138.505 Fantasy contest tax -- Definitions for section. (Effective January 1, 2027)

(1) As used in this section:

(a) "Adjusted gross fantasy contest receipts" means the total sum of entry fees collected by a fantasy contest service provider from all fantasy contest participants entering a fantasy contest, less winnings paid to fantasy contest participants in the contest;

(b) "Athlete":

1. Means a professional or amateur competitor in a real-world lawful sporting event or an organized video game competition that is:

a. Regulated by a sports governing body; and

b. Held between players who play individually or as a team; and

2. Includes equine competitors;

(c) "Department" means the Department of Revenue;

(d) "Fantasy contest":

1. Means any online fantasy or simulated game or contest that meets the following conditions:

a. There are no fewer than two (2) fantasy contest participants;

i. All fantasy contest participants are natural persons; and

ii. A fantasy contest service provider shall not be construed to be a participant;

b. i. The values of all prizes offered to winning fantasy contest participants are established and made known to fantasy contest participants in advance of the contest;

ii. Multiple winning participants may share a prize; and

iii. Prizes may consist of fixed amounts, tiered payouts, or other conditional bonus payouts, provided that all prize structures are disclosed in advance by the fantasy contest service provider;

c. All winning outcomes reflect the relative knowledge and skill of the fantasy contest participant and are determined predominantly by the accumulated statistical performance or finishing position of multiple athletes across one (1) or more real-world sporting events;

d. Fantasy contest participants assemble a fictional entry or roster of actual athletes and exercise management or selection control over the roster;

e. Fantasy contest participants compete for prizes awarded by a fantasy contest service provider based on terms and conditions published by the fantasy contest service provider and made known to the fantasy contest participant in advance of the contest;

f. Winning outcomes are determined by clearly established scoring criteria based on one (1) or more statistical results of the performance of an individual athlete, including but not limited to a fantasy score;

g. A winning outcome is not based:

i. On the score, point spread, or outcome of a single real-world team or combination of teams; or

ii. Solely on any single performance of an individual athlete or participant in any single actual event; and

h. The game or contest does not violate any provision of federal law;

2. Includes contests in which fantasy contest participants compete against each other; and

3. Does not include any fantasy contest:

a. Without a fantasy contest entry fee; or

b. Betting against the fantasy contest service provider;

(e) "Fantasy contest entry fee" means the cash or cash equivalent that is required to be paid by a fantasy contest participant in advance to a fantasy contest service provider in order to participate in a fantasy contest;

(f) "Fantasy contest participant" means a person who is twenty-one (21) years of age or older who is:

1. Kentucky resident who participates in a fantasy contest offered by a fantasy contest service provider; and

2. Not a Kentucky resident who participates in a fantasy contest offered by a fantasy contest service provider while in Kentucky; and

(g) "Fantasy contest service provider":

1. Means a person or entity that offers fantasy contests to the general public; and

2. Does not include an internet service provider or a provider of mobile data services merely as a result of that provider's transporting of general traffic that may include a fantasy contest.

(2) Beginning on January 1, 2027, the Commonwealth shall impose and collect a tax at a rate of twelve percent (12%) of the fantasy contest service provider's adjusted gross fantasy contest receipts. The accrual method of accounting shall be used for purposes of calculating the amount of tax owed by the licensee.

(3) The tax imposed by subsection (2) of this section is due and payable monthly and shall be remitted to the department on or before the twentieth day of the next succeeding calendar month.

(4) The fantasy contest service provider's payment shall be accompanied by a return prescribed by the department indicating the amount of tax due for the previous calendar month as well as any other information the department shall require through an administrative regulation promulgated in accordance with KRS Chapter 13A.

(5) Any fantasy contest service provider who violates any provision of this section shall be subject to the uniform civil penalties imposed under KRS 131.180.

(6) In every case, any tax not paid on or before the due date shall bear interest at the tax interest rate as defined in KRS 131.010 from the due date until the date of payment.

Effective: January 1, 2027

History: Created 2026 Ky. Acts ch. 161, sec. 9, effective January 1, 2027; and amended 2026 Ky. Acts ch. 198, sec. 58, effective January 1, 2027.

Legislative Research Commission Note (1/1/2027). This statute was created by 2026 RS HB 757 (2026 Ky. Acts ch. 161, sec. 9), which was subsequently amended by 2026 RS HB 869 (2026 Ky. Acts ch. 198, sec. 58), and the amendment has been incorporated in codification.