesaler's distilled spirits and wine license, per annum $3,000.00

(d) Quota retail package license, per annum:

1. In counties containing a consolidated local government $1,200.00

2. In all other counties $1,000.00

(3) Quota retail drink license, per annum:

(a) In counties containing a consolidated local government $1,600.00

(b) In all other counties.....$1,000.00

(4) Special temporary license, per event:

(a) In counties containing a consolidated local government $266.66

(b) In all other counties.....$166.66

(5) Nonquota type 1 retail drink license (includes distilled spirits, wine, and malt beverages), per annum $2,000.00

(6) Nonquota type 2 retail drink license (includes distilled spirits, wine, and malt beverages), per annum:

(a) In counties containing a consolidated local government $1,800.00

(b) In all other counties $1,000.00

(7) Nonquota type 3 retail drink license (includes distilled spirits, wine, and malt beverages), per annum $300.00

(8) ~~[Distilled spirits and wine]~~Special temporary ***alcoholic beverage*** auction

license, per event $200.00

(9) Special Sunday retail drink license, per annum $300.00

(10) Extended hours supplemental license, per annum $2,000.00

(11) Caterer's license, per annum $800.00

(12) Bottling house or bottling house storage license, per annum $1,000.00

(13) Malt beverage licenses as follows:

(a) Brewer's license, per annum $500.00

(b) Microbrewery license, per annum $500.00

(c) Malt beverage distributor's license, per annum $400.00

(d) Nonquota retail malt beverage package license, per annum $200.00

(e) Nonquota type 4 retail malt beverage drink license, per annum.....$200.00

(f) Malt beverage brew-on-premises license, per annum $100.00

(14) Limited restaurant license (includes distilled spirits, wine, and malt beverages), per annum:

(a) In counties containing a consolidated local government $1,800.00

(b) In all other counties.....$1,200.00

(15) Limited golf course license (includes distilled spirits, wine, and malt beverages), per annum:

(a) In counties containing a consolidated local government $1,800.00

(b) In all other counties $1,200.00

(16) ***Authorized public consumption license, per annum.....$250.00***

(17) The fee for the following license types may not be increased by more than five percent (5%) above the January 1, 2013, fee for the current license or the former license type listed beside it, during any five (5) year period. The fees for the licenses described in this subsection are still subject to the maximum amounts listed for those licenses in subsections (2) to ***(16)***~~[(15)]~~ of this section:

(a) Quota retail package license: retail package liquor license;

(b) Quota retail drink license: retail drink license;

(c) Nonquota type 1 retail drink license: convention center or convention hotel complex license;

(d) Nonquota type 2 retail drink license: restaurant drink license;

(e) Nonquota retail malt beverage package license: retail malt beverage license;

(f) Nonquota type 4 retail malt beverage drink license: retail malt beverage license;

(g) Limited restaurant license; and

(h) Limited golf course license.

(18) ~~[(17)]~~ The fee for each of the first five (5) supplemental bar licenses shall be the same as the fee for the primary drink license. There shall be no charge for each supplemental license issued in excess of five (5) to the same licensee at the same premises.

(19) ~~[(18)]~~ The holder of a nonquota retail malt beverage package license may obtain a Nonquota type 4 malt beverage drink license for a fee of fifty dollars ($50). The holder of a Nonquota type 4 malt beverage drink license may obtain a nonquota retail malt beverage package license for a fee of fifty dollars ($50).

➔Section 11. KRS 243.086 is amended to read as follows:

(1) A "Nonquota type 3" or "NQ3" retail drink license may be issued to:

(a) A private club in existence for longer than one (1) year prior to the license application;~~[or]~~

(b) A dining car;

(c) A bed and breakfast; or

(d) A distiller.

(2) An NQ3 retail drink license issued to a private club shall authorize the licensee to exercise the privileges of an NQ2 retail drink licensee, at the designated premises if the general public is excluded.

(3) An NQ3 retail drink license issued to a dining car shall authorize the licensee to exercise the privileges of an NQ2 retail drink licensee and shall also authorize the licensee to sell distilled spirits and wine by the package, only on the designated dining car identified in the NQ3 license.

(4) An NQ3 retail drink license issued to a bed and breakfast shall authorize the licensee to exercise the privileges of an NQ2 retail drink licensee, but the licensee may only sell alcoholic beverages by the drink to paid overnight guests of the licensee.

(5) An NQ3 retail drink license issued to a distiller shall authorize the licensee to exercise the privileges of an NQ2 retail drink license at the designated premises.

➔Section 12. KRS 243.090 is amended to read as follows:

(1) All licenses issued by the department, except special event licenses, temporary licenses, or licenses listed in subsection ***(5)***~~[(4)]~~ of this section, shall be valid for a period of no more than a year. The department shall promulgate administrative regulations establishing the year-round system for renewal of licenses. The system shall be designed to distribute the workload as uniformly as possible within the offices of the local administrators and the Department of Alcoholic Beverage Control.

(2) ***(a) Except for licenses listed in paragraph (b) of this subsection, all licenses issued after January 1, 2017, by a county or city administrator shall be valid for a period of no more than a year and shall be renewable upon the date established by the department for the expiration of state licenses issued for premises located in that county or city. During the first year following the effective date of this Act, if the new date for renewal for the licensee does not occur on the date established by the department for the expiration of the licensee's state license, the city or county administrator shall either:***

1. Prorate the cost of the renewed license by proportionally reducing the

cost of the renewed license if the new date for the renewal occurs prior to the expiration of a previous license; or

2. Provide a prorated provisional local license to cover any period of time between the expiration of the previous license and the new date for renewal if the new date for renewal occurs after the expiration of the licensee's previous license.

