

CHAPTER 82**(SB 202)**

AN ACT relating to regulated beverages and declaring an emergency.

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 KRS Chapters 241 to 244, 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, 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) "Barrel-aged and batched cocktail" means an alcoholic beverage that is:
 - (a) Composed of:
 1. Distilled spirits that have been dispensed from their original sealed container; and
 2. Other ingredients or alcoholic beverages;
 - (b) Placed into a barrel or container on the premises of a retail licensee; and
 - (c) Dispensed from the barrel or container as a retail sale by the drink;
- (6) "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;

- (7) "Board" means the State Alcoholic Beverage Control Board created by KRS 241.030;
- (8) "Bottle" means any container which is used for holding alcoholic beverages for the use and sale of alcoholic beverages at retail;
- (9) "Brewer" means any person who manufactures malt beverages or owns, occupies, carries on, works, or conducts any brewery, either alone or through an agent;
- (10) "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;
- (11) "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;
- (12) ***"Cannabinoid" means a compound found in the hemp plant Cannabis sativa L. from a United States Department of Agriculture sanctioned domestic hemp production program and does not include cannabinoids derived from any other substance;***
- (13) ***"Cannabis-infused beverage":***
 - (a) ***Means a properly permitted adult-use cannabinoid liquid product intended for human consumption that has intoxicating properties that change the function of the nervous system and results in alterations of perception, cognition, or behavior and shall not contain more than five (5) milligrams of intoxicating adult-use cannabinoids per twelve (12) ounce serving; and***
 - (b) ***Shall not include:***
 - 1. ***Medicinal cannabis regulated under KRS Chapter 218B;***
 - 2. ***Any type of hemp tincture; and***
 - 3. ***Any product containing solely nonintoxicating cannabinoids;***
- ~~(14)~~~~(12)~~ "Caterer" means a person operating a food service business that prepares food in a licensed and inspected commissary, transports the food and alcoholic beverages to the caterer's designated and inspected banquet hall or to an agreed location, and serves the food and alcoholic beverages pursuant to an agreement with another person;
- ~~(15)~~~~(13)~~ "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;
- ~~(16)~~~~(14)~~ "Cider" means any fermented fruit-based beverage containing seven percent (7%) or more alcohol by volume and includes hard cider and perry cider;
- ~~(17)~~~~(15)~~ "City administrator" means city alcoholic beverage control administrator;
- ~~(18)~~~~(16)~~ "Commercial airport" means an airport through which more than five hundred thousand (500,000) passengers arrive or depart annually;
- ~~(19)~~~~(17)~~ (a) "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 and which:
 - 1. Has four (4) wheels;
 - 2. Is operated in a manner similar to that of a bicycle;
 - 3. Is equipped with a minimum of thirteen (13) seats for passengers;
 - 4. Has a unibody design;
 - 5. Is equipped with a minimum of four (4) hydraulically operated brakes;

- 6. Is used for commercial tour purposes;
 - 7. Is operated by the vehicle owner or an employee of the owner; and
 - 8. Has an electrical assist system that shall only be used when traveling to or from its storage location while not carrying passengers.
- (b) A "commercial quadricycle" is not a motor vehicle as defined in KRS 186.010 or 189.010;
- ~~(20)(18)~~ "Commissioner" means the commissioner of the Department of Alcoholic Beverage Control;
- ~~(21)(19)~~ "Consumer" means a person, persons, or business organization who purchases alcoholic beverages and who:
- (a) Does not hold a license or permit issued by the department;
 - (b) Purchases the alcoholic beverages for personal consumption only and not for resale;
 - (c) Is of lawful drinking age; and
 - (d) Receives the alcoholic beverages in territory where the alcoholic beverages may be lawfully sold or received;
- ~~(22)(20)~~ "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;
- ~~(23)(21)~~ "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;
- ~~(24)(22)~~ "County administrator" means county alcoholic beverage control administrator;
- ~~(25)(23)~~ "Department" means the Department of Alcoholic Beverage Control;
- ~~(26)(24)~~ "Dining car" means a railroad passenger car that serves meals to consumers on any railroad or Pullman car company;
- ~~(27)(25)~~ "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;
- ~~(28)(26)~~ "Distilled spirits" or "spirits" means any product capable of being consumed by a human being which contains alcohol obtained by distilling, mixed with water or other substances in solution, except wine, hard cider, and malt beverages;
- ~~(29)(27)~~ "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;
- ~~(30)(28)~~ "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;
- ~~(31)(29)~~ "Distributor" means any person who distributes malt beverages for the purpose of being sold at retail;
- ~~(32)(30)~~ "Dry" means a territory in which a majority of the electorate voted to prohibit all forms of retail **alcoholic beverage** ~~sales~~ through a local option election held under KRS Chapter 242;
- ~~(33)(31)~~ "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 ***alcoholic beverages***~~[alcohol]~~;
- ~~(34)~~~~(32)~~ "Horse racetrack" means a facility licensed to conduct a horse race meeting under KRS Chapter 230;
- ~~(35)~~~~(33)~~ "Hotel" means a hotel, motel, or inn for accommodation of the traveling public, designed primarily to serve transient patrons;
- ~~(36)~~~~(34)~~ "Investigator" 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 licensees, 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;
- ~~(37)~~~~(35)~~ "License" means any license issued pursuant to KRS Chapters 241 to 244;
- ~~(38)~~~~(36)~~ "Licensee" means any person to whom a license has been issued, pursuant to KRS Chapters 241 to 244;
- ~~(39)~~~~(37)~~ "Limited restaurant" means:
 - (a) A facility where the usual and customary business is the preparation and serving of meals to consumers, which has a bona fide kitchen facility, which receives at least seventy percent (70%) of its food and alcoholic beverage 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; or
 - (b) A facility where the usual and customary business is the preparation and serving of meals to consumers, which has a bona fide kitchen facility, which receives at least seventy percent (70%) of its food and alcoholic beverage receipts from the sale of food, which maintains a minimum seating capacity of one hundred (100) persons of dining, and which is located in a wet or moist territory under KRS 242.1244;
- ~~(40)~~~~(38)~~ "Local administrator" means a city alcoholic beverage ***control*** administrator, county alcoholic beverage ***control*** administrator, or urban-county alcoholic beverage control administrator;
- ~~(41)~~~~(39)~~ "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;
- ~~(42)~~~~(40)~~ "Manufacture" means distill, rectify, brew, bottle, and operate a winery;
- ~~(43)~~~~(41)~~ "Manufacturer" means a winery, distiller, rectifier, or brewer, and any other person engaged in the production or bottling of alcoholic beverages;
- ~~(44)~~~~(42)~~ "Marina" means a dock or basin providing moorings for boats and offering supply, repair, or other services for remuneration;
- ~~(45)~~~~(43)~~ "Minor" means any person who is not twenty-one (21) years of age or older;
- ~~(46)~~~~(44)~~ "Moist" means a territory in which a majority of the electorate voted to permit limited ***alcoholic beverage***~~[alcohol]~~ sales by any one (1) or a combination of special limited local option elections authorized by KRS Chapter 242;
- ~~(47)~~~~(45)~~ "Population" means the population figures established by the federal decennial census for a census year or the current yearly population estimates prepared by the Kentucky State Data Center, Urban Studies Center of the University of Louisville, Louisville, Kentucky, for all other years;
- ~~(48)~~~~(46)~~ "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;
- ~~(49)~~~~(47)~~ "Primary source of supply" or "supplier" means the distiller, winery, brewer, producer, owner of the commodity at the time it becomes a marketable product, bottler, or authorized agent of the brand owner. In the case of imported products, the primary source of supply means either the foreign producer, owner, bottler, or agent of the prime importer from, or the exclusive agent in, the United States of the foreign distiller, producer, bottler, or owner;

- (50)~~((48))~~ "Private club" means a nonprofit social, fraternal, military, or political organization, club, or nonprofit or for-profit entity maintaining or operating a club room, club rooms, or premises from which the general public is excluded;
- (51)~~((49))~~ "Private selection event" means a private event with a licensed distiller during which participating consumers, retail licensees, wholesalers, distributors, or a distillery's own representatives select a single barrel or a blend of barrels of the distiller's products to be specially packaged for the participants;
- (52)~~((50))~~ "Private selection package" means a bottle of distilled spirits sourced from the barrel or barrels selected by participating consumers, retail licensees, wholesalers, distributors, microbreweries that hold a quota retail drink or quota retail package license, or a distillery's own representatives during a private selection event;
- (53)~~((51))~~ "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;
- (54)~~((52))~~ "Qualified historic site" means:
- (a) 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;
 - (b) 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;
 - (c) A distillery which is listed as a National Historic Landmark and which conducts souvenir retail package sales under KRS 243.0305; or
 - (d) A not-for-profit or nonprofit facility listed on the National Register of Historic Places;
- (55)~~((53))~~ "Rectifier" means any person who rectifies, purifies, or refines distilled spirits, malt, 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;
- (56)~~((54))~~ "Repackaging" means the placing of alcoholic beverages in any retail container irrespective of the material from which the container is made;
- (57)~~((55))~~ "Restaurant" means a facility where the usual and customary business is the preparation and serving of meals to consumers, that has a bona fide kitchen facility, and that receives at least fifty percent (50%) of its food and alcoholic beverage receipts from the sale of food at the premises;
- (58)~~((56))~~ "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 or shipment to the consumer or not;
- (59)~~((57))~~ "Retail sale" means any sale of alcoholic beverages to a consumer, including those transactions taking place in person, electronically, online, by mail, or by telephone;
- (60)~~((58))~~ "Retailer" means any licensee who sells and delivers any alcoholic beverage to consumers, except for manufacturers with limited retail sale privileges and direct shipper licensees;
- (61)~~((59))~~ "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 forty (40) or more passengers for hire on navigable waters in or adjacent to this state;
- (62)~~((60))~~ "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;
- (63)~~((61))~~ "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;
- (64)~~((62))~~ "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;

