Kentucky Enacts New Laws to Further Promote the Distilled Spirits Industry

Mar 30, 2022

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Last week, the Kentucky General Assembly passed 2022 House Bill (HB) 500, which will boost Kentucky's already booming distilled spirits industry. HB 500 resolves regulatory concerns regarding the popular distillery practice of offering private barrel selection (PBS) events and expands the sale of PBS bottles and other specialty products. Importantly, as emergency legislation, the benefits of HB 500 are immediately effective now that it was signed into law by Governor Beshear on March 29, 2022.

Specifically, HB 500 affirms the continued practice of holding PBS events at Kentucky distilleries, allows for distillers to have one (1) off-site "satellite" tasting room/retail store with full retail privileges per each licensed distillery premises, and permits several other activities aimed at growing tourism and economic development for the bourbon industry, including:

- Direct shipment of PBS bottles to private participant consumers and non-profits;
- Sales of distillers' PBS bottles at their gift shops, including bottles that are only available at their gift shops (which breweries and wineries are already generally permitted to do under Kentucky law);
- Sales of certain amounts of sample and package distilled spirits at fairs, festivals and farmers' markets (distillers could previously only sell by-the-drink at these events);
- Sales of barrel-aged and batched cocktails by bars, restaurants and tasting rooms; and
- Sales by restaurants and bars of their own PBS bottles for consumption off through a new limited, non-quota package license.

HB 500 marks an unprecedented compromise within Kentucky's three-tiered system after Kentucky legislators worked directly with

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the wholesale and retail industry to make the laws as fair and beneficial to the entire three-tiered structure as possible. This effort included limiting the amount of PBS bottles that distillers can sell to private consumers and requiring all PBS bottles sold to retail/licensed customers to go through the traditional three-tiered system. Additional amendments to the original HB 500 include tailored limitations on the sales of specialty bottles and on satellite tasting room operations. The bill, as amended, also authorizes licensed liquor retailers to offer free samples and sell bottles of wine at fairs, festivals and farmers' markets.

HB 500 is significant legislation for the industry, and it builds upon other recent Kentucky law changes for distillers discussed in our prior articles (for example: A Review in Brew: The Bluegrass State's New Alcohol Sampling Laws and States Pursue Changes to Allow Direct Shipment and Delivery of Craft Spirits)

If you have any questions about HB 500, prior legislation affecting the Kentucky distilled spirits industry, or other tax and regulatory issues for the industry, you can reach out directly to Daniel Mudd, Chris Coffman, or anyone in our firm's Alcohol Service Team. You can also continue to follow our Tax Law Defined Blog for more updates.

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