(b) Paragraph (a) of this subsection shall not apply to licenses issued by a consolidated local government, special event licenses, temporary licenses, or licenses listed in subsection (5) of this section.

(3) When any person applies for a new license authorized under KRS Chapters 241 to 244, he or she shall be charged, if the license is issued, the full fee for the respective license if six (6) months or more remain before the license is due to be renewed and one-half (1/2) the fee if less than six (6) months remain before the license is due to be renewed. No abatement of license fees shall be permitted to any person who held a license of the same kind for the same premises in the preceding license period and who was actually doing business under the license during the last month of the preceding license period.

(4)~~[(3)]~~ The renewal by the department of~~[the certificate or permit of]~~ any alcoholic beverage license shall not be construed to waive or condone any violation that occurred prior to the renewal and shall not prevent subsequent proceedings against the licensee.

(5)~~[(4)]~~ All alcoholic beverage producers, wholesalers, or distributors may obtain or renew their licenses for either a one (1) year term or a two (2) year term.

➔Section 13. KRS 243.120 is amended to read as follows:

(1) A distiller's, rectifier's, or winery license shall authorize the licensee to engage in the business of distiller, rectifier, or winery at the premises specifically designated in the license, to maintain aging warehouses, and to transport for himself or herself

only any alcoholic beverage which he or she is authorized under the license to manufacture or sell. The licensee shall transport alcoholic beverages only by a vehicle operated by himself or herself, which has affixed to its sides at all times a sign of form and size prescribed by the state board, containing among other things the name and license number of the licensee. No distilled spirits or wine shall be transported on the same truck or vehicle with malt beverages, except by a common carrier, unless the owner of the truck or vehicle holds a distributor's license.

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

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

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

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

(4) (a) A distiller that is located in wet territory, or in any precinct that has authorized the limited sale of alcoholic beverages at distilleries under Section 26 of this Act, may sell distilled spirits by the drink at retail to consumers in accordance with Section 5 of this Act.

(b) Any distilled spirits sold under this subsection shall be taxed and distributed in the same manner as souvenir package sales under subsection (2) of Section 5 of this Act.

(c) Except as provided in this subsection, sales under this subsection shall be

governed by all of the statutes and administrative regulations governing the retail sale of distilled spirits by the drink.

➔Section 14. KRS 243.150 is amended to read as follows:

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

(2) A brewer may sell any malt beverage produced under ***its***~~[his]~~ license to:

(a) A licensed wholesaler from the licensed premises;

(b) Any of its employees for home consumption;~~[and]~~

(c) Charitable or fraternal organizations holding group meetings, picnics, or outings***; and***

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

1. By the drink sales for consumption on the premises only, to be:

a. Conducted in a tap room or similar space that is physically attached to the brewery; and

b. Limited to no more than two hundred eighty-eight (288) ounces per customer per day; and

2. Sales using a refillable, resealable vessel no larger than two (2) liters with a flip-top or screw-on lid into which a malt beverage is prefilled, filled, or refilled for off-premises consumption only.

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

➔Section 15. KRS 243.155 is amended to read as follows:

(1) Any in-state or out-of-state small farm winery may apply for a small farm winery license. In addition to all other licensing requirements, an applicant for a small farm winery license shall submit with its application a copy of the small farm winery's federal basic permit and proof documenting its annual wine production. An out-of-state winery shall submit additional documentation evidencing its resident state. As part of the application process, an out-of-state winery shall publish its notice of intent, as required by KRS 243.360, in the Kentucky newspaper of highest circulation. The department shall promulgate administrative regulations establishing the form the documentation of proof of production shall take.

(2) A small farm winery license shall authorize the licensee to perform the following functions without having to obtain separate licenses, except that each small farm winery off-premises retail site shall be separately licensed:

(a) Manufacture wines and bottle wines produced by that small farm winery;

(b) Bottle wines produced by ***that small farm winery and other licensed***~~[another]~~ small farm ***wineries***~~[winery]~~;

(c) ***Enter into an agreement with another licensed small farm winery under which it crushes, processes, ferments, bottles, or any combination of such services, the grapes, fruits, or other agricultural products of the other small farm winery for one (1) production year. The resulting wine shall be considered the wine of the small farm winery that provides the fruit. The small farm winery providing the custom crushing services may exclude the wine produced under this paragraph from its annual production gallonage;***

(d) Serve on the premises or at small farm winery ***off-premises***~~[off-premise]~~ retail sites complimentary samples of wine produced by it in amounts not to exceed six (6) ounces per patron per day, if the small farm winery or its ***off-premises***~~[off-premise]~~ retail site is located in wet territory;

(e) ~~[(d)]~~ Sell by the drink or by the package on premises, at small farm winery ***off-premises*** ~~[off-premise]~~ retail sites, and at fairs, festivals, and other similar types of events, wine produced on the premises of the small farm winery or produced by a licensed small farm winery, at retail to consumers if all sales sites are located in wet territory;

(f) ~~[(e)]~~ Sell and transport wine produced on the premises of the small farm winery to wholesale license holders and small farm winery license holders;

(g) ~~[(f)]~~ Consume on the premises wine produced by the small farm winery or a licensed small farm winery and purchased by the drink or by the package at the licensed premises, if the small farm winery is located in wet territory; and

(h) ~~[(g)]~~ Ship to a customer wine produced by a small farm winery if:

1. The wine is shipped by licensed common carrier; and
2. The amount of wine shipped is limited to two (2) cases per customer per order.