- (65)~~((63))~~ "Small farm winery" means a winery whose wine production is not less than two hundred fifty (250) gallons and not greater than five hundred thousand (500,000) gallons in a calendar year;
- (66)~~((64))~~ "Souvenir package" means a special package of distilled spirits available from a licensed retailer that is:
- (a) Available for retail sale at a licensed Kentucky distillery where the distilled spirits were 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;
- (67)~~((65))~~ "State administrator" or "administrator" means the distilled spirits administrator or the malt beverages administrator, or both, as the context requires;
- (68)~~((66))~~ "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;
- (69)~~((67))~~ "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;
- (70)~~((68))~~ "Territory" means a county, city, district, or precinct;
- (71)~~((69))~~ "Urban-county administrator" means an urban-county alcoholic beverage control administrator;
- (72)~~((70))~~ "Valid identification document" means an unexpired, government-issued form of identification that contains the photograph and date of birth of the individual to whom it is issued;
- (73)~~((71))~~ "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;
- (74)~~((72))~~ "Vintage distilled spirit" means:
- (a) A private selection package; or
 - (b) A package or packages of distilled spirits that:
 - 1. Are in their original manufacturer's unopened container;
 - 2. Are not owned by a distillery; and
 - 3. Are not otherwise available for purchase from a licensed wholesaler within the Commonwealth;
- (75)~~((73))~~ (a) "Vintage distilled spirits seller" means a nonlicensed person at least twenty-one (21) years of age who is:
- 1. An administrator, executor, receiver, or other fiduciary who receives and sells vintage distilled spirits in execution of the person's fiduciary capacity;
 - 2. A creditor who receives or takes possession of vintage distilled spirits as security for, or in payment of, debt, in whole or in part;
 - 3. A public officer or court official who levies on vintage distilled spirits under order or process of any court or magistrate to sell the vintage distilled spirits in satisfaction of the order or process; or
 - 4. Any other person not engaged in the business of selling alcoholic beverages.
- (b) "Vintage distilled spirits seller" does not mean:
- 1. A person selling alcoholic beverages as part of an approved KRS 243.630 transfer; or
 - 2. A person selling alcoholic beverages as authorized by KRS 243.540;
- (76)~~((74))~~ "Warehouse" means any place in which alcoholic beverages are housed or stored;
- (77)~~((75))~~ "Weak cider" means any fermented fruit-based beverage containing more than one percent (1%) but less than seven percent (7%) alcohol by volume;

~~(78)(76)~~ "Wet" means a territory in which a majority of the electorate voted to permit all forms of retail ~~alcoholic beverage~~~~alcohol~~ sales by a local option election under KRS 242.050 or 242.125 on the following question: "Are you in favor of the sale of alcoholic beverages in (name of territory)?"

~~(79)(77)~~ "Wholesale sale" means a sale to any person for the purpose of resale;

~~(80)(78)~~ "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;

~~(81)(79)~~ "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

~~(82)(80)~~ "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. KRS 241.020 is amended to read as follows:

- (1) The department shall administer statutes relating to, and regulate traffic in, alcoholic beverages, except that the collection of taxes shall be administered by the Department of Revenue. The department may issue advisory opinions and declaratory rulings related to KRS Chapters 241 to 244 and the administrative regulations promulgated under those chapters.
- (2) ***Notwithstanding any other statute or administrative regulation to the contrary, the department shall have authority to administer statutes relating to, and regulate the retail licensing and distribution of, cannabis-infused beverages.***
- (3) A Division of Distilled Spirits, under the supervision of the board, shall administer the laws in relation to traffic in distilled spirits,~~and~~ wine, ***and cannabis-infused beverages.***
- ~~(4)(3)~~ A Division of Malt Beverages, under the supervision of the board, shall administer the laws in relation to traffic in malt beverages.

➔Section 3. KRS 241.060 is amended to read as follows:

The board shall have the following functions, powers, and duties:

- (1) To promulgate reasonable administrative regulations governing procedures relative to the applications for and revocations of licenses, the supervision and control of the use, manufacture, sale, transportation, storage, advertising, and trafficking of alcoholic beverages, ***the retail licensing and distribution of cannabis-infused beverages,*** and all other matters over which the board has jurisdiction. The only administrative regulation that shall be promulgated in relation to the direct shipper license is to establish the license application, as set forth in KRS 243.027(4). To the extent any administrative regulation previously promulgated is contrary to the provisions of KRS 13A.120(2), the board shall repeal or amend the administrative regulation as necessary by January 1, 2022. Administrative regulations need not be uniform in their application but may vary in accordance with reasonable classifications;
- (2) To limit~~in its sound discretion~~ the number of licenses of each kind or class to be issued in this state or any political subdivision, and restrict the locations of licensed premises. To this end, the board may make reasonable division and subdivision of the state or any political subdivision into districts. Administrative regulations relating to the approval, denial, and revocation of licenses may be different within the several divisions or subdivisions;
- (3) To hold hearings in accordance with the provisions of KRS Chapter 13B. The department may pay witnesses the per diem and mileage provided in KRS 421.015;
- (4) To conduct hearings and appeals under KRS 241.150, 241.200, 241.260, 243.470, 243.520, 438.308, 438.309, 438.312, 438.316, and 438.340 and render final orders upon the subjects of the hearings and appeals;
- (5) (a) To order the destruction of evidence, other than contraband alcoholic beverages suitable for public auction under paragraph (b) of this subsection, in the department's possession after all administrative and judicial proceedings are conducted.

- (b) To dispose of contraband alcoholic beverages through public auction if:
 - 1. A final order relating to those contraband alcoholic beverages has been entered after all administrative and judicial proceedings are conducted, if applicable;
 - 2. The entire proceeds of the public auction are donated to the alcohol wellness and responsibility education fund established in KRS 211.285; and
 - 3. The board deems the inventory safe to release to the public, including but not limited to the alcoholic beverages being in their original, unopened packaging;
- (6) To suspend, revoke, or cancel for cause, after a hearing in accordance with KRS Chapter 13B, any license; and
- (7) To prohibit the issuance of a license for the premises until the expiration of two (2) years from the time the offense was committed if a violation of KRS Chapters 241 to 244 has taken place on the premises which the owner knew of or should have known of, or was committed or permitted in or on the premises owned by the licensee.

➔Section 4. KRS 241.080 is amended to read as follows:

The distilled spirits administrator may approve and issue or deny any state license authorizing traffic in distilled spirits and wine *or in cannabis-infused beverages*. The malt beverages administrator may approve and issue or deny any state license authorizing traffic in malt beverages. Both the distilled spirits administrator and the malt beverages administrator may approve and issue or deny state licenses authorizing the traffic in alcoholic beverages.

➔Section 5. KRS 241.090 is amended to read as follows:

State administrators and all investigators shall have the full police powers of peace officers, and their jurisdiction shall be coextensive with the state. They may inspect any premises where alcoholic beverages are manufactured, sold, stored, or otherwise trafficked in *or any premises where cannabis-infused beverages are sold, stored, or otherwise trafficked in*, without first obtaining a search warrant. They may confiscate any contraband property. The jurisdiction and police powers of state administrators and all investigators during an emergency declared under KRS Chapter 39A shall be subject to the limitations of KRS 39A.090.

➔SECTION 6. A NEW SECTION OF KRS CHAPTER 243 IS CREATED TO READ AS FOLLOWS:

- (1) (a) *The distribution and retail sale of cannabis-infused beverages shall be regulated solely by the Department of Alcoholic Beverage Control. The department shall adopt and exclusively enforce the administrative regulations of the Department for Public Health relating to the distribution and retail sale of cannabis-infused beverages until such time as the Alcoholic Beverage Control Department promulgates its own administrative regulations on the subject on or before July 1, 2026.*
- (b) *The distribution and retail sale of packaged cannabis-infused beverages shall be regulated by the department. On or before July 1, 2026, the department shall promulgate administrative regulations in accordance with KRS Chapter 13A to establish the rules and procedures for this distribution and retail sale.*
- (c) *A local administrator shall only have authority over the distribution and retail sale of cannabis-infused beverages in its territory to the extent expressly authorized by KRS Chapters 241 to 244.*
- (2) *Cannabis-infused beverages shall only be available for retail sale:*
 - (a) *By the package;*
 - (b) *In wet territory; and*
 - (c) *By the holder of both a quota retail package license and a cannabis-infused beverage retail package license.*
- (3) *A person under twenty-one (21) years of age shall not purchase or consume cannabis-infused beverages. All restrictions and offenses related to minors and alcoholic beverages in KRS Chapters 241 to 244 shall also apply in the same manner to minors and cannabis-infused beverages.*
- (4) *If approved as a cannabis-infused beverage manufacturer by the Department for Public Health, that manufacturer may:*
 - (a) *Self-distribute cannabis-infused beverages in the same manner as distilled spirits; and*

- (b) *Ship cannabis-infused beverages under a direct shipper license in the same manner that a direct shipper license allows the shipment of alcoholic beverages. A direct shipper licensee may sell or ship to a consumer all types of alcoholic beverages and cannabis-infused beverages that the licensee is authorized to sell.*

- (5) *Cannabis-infused beverages may be shipped and delivered in the same manner as alcoholic beverages.*

➔SECTION 7. A NEW SECTION OF KRS CHAPTER 243 IS CREATED TO READ AS FOLLOWS:

A cannabis-infused beverage retail package license shall only be issued as a supplemental license to the holder of a quota retail package license. A cannabis-infused beverage retail package license shall authorize the licensee to sell cannabis-infused beverages at retail by the package from the licensed premises only for consumption off the licensed premises only. The licensee shall purchase cannabis-infused beverages only from the holder of a cannabis-infused beverage distributor's license.

