FINANCE AND ADMINISTRATION
Department of Revenue
(Amendment)

103 KAR 40:010. Maintaining records.

RELATES TO: KRS 241.010, 244.150
STATUTORY AUTHORITY: KRS 131.130, 244.150
CERTIFICATION STATEMENT:
NECESSITY, FUNCTION, AND CONFORMITY: KRS 131.130(1) authorizes the Department of Revenue to promulgate administrative regulations for the administration and enforcement of Kentucky tax laws. KRS 244.150 authorizes the Department of Revenue to promulgate an administrative regulation to establish ~~[This administrative regulation, under the authority of KRS 244.150, specifies]~~the length of time that records must be accessible.

Section 1. Definitions.
(1) "Alcoholic beverage" is defined by KRS 241.010(2)
(2) "Cannabis-infused beverage" is defined by KRS 241.010(13).

Section 2. All records of a licensee trafficking in alcoholic beverages or cannabis-infused beverages shall be accessible upon demand for inspection by agents of the Department of Revenue for a period of at least four (4) years.

THOMAS B. MILLER, Commissioner

APPROVED BY AGENCY: July 8, 2026
FILED WITH LRC: July 9, 2026 at 3:30 p.m.
PUBLIC HEARING AND COMMENT PERIOD: A public comment on this administrative regulation shall be held on September 23, 2026, at 10:00 a.m. ET/9:00 a.m. CT in Room 11A, State Office Building, 501 High Street, Frankfort, Kentucky 40601. Individuals interested in being heard at this hearing shall notify this agency in writing at least five (5) workdays prior to the hearing, of their intent to attend. If no notification of intent to attend the hearing is received by that date, the hearing may be canceled. A transcript of the public hearing will not be made unless a written request for a transcript is made. If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted through September 30, 2026. Send written notification of intent to be heard at the public hearing or written comments on the proposed administrative regulation to the contact person.
CONTACT PERSON: Gary Morris, Executive Director, Office of Tax Policy and Regulation, Department of Revenue, 501 High Street, Station 1, Frankfort, Kentucky 40601, (502) 564-0424 (telephone), (502) 564-3875 (fax), DORTAXPOLICY@ky.gov (email).

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

Contact Person:Gary Morris Phone:(502) 564-0424 Email:DORTAXPOLICY@ky.gov

Subject Headings:Finance and Administration; Taxation; Alcoholic beverages

(1) Provide a brief summary of:

(a) What this administrative regulation does:
This administrative regulation establishes the time frame in which records are required to be maintained for transactions involving alcoholic beverages.

(b) The necessity of this administrative regulation:
This administrative regulation is necessary to provide guidance to taxpayers on how long records for alcoholic beverage sales and cannabis-infused beverage sales are required to be kept.

(c) How this administrative regulation conforms to the content of the authorizing statutes:
KRS 244.150 requires the Department to promulgate an administrative regulation regarding records to be maintained by licensees.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes:
This administrative regulation establishes the time frame in which records are required to be maintained for transactions involving alcoholic beverages. This amendment would define alcoholic beverages and cannabis-infused beverages and include cannabis-infused beverages in the records retention requirement.

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change this existing administrative regulation:
This amendment would define alcoholic beverages and cannabis-infused beverages and include that records must be maintained for sales of cannabis-infused beverages.

(b) The necessity of the amendment to this administrative regulation:
See 2(a).

(c) How the amendment conforms to the content of the authorizing statutes:
See 1(c).

(d) How the amendment will assist in the effective administration of the statutes:
See 1(d).

(3) Does this administrative regulation or amendment implement legislation from the previous five years?Cannabis-infused beverages became taxable during the 2025 Session.

(4) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation:
Licensees who sell cannabis-infused beverages will be required to maintain records on sales of those products.

(5) Provide an analysis of how the entities identified in question (4) will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including:

(a) List the actions that each of the regulated entities identified in question (4) will have to take to comply with this administrative regulation or amendment:

This amendment will require licensees to maintain records of cannabis-infused beverages.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (4):

The Department does not anticipate additional costs to be incurred.