(3) If a licensed small farm winery is located in a dry or moist territory, KRS 242.230 to 242.430 shall apply, unless a limited local option election is held in accordance with KRS 242.124. If the proposition under KRS 242.124 is approved, a licensed small farm winery within the precinct may sell wine in accordance with subsection (2) of this section.

(4) If the requirements of KRS 244.290(5) relating to Sunday sales on the licensed premises of a small farm winery are met, a small farm winery within that territory may sell alcoholic beverages on Sunday only in accordance with this section between the hours of 1 p.m. until the prevailing time for that locality.

(5) Other provisions of this chapter and KRS Chapter 244 notwithstanding, a small farm winery license holder may also hold an NQ2 retail drink license and an NQ4 retail malt beverage drink license if the issuance of these licenses is in connection with the establishment and operation of a restaurant, hotel, inn, bed and breakfast,

conference center, or any similar business enterprise designed to promote viticulture, enology, and tourism.

(6) This section shall not exempt the holder of a small farm winery license from the provisions of KRS Chapters 241, 242, 243, and 244, nor from the administrative regulations of the board, nor from regulation by the board at all premises licensed by the small farm winery, except as expressly stated in this section.

(7) Nothing contained in this section shall exempt a licensed out-of-state winery from obeying the laws of its resident state.

(8) Upon the approval of the department, a small farm winery license may be renewed after the licensee submits to the department the winery's federal basic permit and proof of its annual wine production.

➔Section 16. KRS 243.157 is amended to read as follows:

(1) A microbrewery license shall authorize the licensee to perform the following functions:

(a) Engage in the business of a brewer under the terms and conditions of KRS 243.150, provided that production of malt beverages at such microbrewery shall not exceed ***fifty***~~[twenty-five]~~ thousand ***(50,000)***~~[(25,000)]~~ barrels in one (1) year;

(b) Serve on the premises complimentary samples of malt beverages produced by such microbrewery in amounts not to exceed sixteen (16) ounces per patron, provided the microbrewery is located in wet territory;

(c) Sell malt beverages produced on the premises of the microbrewery to licensed distributors;~~[and]~~

(d) Sell malt beverages produced on the premises of the microbrewery for on- and off-premises purposes in accordance with subsection (3)(b) and (c) of this section***; and***

(e) Sell malt beverages produced on the premises of the microbrewery to

consumers at fairs, festivals, and other similar types of events located in wet territory, in accordance with subsection (3)(b)2. and 3. and subsection (3)(c)2. and 3. of this section. The cumulative amount of malt beverages purchased by a consumer by the drink and by the package from a microbrewery under this paragraph shall not exceed two hundred eighty-eight (288) ounces per day.

(2) A microbrewery license shall not be deemed to be incompatible with any other license except for a distributor's license under the provisions of KRS 243.180.

(3) In accordance with the provisions of this section, a microbrewery license holder may:

(a) Hold retail drink and package licenses both on and off the premises of the microbrewery. The holder of a microbrewery license is exempt from the provisions of KRS 244.570 and 244.590 as applied to any retail licenses held by the microbrewery license holder, and from any other sections which would restrict the co-ownership of the microbrewery license and any retail licenses described in this section;

(b) Sell malt beverages produced on the premises of the microbrewery for on-premises purposes without having to transfer physical possession of those malt beverages to a licensed distributor provided:

1. The microbrewery possesses a retail drink license for those premises;

2. The microbrewery has a written contract with a licensed distributor authorizing the distributor to purchase and distribute the microbrewery's malt beverages to any other retailer; and

3. The microbrewery provides to the distributor a monthly report of the quantity of malt beverages produced at the microbrewery and sold at retail at the microbrewery under the provisions of its retail drink license. The report required under this subparagraph shall:

a. Be provided to the distributor on or before the tenth day of the month next succeeding the month in which the malt beverages were produced and sold at the microbrewery; and

b. Be provided on a form promulgated by the board by administrative regulation. The information provided on the form shall be reported to the Department of Revenue at the time and in the manner required by that department in accordance with its powers under KRS 131.130(3) and any administrative regulation promulgated thereunder.

Nothing in this subparagraph shall require a distributor to verify the accuracy of the information provided by the microbrewery in its report; and

(c) Sell malt beverages produced on the premises of the microbrewery for off-premises purposes without having to transfer physical possession of those malt beverages to a licensed distributor provided that:

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

2. The microbrewery has a written contract with a licensed distributor authorizing the distributor to purchase and distribute the microbrewery's malt beverages to any other retailer; and

3. The microbrewery provides to the distributor a monthly report of the quantity of malt beverages produced at the microbrewery under the provisions of its retail package license. The report required under this subparagraph shall:

a. Be provided to the distributor on or before the tenth day of the month next succeeding the month in which the malt beverages were produced and sold at the microbrewery; and

b. Be provided on a form promulgated by the board by administrative

regulation. The information provided on the form shall be reported to the Department of Revenue at the time and in the manner required by that department in accordance with its powers under KRS 131.130(3) and any administrative regulation promulgated thereunder.