➔SECTION 8. A NEW SECTION OF KRS CHAPTER 243 IS CREATED TO READ AS FOLLOWS:

- (1) *A cannabis-infused beverage distributor's license may be issued as a primary license to a qualifying person as determined by the department or as a supplemental license to the holder of a distributor's or wholesaler's license. A cannabis-infused beverage distributor's license shall authorize the licensee to:*

- (a) *Purchase cannabis-infused beverages from:*

- 1. *A manufacturer of cannabis-infused beverages that has been approved as a cannabis-infused beverage manufacturer by the Department for Public Health; and*
- 2. *Another holder of a cannabis-infused beverage distributor's license; and*

- (b) *Store cannabis-infused beverages and to sell them from its licensed premises to the holder of a:*

- 1. *Cannabis-infused beverage retail package license; or*
- 2. *Cannabis-infused beverage distributor's license.*

- (2) *A cannabis-infused beverage distributor shall transport cannabis-infused beverages only by a vehicle owned, rented, or leased and operated by the cannabis-infused beverage distributor, which has affixed to its sides at all times a sign of form and size prescribed by the board, containing among other things the name and license number of the licensee. No distilled spirits, wine, or malt beverages shall be transported on the same truck or vehicle with cannabis-infused beverages, except by a common carrier, unless the owner of that truck or vehicle holds the wholesaler's or distributor's license that allows the transport of that type of alcoholic beverage.*

- (3) *A cannabis-infused beverage distributor's license shall be obtained for each separate warehouse, agent, distributor, broker, jobber, or place of business from which orders are received or cannabis-infused beverages are distributed.*

- (4) *The holder of a cannabis-infused beverage distributor's license shall:*

- (a) *Not hold a cannabis-infused beverage retail package license; and*

- (b) *Have a licensed location in Kentucky.*

➔Section 9. KRS 243.020 is amended to read as follows:

- (1) *A person shall not do any act authorized by any kind of license with respect to the manufacture, storage, sale, purchase, transporting, or other traffic in alcoholic beverages **or the distribution, retail sale, or transportation of cannabis-infused beverages** unless the person holds or is an independent contractor, agent, servant, or employee of a person who holds the kind of license that authorizes the act, or is a third party utilized by a direct shipper licensee as set forth in KRS 243.027.*
- (2) *The holding of any permit from the United States government to traffic in alcoholic beverages without the corresponding requisite state and local licenses shall in all cases raise a rebuttable presumption that the holder of the United States permit is unlawfully trafficking in alcoholic beverages.*
- (3) *Except as permitted by KRS 243.033, 243.036, 243.155, 243.157, and 243.260, a person, conducting a place of business patronized by the public, who is not a licensee authorized to sell alcoholic beverages, shall not permit any person to sell, barter, loan, give away, or drink alcoholic beverages on the premises of the place of business.*

- (4) A licensee shall not permit any consumer to possess, give away, or drink alcoholic beverages *or cannabis-infused beverages* on the licensed premises that are not purchased from the licensee.
- (5) In a moist territory, the only types of licenses that may be issued are those that directly correspond with the types of sales approved by the voters through moist elections within the territory, unless otherwise specifically authorized by statute.
- (6) Notwithstanding subsections (3) and (4) of this section, with the written permission of a licensed entertainment destination center:
 - (a) A retail drink licensee located wholly within a licensed entertainment destination center or that has a storefront sharing a physical boundary with that licensed entertainment destination center may allow persons on the licensee's premises to possess and drink alcoholic beverages that were purchased from another retail drink licensee located wholly within, or that has a storefront sharing a physical boundary with, the licensed entertainment destination center; and
 - (b) A nonlicensed place of business that is located wholly within a licensed entertainment destination center or that has a storefront sharing a physical boundary with that licensed entertainment destination center may allow persons on its property to possess and drink alcoholic beverages that were purchased from a retail drink licensee located wholly within, or that has a storefront sharing a physical boundary with, the licensed entertainment destination center.

➔Section 10. KRS 243.027 is amended to read as follows:

- (1) KRS 243.027 to 243.029 shall supersede any conflicting statute in KRS Chapters 241 to 244.
- (2) A direct shipper license shall authorize the holder to ship alcoholic beverages *or cannabis-infused beverages* to consumers. The department shall issue a direct shipper license to a successful applicant that:
 - (a) Pays an annual license fee of one hundred dollars (\$100);
 - (b) Is a manufacturer located in this state or any other state, *a cannabis-infused beverage manufacturer licensed by the Department for Public Health*, or an alcoholic beverage supplier licensed under KRS 243.212 or 243.215; and
 - (c) Holds a current license, permit, or other authorization to manufacture or supply alcoholic beverages *or cannabis-infused beverages* in the state where the applicant is located. If an applicant is located outside of Kentucky, proof of its current license, permit, or other authorization as issued by its home state shall be sufficient proof of its eligibility to hold a direct shipper license in Kentucky.
- (3) (a) A manufacturer applicant shall only be authorized to ship ~~alcoholic~~ beverages that are sold under a brand name owned or exclusively licensed to the manufacturer, provided the ~~alcoholic~~ beverages were:
 - 1. Produced by the manufacturer;
 - 2. Produced for the manufacturer under a written contract with another manufacturer; or
 - 3. Bottled *or canned* for or by the manufacturer.
- (b) An applicant licensed under KRS 243.212 or 243.215 shall only be authorized to ship alcoholic beverages *or cannabis-infused beverages* for which it is the primary source of supply.
- (4) The department shall establish the form for a direct shipper license application through the promulgation of an administrative regulation. These requirements shall include only the following:
 - (a) The address of the manufacturer or supplier; and
 - (b) If the applicant is located outside this state, a copy of the applicant's current license, permit, or other authorization to manufacture, store, or supply alcoholic beverages *or cannabis-infused beverages* in the state where the applicant is located.
- (5) For purposes of this section, the holder of a direct shipper license may utilize the services of a third party to fulfill shipments, subject to the following:
 - (a) The third party shall not be required to hold any alcoholic beverage license *or cannabis-infused beverage license*, but no licensed entity shall serve as a third party to fulfill shipments other than the holder of a storage license or transporter's license;

- (b) The third party may operate from the premises of the direct shipper licensee or from another business location; and
 - (c) The direct shipper licensee shall be liable for any violation of KRS 242.250, 242.260, 242.270, or 244.080 that may occur by the third party.
- (6) A direct shipper licensee shall:
- (a) Agree that the Secretary of State shall serve as its registered agent for service of process. The licensee shall agree that legal service on the agent constitutes legal service on the direct shipper licensee;
 - (b) Maintain the records required under KRS 243.027 to 243.029 and provide the department and the Department of Revenue access to or copies of these records;
 - (c) Allow the department or the Department of Revenue to perform an audit of the direct shipper licensee's records or an inspection of the direct shipper licensee's licensed premises upon request. If an audit or inspection reveals a violation, the department or the Department of Revenue may recover reasonable expenses from the licensee for the cost of the audit or inspection;
 - (d) Register with the Department of Revenue, and file all reports and pay all taxes required under KRS 243.027 to 243.029; and
 - (e) Submit to the jurisdiction of the Commonwealth of Kentucky for any violation of KRS 242.250, 242.260, 242.270, or 244.080 or for nonpayment of any taxes owed.
- (7) (a) Each direct shipper licensee shall submit to the department and the Department of Revenue a quarterly report for that direct shipper license showing:
- 1. The total amount of ~~alcoholic~~ beverages shipped into the state per consumer;
 - 2. The name and address of each consumer;
 - 3. The purchase price of the ~~alcoholic~~ beverages shipped and the amount of taxes charged to the consumer for the ~~alcoholic~~ beverages shipped; and
 - 4. The name and address of each common carrier.
- (b) The Department of Revenue shall create a form through the promulgation of an administrative regulation for reporting under paragraph (a) of this subsection.
- (c) The department shall provide a list of all active direct shipper licensees to licensed common carriers on a quarterly basis to reduce the number of unlicensed shipments in the Commonwealth.
- (8) A direct shipper licensee shall submit a current copy of its alcoholic beverage license *or cannabis-infused beverage license* from its home state along with the one hundred dollar (\$100) license fee every year upon renewal of its direct shipper license.
- (9) Notwithstanding any provision of this section to the contrary, a manufacturer located and licensed in Kentucky may ship by a common carrier holding a Kentucky transporter's license samples of alcoholic beverages produced by the manufacturer in quantities not to exceed one (1) liter, per any recipient, of any individual product in one (1) calendar year of distilled spirits or wine, or ninety-six (96) ounces, per any recipient, of any individual product in one (1) calendar year of malt beverages, to any of the following:
- (a) Marketing or media representatives twenty-one (21) years of age or older;
 - (b) Distilled spirits, wine, or malt beverage competitions or contests;
 - (c) Wholesalers or distributors located outside of Kentucky;
 - (d) Federal, state, or other regulatory testing labs;
 - (e) Third-party product formulation and development partners; and
 - (f) Persons or entities engaged in a private selection event pursuant to KRS 243.0305.

