

FINANCE AND ADMINISTRATION CABINET
Department of Revenue
(Amendment)

103 KAR 40:100. Consumer tax; customs.

RELATES TO: KRS 131.010, 241.010, 243.720, 243.730

STATUTORY AUTHORITY: KRS 131.130(1)

CERTIFICATION STATEMENT:

NECESSITY, FUNCTION, AND CONFORMITY: KRS 131.130 authorizes the Department of Revenue to promulgate administrative regulations for the administration and enforcement of Kentucky tax laws. This administrative regulation provides the method of collection of consumer taxes on alcoholic beverages or cannabis-infused beverages entering Kentucky through the United States Bureau of Customs.

Section 1. Definitions.

- (1) "Alcoholic beverage" is defined by KRS 241.010(2).
- (2) "Cannabis-infused beverage" is defined by KRS 241.010(13).
- (3) "Department" is defined by KRS 131.010(2).

Section 2. Excise taxes imposed under KRS 243.720 on the use of alcoholic beverages or cannabis-infused beverages shall be paid on all quantities of distilled spirits, wine, ~~and malt beverages,~~ and cannabis-infused beverages imported into Kentucky through the United States Bureau of Customs for personal consumption in this state.

Section 3. ~~[Section 2.]~~ Persons desiring to secure releases of alcoholic beverages or cannabis-infused beverages from the United States Bureau of Customs shall issue to customs authorities an acknowledgment of liability for Kentucky alcoholic beverage or cannabis-infused beverages taxes. The acknowledgment shall be on a form prescribed by the department ~~[Department of Revenue]~~ and shall contain ~~[such]~~ information ~~[as]~~ the department may deem necessary to reasonably protect the revenues of the Commonwealth.

Section 4. ~~[Section 3.]~~ The tax due pursuant to Section ~~2[4]~~ of this administrative regulation shall be paid to the department by the importer on or before the 20th day of the calendar month following the month in which the beverages are imported into this state.

103 KAR 40.100

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 provides guidance on excise taxes imposed on the use of alcoholic beverages imported into Kentucky through the United States Bureau of Customs for personal consumption in Kentucky.

(b) The necessity of this administrative regulation:

This regulation is necessary to provide guidance on excise taxes imposed on the use of alcoholic beverages imported into Kentucky through the United States Bureau of Customs for personal consumption in Kentucky.

(c) How this administrative regulation conforms to the content of the authorizing statutes:

KRS 131.130 allows the Department to promulgate administrative regulations for the administration of all Kentucky tax laws.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes:

See 1(a).

(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 adds definitions and clarifies that cannabis-infused beverages are subject to the excise taxes imposed when imported into Kentucky through the United States Bureau of Customs for personal consumption.

(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 2(a).

(3) Does this administrative regulation or amendment implement legislation from the previous five years? {If yes, provide the year of the legislation and either the bill number or Ky Acts chapter number being implemented.} 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:

Importers of cannabis-infused beverages

(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:

No answer provided.

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

This amendment clarifies that the excise tax also applies to cannabis-infused beverages when imported into Kentucky through the United States Bureau of Customs.

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

This amendment provides updated guidance on when the excise tax is due on cannabis-infused beverages imported into Kentucky through the United States Bureau of Customs.

(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 nominal 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:

There are no fees associated with this amendment.

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

There are no fees associated with this amendment.

(10) TIERING: Is tiering applied?

{Explain why or why not} Tiering is not applied because the excise tax on cannabis-infused beverages when imported into Kentucky through the United State Bureau of Customs applies to all importers of 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

(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 authorizes the Department to promulgate administrative regulations for the administration of all Kentucky tax laws.

(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):

Importers of cannabis-infused beverages

(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 definitions and clarifies that the excise tax applies to cannabis-infused beverages imported into Kentucky through the United States Bureau of Customs.

(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 definitions and clarifies that the excise tax applies to cannabis-infused beverages imported into Kentucky through the United States Bureau of Customs.