Nothing in this subparagraph shall require a distributor to verify the accuracy of the information provided by the microbrewery in its report; and

4. The amount of malt beverages purchased by a customer during a visit to the microbrewery's premises does not exceed two hundred eighty-eight (288) ounces per customer per day.

(4) The provisions of subsection (3)(b) and (c) of this section shall apply only to malt beverages that are ~~[:~~

~~(a)]~~produced by the microbrewery at its licensed premises~~[;]~~ and*:*

(a)~~[(b)]~~ Offered for sale by the microbrewery at that same premises under the microbrewery's retail drink or package license*; or*

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

All other malt beverages produced by the microbrewery which are offered for retail sale shall be sold and physically transferred to a licensed distributor in compliance with all other relevant provisions of KRS Chapters 241, 242, 243, and 244, and a licensed microbrewery shall not otherwise affect sales of malt beverages directly to retail customers except as provided in subsection (3)(b) and (c) of this section.

(5) (a) A microbrewery selling malt beverages in accordance with subsection (3)(b) and (c) of this section shall collect and provide the licensed distributor all taxes due under KRS 243.884. The tax shall be computed at the rate of eleven percent (11%) of the wholesale value of the malt beverages sold by the

microbrewery under the provisions of subsection (3)(b) and (c) of this section. For the purposes of this subsection "wholesale value" shall be determined in accordance with the contract required under subsection (3)(b)2. and (c)2. of this section, as applicable.

(b) The licensed distributor shall be responsible for remitting these amounts to the Commonwealth as provided in KRS 243.884(1). In accordance with KRS 243.886, the licensed distributor shall be allowed to deduct one percent (1%) of the tax remitted under this subsection, provided the amount due is not delinquent at the time of payment. Nothing in this subsection shall require the licensed distributor to verify the amount of taxes collected and provided by the microbrewery to be the true and accurate amount which is due according to KRS 243.884; nor shall the distributor be responsible for remittance of taxes due in the event the microbrewery fails to collect and provide the amounts owed under the provisions of this subsection.

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

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

(7) This section does not exempt the holder of a microbrewery license from the provisions of KRS Chapters 241, 242, 243, and 244, nor from any rules of the board as established by administrative regulations, nor from regulation by the board, except as expressly stated in this section. The provisions of this section shall not be deemed inconsistent with the provisions of KRS 244.602.

(8) Nothing in this section shall be construed to vitiate the policy of this Commonwealth, as set forth in KRS 244.167 and 244.602, supporting an orderly three (3) tier system for the production and sale of malt beverages.

➔Section 17. KRS 244.290 is amended to read as follows:

(1) (a) A premises that is licensed to sell distilled spirits or wine at retail shall be permitted to remain open during the hours the polls are open on any primary, or regular, local option, or special election day unless it is located where the legislative body of a city~~[with a population equal to or greater than three thousand (3,000) based on the most recent federal decennial census]~~, urban-county government, consolidated local government, charter county government, unified local government, or the fiscal court of a county~~[containing a city with a population equal to or greater than three thousand (3,000) based on the most recent federal decennial census]~~ adopts an ordinance ***after June 25, 2013,*** that prohibits the sale of distilled spirits and wine or limits the hours and times in which distilled spirits and wine may be sold within its jurisdictional boundaries on any primary, or regular, local option, or special election day during the hours the polls are open.

(b) This subsection shall only apply in a wet or moist territory.

(c) Notwithstanding any other provision of the Kentucky Revised Statutes to the contrary, the fiscal court of a county shall not by ordinance or any other means:

1. Supersede, reverse, or modify any decision made pursuant to this subsection by the legislative body of a city within that county; or
2. Impose an action upon a city within that county when that city has taken no formal action pursuant to this subsection.

(2) In any county containing a city of the first class, or a city with a population equal to or greater than twenty thousand (20,000) based upon the most recent federal decennial census in which the sale of distilled spirits and wine by the drink is permitted under KRS Chapter 242, an election on the question of permitting the sale of distilled spirits and wine by the drink on Sunday may be held as provided in KRS Chapter 242.

(3) Except as provided in KRS 243.050, a premise for which there has been granted a license for the sale of distilled spirits or wine at retail by the drink or by the package shall not remain open for any purposes between midnight and 6 a.m. or at any time during the twenty-four (24) hours of a Sunday, unless:

(a) The licensee provides a separate locked department in which all stocks of distilled spirits and wine are kept during those times; or

(b) The legislative body of a city~~[with a population equal to or greater than three thousand (3,000) based on the most recent federal decennial census]~~, urban-county government, consolidated local government, charter county government, unified local government, or the fiscal court of a county~~[containing a city with a population equal to or greater than three thousand (3,000) based on the most recent federal decennial census,]~~ has otherwise established the hours and times in which distilled spirits and wine may be sold within its jurisdictional boundaries.

(4) In any city~~[with a population equal to or greater than three thousand (3,000) based on the most recent federal decennial census,]~~ or~~[in any]~~ county~~[containing such a city]~~ in which the sale of distilled spirits and wine is permitted under KRS Chapter 242, the legislative body of the city or county may, by ordinance, permit the sale of distilled spirits and wine by the drink on Sunday from 1 p.m. until the designated closing hour of that locality at hotels, motels, or restaurants which:

(a) Have dining facilities with a minimum seating capacity of one hundred (100) people at tables; and

(b) Receive less than fifty percent (50%) of their annual food and beverage receipts from the dining facilities from the sale of alcohol.