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

➔Section 11. KRS 243.028 is amended to read as follows:

- (1) A direct shipper licensee may sell or ship to a consumer all types of alcoholic beverages *or cannabis-infused beverages* that the licensee is authorized to sell, with the following aggregate limits:
 - (a) Distilled spirits, in quantities not to exceed ten (10) liters per consumer per month;
 - (b) Wine, in quantities not to exceed ten (10) cases per consumer per month;~~and~~
 - (c) Malt beverages, in quantities not to exceed ten (10) cases per consumer per month; *and*
 - (d) *Cannabis-infused beverages, in quantities not to exceed ten (10) cases per customer per month.*
- (2) The direct shipper licensee shall notify the consumer placing the order that the shipment shall not be left unless the recipient of the shipment provides a valid identification document at the time verifying that the recipient is at least twenty-one (21) years of age. All ~~alcoholic~~ beverage containers shipped to the consumer shall be conspicuously labeled with the words "CONTAINS ALCOHOL: SIGNATURE OF PERSON AGE 21 OR OLDER REQUIRED FOR DELIVERY" *or "CONTAINS CANNABIS-INFUSED BEVERAGES: SIGNATURE OF PERSON AGE 21 OR OLDER REQUIRED FOR DELIVERY", as appropriate for each shipment.*
- (3) At the time of delivery, the recipient of the shipment shall present to the individual delivering the package a valid identification document. Prior to transferring possession of the package, the individual delivering the package shall visually inspect the document and verify the identity of the recipient and, by visual examination or by using age verification technology, that the recipient is at least twenty-one (21) years of age.
- (4) Before transferring possession of the package, the individual delivering the package shall obtain the signature of the recipient of the shipment. The individual who receives and signs for the ~~alcoholic~~ beverages is not required to be the consumer who purchased the ~~alcoholic~~ beverages.
- (5) A consumer who intentionally causes shipment to an address deemed unlawful shall, for the first offense, be guilty of a violation punishable by a fine of two hundred fifty dollars (\$250), and for each subsequent offense, be guilty of a violation punishable by a fine of five hundred dollars (\$500). In this instance, the direct shipper licensee and the common carrier shall be held harmless.
- (6) A direct shipper licensee may not sell or ship ~~alcoholic~~ beverages to a consumer from its licensed premises if the consumer's address is located in an area in which *that type of* ~~alcoholic~~ beverages may not be sold or received.
- (7) Shipments made pursuant to this section shall be made through a common carrier.
- (8) If a common carrier is unable to complete delivery, then the ~~alcoholic~~ beverages shall be returned to the consignor.

➔Section 12. KRS 243.030 is amended to read as follows:

The following licenses that authorize traffic in distilled spirits and wine *and in cannabis-infused beverages* may be issued by the distilled spirits administrator. Licenses that authorize traffic in all alcoholic beverages may be issued by both the distilled spirits administrator and malt beverages administrator. The licenses and their accompanying fees are as follows:

- (1) Distiller's license:
 - (a) Class A, per annum\$3,090.00
 - (b) Class B (craft distillery), per annum\$1,000.00
 - (c) Off-premises retail sales outlet, per annum\$300.00
- (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	\$100.00
(13)	Special Sunday retail drink license, per annum	\$520.00
(14)	Caterer's license, per annum	\$830.00
(15)	Special temporary alcoholic beverage auction license, per event	\$100.00
(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 center license:	
	(a) When the licensee is a city, county, urban-county government, consolidated local government, charter county government, or unified local government, per annum	\$2,577.00
	(b) All other licensees, 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, 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)	Authorized public consumption license, per annum	\$250.00
(33)	Direct shipper license, per annum	\$100.00
(34)	Limited nonquota package license, per annum	\$300.00
(35)	Vintage distilled spirits license, per annum	\$300.00
(36)	<i>Cannabis-infused beverage retail package license, per annum</i>	<i>\$500.00</i>
(37)	<i>Cannabis-infused beverage distributor's license, per annum</i>	<i>\$520.00</i>
(38)	<i>Cannabis-infused beverage distributor's license,</i>	

supplemental, per annum\$100.00

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

~~(40)~~~~(37)~~ 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.

~~(41)~~~~(38)~~ 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 13. KRS 243.075 is amended to read as follows:

- (1) (a) A city with a population of less than twenty thousand (20,000) based upon the most recent federal decennial census, a county that does not contain a city with a population equal to or greater than twenty thousand (20,000) based upon the most recent federal decennial census, or a county that contains a city authorized to impose a fee under subsection (9) of this section, that is wet through a local option election held under KRS Chapter 242 is authorized to impose a regulatory license fee not to exceed five percent (5%) upon the gross receipts of the sale of alcoholic beverages **and cannabis-infused beverages** of each establishment located in the city or county licensed to sell alcoholic beverages **or cannabis-infused beverages**.
- (b) The regulatory license fee may be levied at the beginning of each budget period at a percentage rate that is reasonably estimated to fully reimburse the local government for the estimated costs of any additional policing, regulatory, or administrative expenses related to the sale of alcoholic beverages **or cannabis-infused beverages** in the city and county.
- (c) The regulatory license fee shall be in addition to any other taxes, fees, or licenses permitted by law, except:
 1. A credit against a regulatory license fee shall be allowed in an amount equal to any licenses or fees imposed by the city or county pursuant to KRS 243.060 or 243.070; and
 2. In a county in which the city and county both levy a regulatory license fee, the county license fee shall only be applicable outside the jurisdictional boundaries of those cities which levy a license fee.
- (2) (a) A city or county that is moist through a local option election held under KRS 242.1244 may by ordinance impose a regulatory license fee upon the gross receipts of the sale of alcoholic beverages of each establishment located in the city or county and licensed to sell alcoholic beverages by the drink for consumption on the premises.
- (b) The regulatory license fee may be levied annually at a rate that is reasonably estimated to fully reimburse the city or county for the estimated costs for any additional policing, regulatory, or administrative related expenses.
- (c) The regulatory license fee shall be in addition to any other taxes, fees, or licenses permitted by law, but a credit against the fee shall be allowed in an amount equal to any licenses or fees imposed by the city or county pursuant to KRS 243.060 or 243.070.
- (d) In a county in which the city and county both levy a regulatory license fee, the county license fee shall only be applicable outside the jurisdictional boundaries of those cities which levy a license fee.
- (3) (a) For any election held after July 15, 2014, any new fee authorized under subsection (1) or (2) of this section shall be enacted by the city or county no later than two (2) years from the date of the local option election held under KRS Chapter 242.
- (b) Notwithstanding paragraph (a) of this subsection, any city or county that held a local option election between July 15, 2014, and July 15, 2018, may enact a regulatory licensing fee in accordance with subsection (1) of this section within two (2) years of June 29, 2021.

- (4) After July 15, 2014, any fee authorized under subsections (1) and (2) of this section shall be established at a rate that will generate revenue that does not exceed the total of the reasonable expenses actually incurred by the city or county in the immediately previous fiscal year for the additional cost, as demonstrated by reasonable evidence, of:
- (a) Policing;
 - (b) Regulation; and
 - (c) Administration;
- as a result of the sale of alcoholic beverages *or cannabis-infused beverages* within the city or county.
- (5) (a) The Alcoholic Beverage Control Board shall promulgate administrative regulations which set forth the process by which a city or county, in the first year following the discontinuance of prohibition, may estimate any additional policing, regulation, and administrative expenses by a city or county directly and solely related to the discontinuance of prohibition. This subsection shall apply to any discontinuance of prohibition occurring after the promulgation of administrative regulations required by this subsection.
- (b) After the first year, the regulatory license fee for each subsequent year shall conform to the requirements of subsection (4) of this section.
- (6) The revenue received from the imposition of the regulatory license fee authorized under subsections (1) and (2) of this section shall be:
- (a) Deposited into a segregated fund of the city or county;
 - (b) Spent only in accordance with the requirements of subsections (1) and (2) of this section; and
 - (c) Audited under an annual audit performed pursuant to KRS 43.070, 64.810, and 91A.040.
- (7) Any city or county found by a court to have violated the provisions of this section shall:
- (a) Provide a refund as determined by the court to any licensee that has been harmed in an amount equal to its prorated portion of the excess revenues collected by the city or county that are directly attributable to a violation occurring after July 15, 2014;
 - (b) Be responsible for the payment of the reasonable attorney fees directly incurred by a party to a litigation in an amount ordered by the court upon its finding of an intentional and willful violation of this section by a city or county occurring after July 15, 2014; and
 - (c) Upon the finding by a court of a second intentional and willful violation of the provisions of this section, lose the ability to impose the regulatory fee provided by this section for a period of five (5) years and, upon the finding by a court of a third intentional and willful violation, forfeit the right to impose the regulatory license fee authorized by this section.
- (8) Any party bringing suit against a city or county for an alleged violation of this section occurring after July 15, 2014, shall be responsible for the payment of the reasonable attorney fees of the city or county in an amount determined by the court upon a finding by the court that the city or county did not violate this section.
- (9) (a) Any city that does not meet the population requirements of subsection (1) of this section, and any county that has a city exceeding the population requirements of subsection (1) of this section, that imposed a regulatory license fee pursuant to this section as of January 1, 2019, shall be deemed to meet the requirements for doing so set out in this section and may continue to impose the regulatory license fee previously established pursuant to this section.
- (b) Any city or county that is authorized to impose the regulatory license fee under subsection (1) of this section, or under paragraph (a) of this subsection, that imposed the regulatory license fee at a rate higher than five percent (5%) prior to June 27, 2019, may continue to impose the regulatory license fee at a rate that exceeds five percent (5%). The rate shall continue to be calculated annually pursuant to the requirements of this section and shall not exceed the rate that was imposed by the city or county on January 1, 2019.
- (10) A direct shipper licensee shall be subject to and remit the regulatory license fee imposed by this section as though it were an establishment located in a city or county licensed to sell alcoholic beverages *or cannabis-infused beverages*. This fee shall be considered a tax as defined in KRS 243.029.