(c) As a result of compliance, what benefits will accrue to the entities identified in question (4):

This amendment provides guidance on how long to maintain records for sales of cannabis-infused beverages. The entities will benefit by knowing how long to maintain records that the Department main inspect at any time.

(6) Provide an estimate of how much it will cost the administrative body to implement this administrative regulation:

(a) Initially:

(b) On a continuing basis:

(7) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation or this amendment:

Any costs would be absorbed in the current budget.

(8) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment:

No fees are included in this administrative regulation.

(9) State whether or not this administrative regulation establishes any fees or directly or indirectly increases any fees:

No fees are included in this administrative regulation.

(10) TIERING: Is tiering applied?

{Explain why or why not} Tiering is not applied because the records retention applies to all licensees who sell alcoholic beverages or cannabis-infused beverages.

FISCAL IMPACT STATEMENT

(1) Identify each state statute, federal statute, or federal regulation that requires or authorizes the action taken by the administrative regulation:

KRS 131.130 and 244.150

(2) State whether this administrative regulation is expressly authorized by an act of the General Assembly, and if so, identify the act:

KRS 131.130 permits the Department to promulgate administrative regulations for the administration of all tax laws. KRS 244.150 requires the Department to promulgate an administrative regulation to establish the time period for which records must be maintained by licensees for sales of alcoholic beverages or cannabis-infused beverages.

(3)(a) Identify the promulgating agency and any other affected state units, parts, or divisions:

This amendment does not impact other state agencies.

(b) Estimate the following for each affected state unit, part, or division identified in (3)(a):

1. Expenditures:

For the first year:No additional expenditures are anticipated.

For subsequent years:No additional expenditures are anticipated.

2. Revenues:

For the first year:No additional revenues are anticipated.

For subsequent years:No additional revenues are anticipated.

3. Cost Savings:

For the first year:No cost savings are anticipated.

For subsequent years:No cost savings are anticipated.

(4)(a) Identify affected local entities (for example: cities, counties, fire departments, school districts):

The amendment to this administrative regulation should not impact local agencies.

(b) Estimate the following for each affected local entity identified in (4)(a):

1. Expenditures:

For the first year:No additional expenditures are anticipated.

For subsequent years:No additional expenditures are anticipated.

2. Revenues:

For the first year:No additional revenues are anticipated.

For subsequent years:No additional revenues are anticipated.

3. Cost Savings:

For the first year:No cost savings are anticipated.

For subsequent years:No cost savings are anticipated.

(5)(a) Identify any affected regulated entities not listed in (3)(a) or (4)(a):

Licensees who sell alcoholic beverages or cannabis-infused beverages will be required to maintain records.

(b) Estimate the following for each regulated entity identified in (5)(a):

1. Expenditures:

For the first year:No additional expenditures are anticipated.

For subsequent years:No additional expenditures are anticipated.

2. Revenues:

For the first year:No additional revenues are anticipated.

For subsequent years:No additional revenues are anticipated.

3. Cost Savings:

For the first year:No cost savings are anticipated.

For subsequent years:No cost savings are anticipated.

(6) Provide a narrative to explain the following for each entity identified in (3)(a), (4)(a), and (5)(a)

(a) Fiscal impact of this administrative regulation:
There is no fiscal impact anticipated.

(b) Methodology and resources used to reach this conclusion:
This amendment adds a definition and clarifies that the records retention also applies to sales of cannabis-infused beverages.

(7) Explain, as it relates to the entities identified in (3)(a), (4)(a), and (5)(a):

(a) Whether this administrative regulation will have a "major economic impact", as defined by KRS 13A.010(14):
There is no major economic impact anticipated with this amendment.

(b) The methodology and resources used to reach this conclusion:
This amendment adds a definition and clarifies that the records retention also applies to sales of cannabis-infused beverages.