(5) In any ***territory***~~[county]~~ containing a licensed small farm winery that is permitted to sell alcoholic beverages under KRS Chapter 242, the sale of alcoholic beverages at the small farm winery on Sunday may be permitted if:

(a) The legislative body of the ***local government having jurisdiction***~~[county]~~ approves by local ordinance the sale of alcoholic beverages on Sunday in strict accordance with the sales permitted by KRS 243.155 on the licensed premises of a small farm winery from 1 p.m. until the prevailing time for that locality; or

(b) A limited sale precinct election on the issue of Sunday sales is approved after meeting the requirements of KRS 242.1241.

(6) In any county containing a city of the first class or in any city located therein in which the sale of distilled spirits and wine is permitted under KRS Chapter 242, the distilled spirits director may issue a license to holders of a quota retail drink license or a special private club license which permits the sale of distilled spirits and wine by the drink on Sunday from 1 p.m. until the prevailing time for that locality.

(7) Any city or county which has enacted a comprehensive, regulatory ordinance relating to the licensing and operation of hotels, motels, inns, or restaurants for the sale of alcoholic beverages by the drink under KRS 243.072, may also regulate and provide for the limited sale of distilled spirits and wine by the drink on Sundays if:

(a) The special Sunday retail drink licenses are issued only to those hotels, motels, inns, or restaurants authorized to sell alcoholic beverages by the drink under KRS 243.072; and

(b) The licensed retailers selling distilled spirits and wine by the drink have applied to the state director and meet all other legal requirements for obtaining a special Sunday retail drink license.

(8) Notwithstanding any provision of the Kentucky Revised Statutes to the contrary, in any county containing an urban-county government, consolidated local government, charter county government, or unified local government where Sunday sales of distilled spirits and wine by the drink have been previously approved, the legislative body of the urban-county government, consolidated local government, charter

county government, or unified local government may by ordinance extend Sunday sales to any premises licensed to sell distilled spirits and wine by the drink located within the territorial boundaries of the urban-county government, consolidated local government, charter county government, or unified local government and may by ordinance establish the hours such distilled spirits and wine by the drink may be sold.

(9) Any city or county that has lawfully enacted a regulatory ordinance pursuant to this section prior to August 1, 2014, shall be deemed to meet the requirements for doing so set out in this section and may continue to enforce the ordinance pursuant to the provisions of this section.

➔Section 18. KRS 244.480 is amended to read as follows:

(1) Except as provided in subsection (4) of this section, no brewer or distributor shall deliver any malt beverages on Sunday or between the hours of midnight and 6 a.m. on any other day.

(2) Except as provided in subsection (4) of this section, no retailer shall sell, give away, or deliver any malt beverages between midnight and 6 a.m. or at any time during the twenty-four (24) hours of a Sunday.

(3) (a) A retailer may sell malt beverages during the hours the polls are open on a primary, or regular, local option, or special election day unless the retailer is located where the legislative body of an urban-county government, consolidated local government, charter county government, unified local government, city~~[containing a population equal to or greater than three thousand (3,000) based on the most recent federal decennial census]~~, or the fiscal court of a county~~[containing such a city]~~, in which traffic in malt beverages is permitted by KRS Chapter 242 has adopted an ordinance ***after June 25, 2013,*** that prohibits the sale of alcoholic beverages or limits the hours and times in which alcoholic beverages may be sold within its

jurisdictional boundaries on any primary, or regular, local option, or special election day.

(b) This subsection shall only apply in a wet or moist territory.

(c) Notwithstanding any other provisions of the Kentucky Revised Statutes to the contrary, the fiscal court of a county shall not by ordinance or any other means:

1. Supersede, reverse, or modify any decision made pursuant to this subsection by the legislative body of a city within that county; or

2. Impose an action upon a city within that county when that city has taken no formal action pursuant to this subsection.

(4) The legislative body of an urban-county government, consolidated local government, charter county government, unified local government, city~~[with a population equal to or greater than three thousand (3,000) based on the most recent federal decennial census]~~, or county~~[containing such a city]~~, in which traffic in malt beverages is permitted by KRS Chapter 242, shall have the exclusive power to establish the times in which malt beverages may be sold within its jurisdictional boundaries, including Sunday and any primary, or regular, local option, or special election day sales if the hours so fixed shall not prohibit the sale, gift, or delivery of any malt beverages between 6 a.m. and midnight during any day, except Sunday.

(5) Any city or county that has lawfully enacted a regulatory ordinance pursuant to this section prior to August 1, 2014, shall be deemed to meet the requirements for doing so set out in this section and may continue to enforce the ordinance pursuant to the provisions of this section.

➔Section 19. KRS 243.882 is amended to read as follows:

For the purposes of KRS 243.884 to ***243.890***~~[243.892]~~:

(1) "Wholesale sale" or "sale at wholesale" means a sale made for the purpose of resale in the regular course of business of beer, wine, or distilled spirits, except as

provided in KRS 243.884(3).

(2) A "wholesaler" is a person required to be or who is a licensee authorized to do business pursuant to KRS 243.160 and 243.170.