- (11) Any city or county imposing a regulatory license fee under this section shall file with the department a report showing the applicable fee amount and remittance address for each affected license type in its jurisdiction on or before August 1, 2020. Any adoption of this fee after July 15, 2020, or modification of the applicable fee amount or remittance address for each affected licensee shall be reported to the department within thirty (30) days of adoption by the city or county imposing the fee. Within twenty (20) days after receipt of the information, the department shall compile and publish the information so that it is readily available to the public.

➔Section 14. KRS 243.0811 is amended to read as follows:

- (1) Any person delivering ***alcoholic beverages or cannabis-infused beverages***~~alcohol~~ by the package at retail on behalf of a licensee shall not sell to:
- (a) A minor under twenty-one (21) years of age; or
 - (b) An intoxicated person.
- (2) Any person delivering alcoholic beverages ***or cannabis-infused beverages*** on behalf of a retail package licensee ***or cannabis-infused beverage retail licensee*** to an individual consumer shall verify that the recipient is at least twenty-one (21) years of age by requiring the production of a valid identification document as defined in KRS 241.010.
- (3) Any person delivering ***alcoholic beverages or cannabis-infused beverages***~~alcohol~~ by the package at retail on behalf of a licensee shall possess a physical or electronic version of the license issued by the department.

➔Section 15. 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) of this section, shall be valid for a period of no more than a year. The board 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 local 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 July 15, 2016, 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 local 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, the person 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) The renewal by the department 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) 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.
- (6) The department may deny license renewal if the licensee is a delinquent taxpayer as defined in KRS 131.1815.

➔Section 16. KRS 243.100 is amended to read as follows:

An individual shall not become a licensee if the individual:

- (1) (a) Has been convicted of any felony until five (5) years have passed from the date of conviction, release from custody or incarceration, parole, or termination of probation, whichever is later;
- (b) Has been convicted of any misdemeanor involving a controlled substance that is described in or classified pursuant to KRS Chapter 218A in the two (2) years immediately preceding the application;
- (c) Has been convicted of any misdemeanor directly or indirectly attributable to the use of alcoholic beverages *or cannabis-infused beverages* in the two (2) years immediately preceding the application;
- (d) Is under the age of twenty-one (21) years; or
- (e) Has had any license relating to the regulation of the manufacture, sale, and transportation of alcoholic beverages *or the regulation of the sale, distribution, or transportation of cannabis-infused beverages* revoked for cause or has been convicted of a violation of any statute within KRS Chapters 241 to 244, until the expiration of two (2) years from the date of the revocation or conviction.
- (2) A partnership, limited partnership, limited liability company, corporation, governmental agency, or other business entity recognized by law shall not be licensed if:
 - (a) Each principal owner, partner, member, officer, and director does not qualify under subsection (1)(a), (b), (c), (d), and (e) of this section;
 - (b) It has had any license relating to the regulation of the manufacture, sale, and transportation of alcoholic beverages *or the regulation of the sale, distribution, or transportation of cannabis-infused beverages* revoked for cause or has been convicted of a violation of any statute within KRS Chapters 241 to 244, until the expiration of two (2) years from the date of the revocation or conviction; or
 - (c) Any principal owner, partner, member, officer, or director, or any business entity in which they were directly or indirectly interested, has had any license revoked for cause or has been convicted of a violation of any statute within KRS Chapters 241 to 244, until the expiration of the later of two (2) years from the date of the revocation or two (2) years from the date of conviction.
- (3) The provisions of subsection (1)(a) and (b) shall apply to anyone applying for a new license under this chapter after July 15, 1998, but shall not apply to those who renew a license that was originally issued prior to July 15, 1998, or an application for a supplemental license where the original license was issued prior to July 15, 1998.
- (4) A person shall not evade license disqualification by applying for a license through or under the name of a different person. The state administrators shall examine the ownership, membership, and management of all license applicants, and shall deny the application if a disqualified person has a direct or indirect interest in the applicant's business. The department may issue administrative subpoenas and summonses to determine ownership of an applicant or to investigate alleged violations by a licensee.
- (5) A direct shipper license applicant shall be exempt from the requirements of this section, and shall instead follow the requirements set forth in KRS 243.027.

➔Section 17. KRS 243.110 is amended to read as follows:

- (1) Except as provided in subsection (3) of this section, each kind of license listed in KRS 243.030 shall be incompatible with every other kind listed in that section and no person or entity holding a license of any of those kinds shall apply for or hold a license of another kind listed in KRS 243.030.
- (2) (a) Each kind of license listed in KRS 243.040(1), (3), or (4) shall be incompatible with every other kind listed in KRS 243.040(1), (3), or (4), and no person holding a license of any of those kinds shall apply for or hold a license of any other kind listed in KRS 243.040(1), (3), or (4).
- (b) A brewery holding a license listed in KRS 243.040(5) or (8) shall not apply for or hold a license listed in KRS 243.040(3) or (4).
- (3) (a) The holder of a quota retail package license may also hold a quota retail drink license, an NQ1 retail drink license, an NQ2 retail drink license, an NQ3 retail drink license, *a cannabis-infused beverage retail package license*, or a special nonbeverage alcohol license.
- (b) The holder of a transporter's license may also hold a distilled spirits and wine storage license.

- (c) The holder of a distiller's license may also hold a rectifier's license, a special nonbeverage alcohol license, a winery license, or a small farm winery license.
- (d) A commercial airline system or charter flight system retail license, a commercial airline system or charter flight system transporter's license, and a retail drink license if held by a commercial airline or charter flight system may be held by the same licensee.
- (e) A Sunday retail drink license, vintage distilled spirits license, and supplemental license may be held by the holder of a primary license.
- (f) The holder of a distiller's, winery, small farm winery, brewer, microbrewery, distilled spirits and wine supplier's, or malt beverage supplier's license may also hold a direct shipper license.
- (g) The holder of an NQ1 retail drink license, an NQ2 retail drink license, or a limited restaurant license may also hold a limited nonquota package license.
- (4) (a) *The holder of a cannabis-infused beverage retail package license shall not apply for or hold the license listed in subsection (5) of Section 12 of this Act or in KRS 243.040(3).*
- (b) *The holder of a cannabis-infused beverage retail package license shall also hold a quota retail package license.*
- (c) *The holder of a cannabis-infused beverage distributor's license may hold it as a primary license or as a supplemental license to a distributor's license or a wholesaler's license.*
- (5) Any person may hold two (2) or more licenses of the same kind.
- ~~(6)~~~~(5)~~ A person or entity shall not evade the prohibition against applying for or holding licenses of two (2) kinds by applying for a second license through or under the name of a different person or entity. The state administrator shall examine the ownership, membership, and management of applicants, and shall deny the application for a license if the applicant is substantially interested in a person or entity that holds an incompatible license.

➔Section 18. KRS 243.200 is amended to read as follows:

- (1) A transporter's license may be issued as a primary license to a motor carrier authorized to transact business in the Commonwealth by the Transportation Cabinet or the Federal Motor Carrier Safety Administration or to another person engaged in business as a common carrier. A person holding a transporter's license may transport alcoholic beverages *or cannabis-infused beverages* to or from the licensed premises of any licensee under this chapter to an individual consumer if both the consignor and consignee in each case are authorized by the law of the states of their residence to sell, purchase, deliver, ship, or receive the alcoholic beverages *or cannabis-infused beverages*.
- (2) (a) A transporter may deliver or ship to consumers over twenty-one (21) years of age in packages clearly marked *either, as appropriate:*
 - 1. "Alcoholic Beverages, adult signature (21 years of age or over) required~~{}{}~~"; *or*
 - 2. *"Cannabis-infused Beverages, adult signature (21 years of age or over) required";*
and shall request adult-signature-only service from the carrier.
- (b) Deliveries or shipments of alcoholic beverages *or cannabis-infused beverages* shall only be made into areas of the state in which alcoholic beverages *or cannabis-infused beverages* may be lawfully sold. When the shipper requests adult-signature-only service, it shall be a violation for a common carrier not to inspect government-issued identification for proof of age. No properly licensed common carrier or any of its employees acting on behalf of a consignor in the course and scope of a delivery or shipment of alcoholic beverages *or cannabis-infused beverages* to a consumer shall be liable for a violation of this subsection or any provision of KRS 242.250, 242.260, or 242.270 prohibiting the delivery or shipment of alcoholic beverages *or cannabis-infused beverages* into areas of the state in which alcoholic beverages *or cannabis-infused beverages* are not lawfully sold.
- (3) Except for a common carrier that has been assigned a USDOT number issued by the Federal Motor Carrier Safety Administration, the holder of a transporter's license shall cause each truck or vehicle to display the name of the licensee and the state license numbers in a manner prescribed by an administrative regulation promulgated by the board.

- (4) Except for an application by a common carrier that has been assigned a USDOT number issued by the Federal Motor Carrier Safety Administration, an application for a transporter's license shall include a statement that the applicant, if issued a license, shall allow any authorized investigators of the department to stop and examine the cargo of any truck or vehicle in which alcoholic beverages *or cannabis-infused beverages* are being transported within the boundaries of the Commonwealth of Kentucky.
- (5) A licensee may move, within the same county, alcoholic beverages *or cannabis-infused beverages* from one (1) of the licensee's licensed premises to another without a transporter's license. A licensee may move alcoholic beverages *or cannabis-infused beverages* from one (1) of the licensee's licensed premises located in one (1) county to a licensed premises located in another county, without a transporter's license, with prior written approval of the administrator for good cause shown. The licensee shall keep and maintain, in one (1) of its licensed premises, adequate books and records of the transactions involved in transporting alcoholic beverages *or cannabis-infused beverages* from one (1) licensed premises to another in accordance with standards established in administrative regulations promulgated by the board. The records shall be available to the department and the Department of Revenue upon request.
- (6) Distilled spirits and wine may be transported by any licensed retailer selling distilled spirits or wine, by the package or by the drink, from the premises of a licensed wholesaler to the licensed premises of the retail licensee. Both the wholesaler and the retailer engaging in activity under this subsection shall be responsible for maintaining records documenting the transactions.

➔Section 19. KRS 243.380 is amended to read as follows:

- (1) Applications for distilled spirit and wine licenses *or for cannabis-infused beverage licenses* shall be made to the distilled spirits administrator. Applications for malt beverage licenses shall be made to the malt beverages administrator. Applications for distilled spirits, wine, and malt beverage licenses shall be made to the distilled spirits administrator and to the malt beverages administrator.
- (2) All applications shall be on forms furnished by the department. They shall be verified and shall set forth in detail all information concerning the applicant and the premises submitted for licensing as the board requires through the promulgation of an administrative regulation. Each application shall be accompanied by payment. Payment of the license fee may be by certified check, a postal or express money order, or any other method of payment approved in writing by both the Finance and Administration Cabinet and the Office of the State Treasurer. Promptly upon receipt of the payment the board shall pay it into the State Treasury, giving the Department of Revenue copies of the pay-in vouchers and any other supporting data as the Department of Revenue requires for revenue control purposes.
- (3)
 - (a) A business entity that owns more than two (2) licensed premises may initially submit common information about ownership, officers, directors, managerial employees, and shall provide current criminal background checks once for all separately licensed premises in one (1) master file.
 - (b) Any business qualifying under this subsection shall only be required to amend its master file information for material changes under KRS 243.390(2) or ownership transfers under KRS 243.630.
 - (c) A direct shipper license applicant shall be exempt from the requirements of this subsection and shall instead meet the requirements for its license type as set forth in KRS 243.027.

➔Section 20. KRS 243.390 is amended to read as follows:

- (1) The board may require through the promulgation of an administrative regulation that license applications contain the following information, given under oath:
 - (a) The name, age, Social Security number, address, residence, and citizenship of each applicant;
 - (b) If the applicant is a partner, the name, age, Social Security number, address, residence, and citizenship of each partner and the name and address of the partnership;
 - (c) The name, age, Social Security number, address, residence, and citizenship of each individual or partner interested in the business for which the license is sought, together with the nature of that interest, and, if the applicant is a corporation, limited partnership company, limited liability company, or other business entity recognized by law, the name, age, Social Security number, and address of each principal owner, member, officer, and director of the applicant. The department may require the names of all owners and the ownership percentage held by each;

- (d) The premises to be licensed, stating the street and number, if the premises has a street number, and a description that will reasonably indicate the location of the premises;
- (e) 1. A statement that neither the applicant nor any other person referred to in this section has been convicted of:
 - a. Any misdemeanor directly or indirectly attributable to alcoholic beverages ***or cannabis-infused beverages***;
 - b. Any violation involving a controlled substance that is described in or classified pursuant to KRS Chapter 218A within the two (2) years immediately preceding the application;
 - c. Any felony, within five (5) years from the later of the date of parole or the date of conviction; or
 - d. Providing false information to the department preceding the application; and
- 2. A statement that the applicant or any other person referred to in this section has not had any license that has been issued under ***KRS Chapters 241 to 244***~~[any alcoholic beverage statute]~~ revoked for cause within two (2) years prior to the date of the application;
- (f) A statement that the applicant will in good faith abide by every state and local statute, regulation, and ordinance relating to the manufacture, sale, use of, and trafficking in alcoholic beverages ***or cannabis-infused beverages***; and
- (g) Any other information necessary for the department to administer KRS Chapters 241 to 244.
- (2) If, after a license has been issued, there is a change in any of the facts required to be set forth in the application, a verified supplemental statement in writing giving notice of the change shall be filed with the department within ten (10) days after the change.
- (3) In giving any notice or taking any action in reference to a license, the department may rely upon the information furnished in the application or in the supplemental statement connected with the application. This information, as against the licensee or applicant, shall be conclusively presumed to be correct. The information required to be furnished in the application or supplemental statement shall be deemed material in any prosecution for perjury.
- (4) A direct shipper license applicant shall be exempt from the requirements of this section and shall instead meet the requirements for its license type as set forth in KRS 243.027.

➔Section 21. KRS 243.450 is amended to read as follows:

- (1) A license shall be denied:
 - (a) If the applicant or the premises for which the license is sought does not comply fully with all ~~***applicable***~~~~[alcoholic beverage control]~~ statutes ***under KRS Chapters 241 to 244*** and the administrative regulations of the board;
 - (b) If ***an alcoholic beverage***~~[the]~~ applicant has not obtained approval from the local~~[ABC]~~ administrator for a county or city license required at the proposed premises;
 - (c) If the applicant has done any act for which a revocation of license would be authorized; or
 - (d) If the applicant has made any false material statement in its application.
- (2) A license may be denied by a state administrator for any reason that the administrator, in the exercise of the administrator's sound discretion, deems sufficient. Among those factors that the administrator shall consider in the exercise of this discretion are:
 - (a) Public sentiment in the area;
 - (b) Number of licensed outlets in the area;
 - (c) Potential for future growth;
 - (d) Type of area involved;
 - (e) Type of transportation available;
 - (f) Financial potential of the area; and

(g) Applicant's status as a delinquent taxpayer as defined in KRS 131.1815.

- (3) A direct shipper license applicant shall be exempt from the requirements of this section and shall instead meet the requirements for its license type as set forth in KRS 243.027.

➔Section 22. KRS 243.480 is amended to read as follows:

- (1) Upon proceedings for the revocation of any license under KRS 243.520, the Alcoholic Beverage Control Board, or the local~~alcoholic beverage~~ administrator, may in its or his or her discretion order a suspension of the license for any cause for which it may, but is not required to, revoke the license under the provisions of KRS 243.490 and 243.500. However, the licensee may have the alternative, subject to the approval of the Alcoholic Beverage Control Board or the local~~alcoholic beverage~~ administrator, to pay in lieu of part or all of the days of any suspension period, a sum as follows:
- (a) Except for violations arising from retail sales activities, including sales under licenses issued pursuant to KRS 243.086 and sales at retail under KRS 243.0305:
1. Distillers, rectifiers, wineries, and brewers, one thousand dollars (\$1,000) per day;
 2. Wholesale *distilled spirits and wine*~~liquor~~ licensees, four hundred dollars (\$400) per day;~~and~~
 3. Wholesale *malt beverage*~~beer~~ licensees, four hundred dollars (\$400) per day; **and**
 4. ***Cannabis-infused beverage distributor's license, four hundred dollars (\$400) per day;***
- (b) 1. Retail licensees authorized to sell distilled spirits, wine, or *malt beverages*~~beer~~ by the package or drink, fifty dollars (\$50) per day; and
2. Distillers, wineries, and brewers for violations arising from their retail sales activities, including sales by distillers under licenses issued pursuant to KRS 243.086 and sales at retail under KRS 243.0305, fifty dollars (\$50) per day;~~and~~
- (c) ***Cannabis-infused beverage retail package licenses, fifty dollars (\$50) per day; and***
- (d) All remaining licensees, fifty dollars (\$50) per day.
- (2) Payments in lieu of suspension or for board-ordered agency server training, collected on a cost recovery basis, collected by the Alcoholic Beverage Control Board shall be deposited in the State Treasury and credited to the general expenditure fund. Payments in lieu of suspension collected by local~~alcoholic beverage~~ administrators shall be deposited and used as local alcoholic beverage license tax receipts are deposited and used.
- (3) In addition to or in lieu of a suspension of a license, the board may order a licensee to pay for and require attendance and completion by some or all of the licensee's alcoholic beverage servers in the department's server training program.
- (4) Appeals from orders of suspension and the procedure thereon shall be the same as are provided for orders of revocation in KRS Chapter 13B.
- (5) ***The portions of this section relating to local administrators shall not apply to cannabis-infused beverage licensees.***

➔Section 23. KRS 243.490 is amended to read as follows:

A license may be revoked or suspended by the board for a violation of any of the following:

- (1) Any of the provisions of KRS Chapters 241 to 244;
- (2) Any administrative regulation of the board relating to the regulation of the:
 - (a) Manufacture, sale, and transportation of alcoholic beverages; **or**
 - (b) ***Distribution and retail sale of cannabis-infused beverages;***
- (3) Any rule or administrative regulation of the Department of Revenue relating to the taxation of alcoholic beverages **or cannabis-infused beverages;**
- (4) Any Act of Congress or any rule or regulation of any federal board, agency, or commission;
- (5) Any local ordinance relating to the regulation of the:

- (a) Manufacture, sale, and transportation or taxation of alcoholic beverages; **or**
- (b) ***Distribution, retail sale, or taxation of cannabis-infused beverages;***
- (6) Any of the laws, regulations, or ordinances referred to in this section when an agent, servant, or employee of the licensee committed the violation, irrespective of whether the licensee knew of or permitted the violation or whether the violation was committed in disobedience of the licensee's instructions;
- (7) Any cause which the Alcoholic Beverage Control Board in the exercise of its sound discretion deems sufficient; or
- (8) Any of the reasons for which the state administrator would have been required to deny a license if existing material facts had been known.