(3) A "distributor" is a person required to be or who is a licensee authorized to do business pursuant to KRS 243.180.

➔Section 20. KRS 243.884 is amended to read as follows:

(1) (a) For the privilege of making "wholesale sales" or "sales at wholesale" of beer, wine, or distilled spirits, a tax is hereby imposed upon all wholesalers of wine and distilled spirits and upon all distributors of beer.

(b) Prior to July 1, 2015, the tax shall be imposed at the rate of eleven percent (11%) of the gross receipts of any such wholesaler or distributor derived from "sales at wholesale" or "wholesale sales" made within the Commonwealth except as provided in subsection (3) of this section.

(c) On and after July 1, 2015, the following rates shall apply:

1. For distilled spirits, eleven percent (11%) of wholesale sales or sales at wholesale; and

2. For wine and beer:

a. Ten and three-quarters of one percent (10.75%) for wholesale sales or sales at wholesale made on or after July 1, 2015, and before June 1, 2016;

b. Ten and one-half of one percent (10.5%) for wholesale sales or sales at wholesale made on or after June 1, 2016, and before June 1, 2017;

c. Ten and one-quarter of one percent (10.25%) for wholesale sales or sales at wholesale made on or after June 1, 2017, and before June 1, 2018; and

d. Ten percent (10%) for wholesale sales or sales at wholesale made

on or after June 1, 2018.

(2) Wholesalers of distilled spirits and wine and distributors of malt beverages shall pay and report the tax levied by this section on or before the 20th day of the calendar month next succeeding the month in which possession or title of the distilled spirits, wine or malt beverages is transferred from the wholesaler or distributor to retailers or consumers in this state, in accordance with rules and regulations of the Department of Revenue designed reasonably to protect the revenues of the Commonwealth.

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

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

(b) Sales made by a small farm winery or wholesaler of wine produced by a small farm winery***, if that small farm winery produces no more than fifty thousand (50,000) gallons of wine per year***.

➔Section 21. KRS 244.050 is amended to read as follows:

(1) No retail licensee shall give away any alcoholic beverage in any quantity or deliver it in any quantity for less than a full monetary consideration, except as provided by KRS 243.155, 243.157, ***Section 5 of this Act,*** and subsection (2) of this section.

(2) The holder of a quota retail drink license, a quota retail package license, an NQ2 license, or a distillery license may, after acquiring a sampling license, allow customers to sample***, free of charge,*** distilled spirits and wine under the following conditions:

(a) ***Free*** sampling shall be permitted only on licensed premises and by licensees holding a sampling license, during regular business hours; ***and***

(b)~~[A licensee shall not charge for the samples provided to customers;~~

~~(c) Sample sizes shall not exceed:~~

~~1. One (1) ounce for wine; and~~

~~2. One-half (1/2) ounce for distilled spirits; and~~

~~(d)~~ ***Except as authorized by Section 5 of this Act,*** a licensee shall limit a customer to:

1. ***One (1) ounce of free***~~[Two (2)]~~ distilled spirits samples per day; and
2. Six (6) ***ounces of free*** wine samples per day.

(3) Retailers holding a sampling license shall:

(a) Notify the Department of Alcoholic Beverage Control at least seven (7) days in advance of conducting a ***free*** sampling event; and

(b) Limit a ***free*** sampling event to a period not to exceed four (4) consecutive hours between 12 noon and 8 p.m.

(4) In addition to free sampling, a quota retail package licensee holding a sampling license may also sell sample distilled spirits and wine under the following conditions:

(a) Paid samples may be sold only on licensed premises and by licensees holding a sampling license, during regular business hours; and

(b) A licensee shall limit a customer to purchased samples totaling no more than:

1. Two (2) ounces of distilled spirits per day; and

2. Nine (9) ounces of wine per day.

(5) A quota retail package licensee holding both a sampling license and a nonquota retail malt beverage package license may also sell samples of malt beverages under the following conditions:

(a) Paid samples may be sold only on licensed premises and by licensees holding a sampling license, during regular business hours;

(b) A licensee shall limit a customer to no more than sixteen (16) ounces of malt beverages per day;

(c) Nothing in this subsection shall allow a quota retail package licensee to

provide a customer samples of malt beverages free of charge;

(d) The retail price of a sample shall not be less than a licensee's purchase cost of the sample; and

(e) A licensee, supplier, or individual shall not request, require, or allow a distributor to provide malt beverages free of charge or participate in any activity allowed under this subsection.

(6) No customer shall be allowed to receive a combination of free and purchased samples totaling more than:

(a) Two (2) ounces of distilled spirits per day; and

(b) Nine (9) ounces of wine per day.

(7) Samples sold under subsections (4) and (5) of this section shall not constitute drink sales.

➔Section 22. KRS 244.085 is amended to read as follows:

(1) As used in KRS 244.083 and this section: "Premises" has the meaning it is given in KRS 241.010 and also means the place of business of a person licensed to sell alcoholic beverages including, in the case of drive-in establishments, the entire lot upon which the business establishment is situated.

(2) A person under ***twenty-one (21)***~~[21]~~ years of age shall not enter any premises licensed for the sale of alcoholic beverages for the purpose of purchasing or receiving any alcoholic beverages.

(3) A person under ***twenty-one (21)***~~[21]~~ years of age shall not possess for his or her own use or purchase or attempt to purchase or have another purchase for him or her any alcoholic beverages. No person shall aid or assist any person under ***twenty-one (21)***~~[21]~~ years of age in purchasing or having delivered or served to him or her any alcoholic beverages.

(4) A person under ***twenty-one (21)***~~[21]~~ years of age shall not misrepresent his or her age for the purpose of inducing any licensee, or the licensee's agent, servant, or

employee, to sell or serve any alcoholic beverages to the underage person.

(5) A person under ***twenty-one (21)***~~[21]~~ years of age shall not use, or attempt to use any false, fraudulent, or altered identification card, paper, or any other document to purchase or attempt to purchase or otherwise obtain any alcoholic beverage.

(6) Except as provided in KRS 244.087 and 244.090, a licensee, or his or her agents, servants, or employees shall not permit any person under twenty-one (21) years of age to remain on any premises where alcoholic beverages are sold by the drink or consumed on the premises, unless:

(a) The usual and customary business of the establishment is a hotel, motel, restaurant, convention center, convention hotel complex, racetrack, simulcast facility, golf course, private club, park, fair, church, school, athletic complex, athletic arena, theater, small farm winery, distillery or brewery or winery tour, convenience store, grocery store, drug store, ***licensed APC premises,*** or similar establishment;

(b) All alcoholic beverage inventory is kept in a separate, locked department at all times when minors are on the premises;

(c) Written approval has been granted by the department to allow minors on the premises until 10 p.m. where the sale of alcohol is incidental to a specific family or community event including but not limited to weddings, reunions, or festivals. The licensee's request shall be in writing and shall specifically describe the event for which approval is requested. The state director shall approve or deny the request in writing; or

(d) The usual and customary business of the establishment is an entertainment facility where prebooked concerts are held. For the purpose of this paragraph, house bands, disc jockeys, and karaoke are not considered concerts. During the times minors are on the premises under this paragraph, the licensee shall:

1. Maintain the responsibility of all ticket sales;

2. Sell the concert tickets directly to the patron or have a contractual agreement with a vendor or promoter to sell the concert tickets for the licensee;

3. Maintain records of all gross concert ticket sales. The concert tickets shall have the name of a band or performer as well as the date of the concert;

4. Permit minors to be in the area where the concert is taking place only during the time of the concert; and

5. Prohibit minors on the premises until thirty (30) minutes prior to the concert and prohibit minors from remaining on the premises more than thirty (30) minutes after the concert performance has ended.

(7) Except as provided in subsection (6) of this section, a licensee or the licensee's agent, servant, or employee shall not allow any person under the age of twenty-one (21) to remain on any premises that sells alcoholic beverages by the package unless the underage person is accompanied by a parent or guardian or the usual and customary business of the establishment is a convenience store, grocery store, drugstore, or similar establishment.

(8) Except as provided in subsection (6) of this section, a person under the age of twenty-one (21) shall not remain on any premises that sells alcoholic beverages by the package unless he or she is accompanied by a parent or guardian or the usual and customary business of the establishment is a convenience store, grocery store, drugstore, or similar establishment.

(9) A violation of subsection (2), (3), (4), (5), or (8) of this section shall be deemed a status offense if committed by a person under the age of eighteen (18) and shall be under the jurisdiction of the juvenile session of the District Court or the family division of the Circuit Court, as appropriate.

➔Section 23. KRS 244.130 is amended to read as follows:

(1) Except in conformity with ***administrative*** regulations of the board, no licensee under KRS 243.020 to 243.670 shall advertise or cause or permit to be advertised in any manner any product which he or she is licensed to manufacture or sell.

(2) Subsection (1) of this section shall not prohibit:

(a) Advertising in newspapers, magazines, or periodicals having a general circulation;

(b) Promotional advertising on radio or television limited to no more than the name of the licensee and the products the licensee is permitted to manufacture or sell;

(c) Promotional advertising containing the names of establishments or products displayed on uniforms or equipment of sporting teams;~~[or]~~

(d) Promotional advertising mailed or delivered to a consumer's residence***; or***

(e) A distiller from providing visitors who are twenty-one (21) years of age or older, in conjunction with a distillery tour or an event conducted by a bona fide church or charitable organization, free:

1. Consumer-branded nonalcoholic novelty items whose actual retail cost does not exceed seventy-five dollars ($75) per item; and

2. Production by-products.

➔Section 24. KRS 244.240 is amended to read as follows:

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

(a)~~[(1)]~~ Be interested directly or indirectly in any way in any premises where distilled spirits or wine is sold at retail or in any business devoted wholly or partially to the sale of distilled spirits or wine at retail***;***~~[.]~~

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

(c)~~[(3)]~~ Make any gift or render any kind of service whatsoever, directly or

indirectly, to any licensee under KRS 243.030 which~~[in the sound judgment of the board]~~ may tend to influence the licensee to purchase the product of the distiller, rectifier, winery, or wholesaler***; or***~~[.]~~

(d)~~[(4)]~~ Enter into a contract with any retail licensee under KRS Chapters 241 to 244 whereby the licensee agrees to confine his or her sales to distilled spirits or wine manufactured or sold by one (1) or more such distillers, rectifiers, wineries, or wholesalers. Such a contract shall be void.