➔Section 24. KRS 243.500 (Effective July 1, 2025) is amended to read as follows:

Any license may be revoked or suspended for the following causes:

- (1) Conviction of the licensee or the licensee's agent, servant, or employee for selling any illegal alcoholic beverages **or cannabis-infused beverages** on the licensed premises.
- (2) Making any false, material statements in an application or renewal application for a license or supplemental license.
- (3) Conviction of the licensee or any of the licensee's agents, servants, or employees of:
 - (a) Two (2) violations of the terms and provisions of KRS Chapters 241 to 244, or any act regulating the manufacture, sale, and transportation of alcoholic beverages **or the sale, distribution, or transportation of cannabis-infused beverages** within two (2) consecutive years;
 - (b) Two (2) misdemeanors directly or indirectly attributable to the use of alcoholic beverages **or cannabis-infused beverages** within two (2) consecutive years; or
 - (c) Any felony.
- (4) Failure or default of a licensee to pay an excise tax or any part of the tax or any penalties imposed by or under the provisions of any statutes, ordinances, or Acts of Congress relative to taxation, or for a violation of any related administrative regulations promulgated by the Department of Revenue.
- (5)
 - (a) Revocation of any license or permit provided in KRS 243.060, 243.070, 243.600, and 243.610, or granted under any Act of Congress relative to the regulation of the manufacture, sale, and transportation of alcoholic beverages.
 - (b) ***Revocation of any license established under Section 7, 8, or 18 of this Act relative to the sale, distribution, or transportation of cannabis-infused beverages.***
- (6) Setting up, conducting, operating, or keeping, on the licensed premises, any gambling game, device, machine, contrivance, lottery, gift enterprise, handbook, or facility for betting or transmitting bets on horse races; or permitting to be set up, conducted, operated, kept, or engaged in, on the licensed premises, any gambling game, device, machine, contrivance, lottery, gift enterprise, handbook, or facility. This subsection shall not apply to:
 - (a) The sale of lottery tickets sold under the provisions of KRS Chapter 154A;
 - (b) The operation of a pari-mutuel system for betting, or the operation of sports wagering, where authorized by law;
 - (c) The conduct of charitable gaming by a charitable organization licensed or permitted under KRS Chapters 230 and 238; or
 - (d) Special temporary raffles of alcoholic beverages under KRS 243.036.
- (7) Conviction of the licensee, the licensee's agents, servants, or employees for:
 - (a) The trafficking or possession upon the licensed premises of controlled or illegal substances described in KRS Chapter 218A, including synthetic drugs;
 - (b) Knowingly permitting the trafficking or possession by patrons upon the licensed premises of controlled or illegal substances described in KRS Chapter 218A, including synthetic drugs; or
 - (c) Knowingly receiving stolen property upon the licensed premises.

- (8) Failure to comply with the terms of a final order of the board.

➔Section 25. KRS 243.540 is amended to read as follows:

- (1) The provisions of this section shall apply to any licensee who is unable to continue in business at the licensed premises because of:
- (a) An act of God;
 - (b) A casualty;
 - (c) An acquisition by a federal, state, city, or other governmental agency under the power of eminent domain granted to the government or agency;
 - (d) A voluntary or involuntary acquisition by any corporation or other business entity recognized by law through the power of eminent domain;
 - (e) A loss of lease because the landlord fails to renew an existing lease;
 - (f) Court action;
 - (g) Default under a security agreement;
 - (h) Default under a lease; or
 - (i) Other verifiable business reason.
- (2) If a license issued by the department has been revoked, the former licensee may, under the supervision of the state administrator, dispose of and transfer the former licensee's stock to another licensee if the disposition is completed within ninety (90) days and the licensee is a distiller, rectifier, winery, or brewer. The disposition shall be completed within thirty (30) days if the licensee is a wholesaler or distributor or within twenty (20) days if the licensee is a retailer.
- (3) A retail licensee in good standing with the department who voluntarily ceases to operate the licensed business for any reason other than revocation by the board or a court order shall dispose of all alcoholic beverage **or cannabis-infused beverage** inventory within thirty (30) days of the event. The following requirements shall apply to the disposition of the licensee's inventory:
- (a) If the premises is still open to the public and the licensee has not yet surrendered the license, the licensee shall sell alcoholic beverages **or cannabis-infused beverages** only to the public and shall not sell below costs;
 - (b) If a licensee has terminated the licensed business, the licensee shall submit a written request for approval from the state administrator within ten (10) days in advance of the sale to dispose of the licensee's remaining inventory. The request shall identify the retailer who is purchasing the inventory, the proposed date of the sale, and the quantity, types, and brands of **alcoholic beverages or cannabis-infused beverages**~~alcohol~~ to be sold; and
 - (c) If a licensee has more than one (1) licensed retail premises and closes one (1) or more retail premises and seeks to transfer the inventory to another licensed retail premises the licensee owns, the licensee shall submit a request in writing to the state administrator at least ten (10) days before the inventory is transferred. The request shall identify the premises to which the **alcoholic beverages or cannabis-infused beverages are**~~alcohol is~~ being transferred, the proposed date of the transfer, and the quantity, types, and brands of **alcoholic beverages or cannabis-infused beverages**~~alcohol~~ to be sold.
- (4) If a licensee files for bankruptcy or is directed by a court to dispose of inventory to satisfy a lien or judgment, the inventory may be sold only to a licensee holding any license that authorizes the possession and sale of those alcoholic beverages **or cannabis-infused beverages**. The bankrupt licensee or the licensee subject to the court order shall notify the department of the sale and shall attach a copy of the court order or the judgment directing the sale and a list of the quantity, types, and brands of **alcoholic beverages or cannabis-infused beverages**~~alcohol~~ to be sold, but if the licensee fails to do so, the notification may be made by the bankruptcy trustee, the lienholder, or the judgment creditor. Any licensee who purchases the inventory shall notify the department within five (5) days after the transfer of the specific inventory sold.
- (5) A secured creditor or landlord that is in possession, custody, or control of any alcoholic beverages owned by a licensee may dispose of those alcoholic beverages through the department's public auction as authorized by

subsection (6) of this section or *may dispose of alcoholic beverages or cannabis-infused beverages* in the following manner:

- (a) The secured creditor or landlord shall submit a written request for approval from the state administrator, within twenty (20) days in advance of the sale or destruction of the licensee's remaining inventory. The request shall identify the:
 1. Licensee who is purchasing the inventory or the business to destroy the inventory;
 2. Proposed date of the sale or destruction; and
 3. Quantity, types, and brands of *alcoholic beverages or cannabis-infused beverages*~~alcohol~~ to be sold or destroyed;
 - (b) The proposed transferee or transferees may be any person or persons holding any license that authorizes the possession and sale of those alcoholic beverages *or cannabis-infused beverages*, or a business authorized to dispose of alcoholic beverages *or cannabis-infused beverages*;
 - (c) A copy of the written request shall be mailed by the department to the licensee's registered agent or last known address on file with the department by certified mail. Within ten (10) days after the department's mailing of this request, the licensee shall file with the department and applicant any objection the licensee has to the request, or be permanently barred from objecting; and
 - (d) If a sale is approved, the licensee who purchases the inventory shall notify the department within five (5) days after the transfer of that specific inventory.
- (6) The board may promulgate administrative regulations for additional means for the transfer or disposal of alcoholic beverage inventory, including procedures to allow the board to dispose of the inventory through public auction if:
- (a) A final order relating to those alcoholic beverages has been entered after all administrative and judicial proceedings are conducted, if applicable;
 - (b) The entire proceeds of the public auction are donated to the alcohol wellness and responsibility education fund established in KRS 211.285; and
 - (c) The board deems the inventory safe to release to the public, including but not limited to the alcoholic beverages being in their original, unopened packaging.

➔Section 26. KRS 244.060 is amended to read as follows:

- (1) No licensee shall purchase or agree to purchase any alcoholic beverages *or cannabis-infused beverages* from any person within or without this state, who is not licensed to sell the beverages to the particular purchaser at the time of the agreement to sell, nor give any order for any alcoholic beverages to any person who is not a holder of a special agent's or solicitor's license if this license is required.
- (2) No licensee shall sell or agree to sell any alcoholic beverage *or cannabis-infused beverage* to any person within or without this state who is not legally authorized to buy and receive the beverages at the time of the agreement to sell, nor secure any order for the sale of any alcoholic beverages through any person who is not the holder of a special agent's or solicitor's license.

➔Section 27. KRS 244.080 is amended to read as follows:

A retail licensee, or the licensee's agent, servant, or employee, shall not sell, give away, or deliver any alcoholic beverages *or cannabis-infused beverages*, or procure or permit any alcoholic beverages *or cannabis-infused beverages* to be sold, given away, possessed by, or delivered to:

- (1) A minor, except that in any prosecution for selling alcoholic beverages *or cannabis-infused beverages* to a minor it shall be an affirmative defense that the sale was induced by the use of false, fraudulent, or altered identification papers or other documents and that the appearance and character of the purchaser were such that the purchaser's age could not have been ascertained by any other means and that the purchaser's appearance and character indicated strongly that the purchaser was of legal age to purchase alcoholic beverages *or cannabis-infused beverages*. This evidence may be introduced either in mitigation of the charge or as a defense to the charge itself; or
- (2) A person who appears to a reasonable person to be actually or apparently under the influence of alcoholic beverages, *cannabis-infused beverages*, controlled substances, other intoxicating substances, or any of these

substances in combination, to the degree that the person may endanger any person or property, or unreasonably annoy persons in the vicinity.