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

➔Section 25. KRS 244.590 is amended to read as follows:

(1) No brewer or distributor shall induce through any of the following means any retailer selling malt beverages by the package or drink to purchase any malt beverages from him or her to the exclusion in whole or in part of malt beverages sold or offered for sale by other persons, if the brewer or distributor engages in the practice of using such means, or any of them, to such an extent as substantially to restrain or prevent transactions in commerce in malt beverages:

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

(b) By acquiring any interest in real or personal property owned, occupied, or used by the retailer in the conduct of his or her business;

(c) By furnishing, giving, renting, lending, or selling to the retailer, any equipment, fixtures, signs, supplies, money, services, or other things of value, except as the director of the Division of Malt Beverages, having regard for the public health, the quantity and value of the articles involved, the prevention of monopoly, and the practice of deception, may by administrative regulation otherwise prescribe;

(d) By paying or crediting the retailer for any advertising, display, or distribution service subject to the exceptions which the director may by administrative regulation prescribe;

(e) By guaranteeing any loan or the repayment of any financial obligation of the retailer; or

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

(2) Notwithstanding any provisions in KRS ***Chapters 241 to***~~[Chapter]~~ 244 and this section, a brewer or distributor may:

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

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

➔SECTION 26. A NEW SECTION OF KRS CHAPTER 242 IS CREATED TO READ AS FOLLOWS:

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

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

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

(4) The provisions of this section shall expire three (3) years after the effective date of this Act.

➔Section 27. KRS 242.125 is amended to read as follows:

(1)~~[As used in this section, "city" or "cities" means a city or cities containing a population equal to or greater than three thousand (3,000) based upon the most recent federal decennial census.~~

~~(2)]~~ A city shall not be deemed to be the "same territory" as that of a county within the meaning of KRS 242.030(5). A city shall have the right to determine its wet or dry status separate from a county's wet or dry status.

(2)~~[(3)]~~ A dry or moist city may hold a local option election to take the sense of the city residents for establishing the city as a wet territory. If the majority of the votes are in favor of establishing the city as a wet territory, the whole city shall become wet territory by application of KRS 242.200.

(3)~~[(4)]~~ Once a city votes under this section to become wet territory separate from the county, a countywide local option election establishing the county as dry or moist territory shall not cause the city to become dry or moist territory.

(4)~~[(5)]~~ A wet city may hold a local option election to take the sense of the city residents for establishing the city as a dry or moist territory. If the majority of the votes are in favor of establishing the city as a dry or moist territory, the whole city shall become dry or moist territory by application of KRS 242.190.

(5)~~[(6)]~~ If a city votes to become wet territory, a precinct of the city may hold a later election in conformity with this chapter to take the sense of the city precinct residents for establishing the city precinct as a dry or moist territory. If the majority

of the votes are in favor of establishing the city precinct as a dry or moist territory, the city precinct shall become dry or moist territory by application of KRS 242.190.

(6)~~[(7)]~~ If a city precinct becomes dry or moist territory separate from a wet city, the city precinct may hold a later election in conformity with this chapter, to take the sense of the city precinct residents for reestablishing the city precinct as a wet territory. If the majority of the votes are in favor of reestablishing the city precinct as a wet territory, the city precinct shall become wet territory by application of KRS 242.200.

(7)~~[(8)]~~ A dry or moist county containing a wet city may hold a local option election to take the sense of the county residents for establishing the county as a wet territory. If the majority of the votes are in favor of establishing the county as a wet territory, the whole county shall become wet territory by application of KRS 242.200.

(8)~~[(9)]~~ A wet county containing a wet city by separate city election under this section may hold a local option election to take the sense of the county residents for establishing the county as a dry or moist territory. If the majority of the votes are in favor of establishing the county as a dry or moist territory, the county territory outside the wet city limits shall become dry or moist territory by application of KRS 242.190.

(9)~~[(10)]~~ Residents of any city, including a separately wet city, are residents of the county, and shall therefore be permitted to sign any petitions for, and vote in, county local option elections under this section.

(10)~~[(11)]~~ A petition seeking a local option election under this section shall state "We the undersigned registered voters hereby petition for an election on the following question: 'Are you in favor of the sale of alcoholic beverages in (name of county, city, or precinct)?'".

(11)~~[(12)]~~ In any local option election under this section, the proposition to be voted upon shall state "Are you in favor of the sale of alcoholic beverages in (name of

county, city, or city precinct)?".

(12) ~~[(13)]~~ The status of any moist territory approving limited alcoholic beverage sales through a previous election held under KRS 242.123, 242.124, 242.1242, and 242.1244, or any other limited local option election, shall not be affected by any outcome of any election held under this section. A territory's moist status may only be changed by a local option election on the original same moist election proposition.

~~[(14) Any city that does not meet the population requirements of subsection (1) of this section that held a separate city-wide election pursuant to subsections (1) to (4) of this section prior to January 1, 2015, shall maintain its wet status and shall be treated as a city as defined in this section for the purposes of subsections (5) to (13) of this section.]~~

➔SECTION 28. A NEW SECTION OF KRS CHAPTER 244 IS CREATED TO READ AS FOLLOWS:

No person shall possess, sell, offer for sale, or use any powered or crystalline alcoholic beverage product.

➔Section 29. The following KRS section is repealed:

243.892 Sales to be made only to licensed retailer -- Discounts prohibited.

President of Senate

Speaker-House of Representatives

Attest: Chief Clerk of Senate

Approved Governor

Date 9 APRIL 2016