➔Section 28. KRS 244.150 is amended to read as follows:

Each licensee shall keep and maintain upon the licensed premises, or make readily available upon request of the department or the Department of Revenue, adequate books and records of all transactions involved in the manufacture, distribution, or sale of alcoholic beverages *and all transactions involved in the distribution or sale of cannabis-infused beverages*, in the manner required by administrative regulations of the department and the Department of Revenue.

➔Section 29. KRS 244.160 is amended to read as follows:

Whenever any alcoholic beverage *or cannabis-infused beverage*, in whatever quantity, is found on any business premises within this state, a prima facie presumption shall arise that the alcoholic beverage *or cannabis-infused beverage* was upon the premises for the purpose of sale.

➔Section 30. KRS 244.202 is amended to read as follows:

- (1) (a) When the department seizes alcoholic beverages *or cannabis-infused beverages*, within fourteen (14) days of the seizure it shall provide the licensee with notice of the violation that formed the basis for the seizure under KRS Chapters 241 to 244.
- (b) If the department fails to properly provide this notice, the seized alcoholic beverages *or cannabis-infused beverages* shall be returned to the licensee.
- (c) If the department provides proper notice, the licensee may request a hearing before the board in accordance with KRS Chapter 13B to determine if the seizure was justified.
- (2) An aggrieved party may appeal the board's final order in the Circuit Court of the county where the seizure occurred.

➔Section 31. KRS 131.1815 is amended to read as follows:

- (1) Whenever it is determined that a taxpayer, who holds a license under KRS Chapter 243, is a delinquent taxpayer as defined in subsection (2) of this section, the department may, after giving notice as provided in subsection (3) of this section, submit the name of the taxpayer to the Department of Alcoholic Beverage Control for revocation of any license issued under KRS Chapter 243.
- (2) Any of the following situations shall be sufficient to cause a taxpayer to be classified as a "delinquent taxpayer" for purposes of this section:
 - (a) When a taxpayer has an overdue state tax liability arising directly or indirectly from the manufacture, sale, transportation, or distribution of alcoholic beverages *or the distribution or sale of cannabis-infused beverages*, for which all protest and appeal rights granted by law have expired, and the taxpayer has been contacted by the department concerning the overdue tax liability. This does not include a taxpayer who is making current timely installment payments on the overdue tax liability under agreement with the department;
 - (b) When a taxpayer has not filed a required tax return as of ninety (90) days after the due date or after the extended due date, and the taxpayer has been contacted by the department concerning the delinquent return; or
 - (c) When an owner, partner, or corporate officer of a proprietorship, partnership, or corporation holding a license under KRS Chapter 243 held a similar position in a business whose license was revoked as a "delinquent taxpayer," and the tax liability remains unpaid as of ninety (90) days after the due date.
- (3) At least twenty (20) days before submitting a taxpayer's name to the Department of Alcoholic Beverage Control as provided in subsection (1) of this section, the department shall notify the taxpayer by certified mail that the action is to be taken. The notice shall state the reason for the action and shall set out the amount of any tax liability including any applicable penalties and interest and any other area of noncompliance that must be satisfied in order to prevent the submission of his *or her* name to the Department of Alcoholic Beverage Control as a delinquent taxpayer.

➔Section 32. KRS 217.039 is amended to read as follows:

- (1) As used in this section:

- (a) "Cannabidiol" means a non-psychoactive cannabinoid found in the hemp plant *Cannabis sativa* which has the chemical name 2-[(1R,6R)-3-methyl-6-prop-1-en-2-ylcyclohex-2-en-1-yl]-5-pentylbenzene-1,3-diol;
 - (b) "Certificate of analysis" means a document produced by a laboratory that has been accredited pursuant to standards of the International Organization for Standardization, attesting to the composition of a product. The certificate of analysis shall include but not be limited to the amount of delta-9 tetrahydrocannabinol, the amount of other cannabinoids, the amount of pesticide residues, the amount of heavy metal traces, the amount of mycotoxin contaminants, the amount of residual solvents, and the amount of microbiological contaminants;
 - (c) "Hemp" has the same meaning as in KRS 260.850; and
 - (d) "Quick response code" or "QR code" means a type of machine-readable, two (2) dimensional bar code that stores information about a product.
- (2) A manufacturer or processor of ingestible or cosmetic cannabidiol products located in Kentucky shall:
- (a) Be permitted as a food manufacturer or a cosmetic manufacturer by the cabinet and shall provide the following information:
 - 1. The name of the manufacturer or processor and the physical address where production or processing occurs; and
 - 2. A listing of the cannabidiol products to be produced or processed; and
 - (b) Obtain a certificate of analysis for all cannabidiol products to be sold or otherwise distributed in the Commonwealth.
- (3) All ingestible or cosmetic cannabidiol products sold or otherwise distributed in the Commonwealth shall bear labeling to allow the consumer to access information on the product, including a certificate of analysis for the product, the location where the hemp was grown, and the address and phone number of the manufacturer or distributor using the following:
- (a) A scannable bar code, including the batch number or serial number of the product;
 - (b) A QR code; or
 - (c) A web address linked to a document or ~~website~~[Web site].
- (4) ~~Any~~[No] product labeling or advertising material for any ingestible or cosmetic cannabidiol product sold or otherwise distributed in the Commonwealth shall **not** bear any claims stating that the product can diagnose, treat, cure, or prevent any disease.
- (5) The cabinet shall promulgate administrative regulations *in accordance with KRS Chapter 13A* to establish labeling requirements for ingestible or cosmetic cannabidiol products in accordance with ~~the provisions~~ of this section.
- (6) (a) ***The cabinet shall regulate and license manufacturers of cannabis-infused beverages.***
- (b) ***After the Department of Alcoholic Beverage Control has promulgated administrative regulations under Section 6 of this Act or July 1, 2026, whichever is earlier, this section shall not apply to any distributor or retailer of cannabis-infused beverages licensed under KRS Chapters 241 to 244. The distribution and retail sale of cannabis-infused beverages shall then be regulated solely by the Department of Alcoholic Beverage Control under KRS Chapter 243 and the administrative regulations promulgated thereto.***

➔Section 33. 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 KRS 241.010(39)~~((37))~~ 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 alcoholic beverages at retail by the drink for consumption on the licensed premises or off-premises consumption

pursuant to KRS 243.081. The licensee shall purchase alcoholic beverages only from licensed wholesalers or distributors. The license shall not authorize the licensee to sell alcoholic 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 limited restaurant as defined by KRS 241.010(39)(37)(a) shall:
 - (a) Only sell alcoholic beverages incidental to the sale of a meal; and
 - (b) Not have an open bar and shall not sell alcoholic beverages to any person who has not purchased or does not purchase a meal.

➔Section 34. KRS 243.0341 is amended to read as follows:

- (1) Notwithstanding any other provision of law, the following local governments may elect to act under this section:
 - (a) 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; or
 - (b) Any city with limited sale precincts created pursuant to KRS 242.1292 prior to July 14, 2022.
- (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 KRS 241.010(39)(37)(a); and
 - (b) The provisions of KRS 243.034 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 KRS 241.010(39)(37).
- (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 KRS 241.010(39)(37)(b); or
 - (b) Affect, alter, or otherwise impair any license previously issued to a restaurant or dining facility meeting the requirements of KRS 241.010(39)(37)(b).

➔Section 35. The University of Kentucky Cannabis Center shall report its work on the various aspects of the manufacture, testing procedures, and consumer effects of beverages containing cannabidiol or other cannabinoid products to the Legislative Research Commission by January 31, 2026. The center may consult with other entities as a part of its report.

➔Section 36. The Department of Alcoholic Beverage Control shall report on the distribution and sale of beverages containing cannabidiol or other cannabinoid products to the Legislative Research Commission by November 1, 2026.

➔Section 37. On the effective date of this Act, any wholesaler, distributor, or retail licensee in possession of any of the following beverages may continue to sell any of those beverages until June 1, 2025:

(1) Intoxicating cannabinoid beverages that exceed the cannabinoid limits established for cannabis-infused beverages in Section 1 of this Act; and

(2) Intoxicating cannabinoid beverages of any concentration sold by the drink at retail.

➔Section 38. Notwithstanding any law to the contrary, the holder of a cannabis-infused beverage retail package license, a cannabis-infused beverage distributor's license, or a cannabis-infused beverage manufacturer license as approved by the Department for Public Health may sell and serve complimentary samples of cannabis-infused beverages at fairs, festivals, and other similar types of events in wet territory until January 1, 2026, under the following circumstances:

(1) Sales by the drink;

(2) Sales by the package shall not exceed nine liters per person, per day;

(3) Complimentary samples served by the drink shall not exceed one and three-fourths ounces per person, per day; and

(4) The cannabis-infused beverages shall have been lawfully produced or purchased by the license holder.

➔Section 39. Whereas it is crucial to protect the public from potentially unsafe consumer products, an emergency is declared to exist, and this Act takes effect upon its passage and approval by the Governor or upon its otherwise becoming a law.

Signed by Governor March 25, 2025.