

1 AN ACT relating to regulated substances and declaring an emergency.

2 *Be it enacted by the General Assembly of the Commonwealth of Kentucky:*

3 ➔SECTION 1. A NEW SECTION OF KRS CHAPTER 138 IS CREATED TO

4 READ AS FOLLOWS:

5 (1) As used in this section:

6 (a) "Alcoholic beverage" has the same meaning as in Section 6 of this Act:

7 (b) "Alcoholic beverage retailer" or "retailer" means a person who sells any
8 alcoholic beverage to a consumer in Kentucky for any purpose, including:

9 1. At a Kentucky retail location;

10 2. At premises as defined in Section 6 of this Act in Kentucky;

11 3. To a consumer at a Kentucky address by a direct shipper;

12 4. By any other direct-to-consumer seller; or

13 5. To a consumer through any other approved location or method
14 authorized by law;

15 (c) "Direct shipper" means a direct shipper licensed in KRS 243.027;

16 (d) "Gross receipts":

17 1. Means the total amount or consideration, including cash, credit,
18 property, and services, for which alcoholic beverages are sold, valued
19 in money, whether received in money or otherwise, without any
20 deduction for any of the following:

21 a. The alcoholic beverage retailer's cost of the alcoholic beverages;

22 b. Charges by the retailer for any services necessary to complete the
23 sale; and

24 c. Delivery charges by the retailer for the preparation and delivery
25 to a location designated by the purchaser, including
26 transportation, shipping, postage, handling, crating, and
27 packing; and

1 **2. Does not include:**

2 **a. Discounts, including cash, term, or coupons that are not**
3 **reimbursed by a third party and that are allowed by an alcoholic**
4 **beverage retailer and taken by a purchaser on a sale;**

5 **b. Interest, financing, and carrying charges from credit extended**
6 **on the sale of alcoholic beverages, if the amount is separately**
7 **stated on the invoice, bill of sale, or similar document given to**
8 **the purchaser;**

9 **c. Any state retail regulatory license fees or taxes legally imposed**
10 **directly on the purchaser that are separately stated on the**
11 **invoice, bill of sale, or similar document given to the purchaser,**
12 **including sales tax imposed by KRS 139.200;**

13 **d. Local alcohol regulatory license fees authorized in Section 16 of**
14 **this Act that are separately stated on the invoice, bill of sale, or**
15 **similar document given to the purchaser; or**

16 **e. Sales made by a direct shipper to a consumer located outside of**
17 **Kentucky;**

18 **(e) "Person" means an individual, partnership, joint venture, committee,**
19 **association, corporation, governmental unit, nonprofit organization, or any**
20 **other organization or group of persons;**

21 **(f) "State retail regulatory license fee" includes interest accrued at the rate**
22 **provided by KRS 131.183, all applicable penalties imposed pursuant to this**
23 **chapter, and all applicable penalties and fees imposed pursuant to KRS**
24 **131.180, 131.410 to 131.445, and 131.990; and**

25 **(g) "Third party" means a person other than the purchaser.**

26 **(2) On or after July 1, 2027, a state retail regulatory license fee is imposed on all**
27 **alcoholic beverage retailers at the rate of four percent (4%) of the gross receipts**

1 derived from the sale of alcoholic beverages to consumers in this state.

2 (3) The state retail regulatory license fee shall be:

3 (a) Administered by the department; and

4 (b) Transferred to the general fund.

5 (4) The state retail regulatory license fee:

6 (a) May be added to the selling price charged by the alcoholic beverage retailer
7 on the alcoholic beverages, when stated separately; and

8 (b) Shall be paid by the alcoholic beverage retailer as prescribed in
9 administrative regulations promulgated by the department in accordance
10 with KRS Chapter 13A.

11 (5) The alcoholic beverage retailer is liable for the state retail regulatory license fee.

12 (6) (a) Every alcoholic beverage retailer shall, by the twentieth day of each month,
13 transmit to the department reports, on the forms the department may
14 prescribe, on the total retail sales for the month and state retail regulatory
15 license fees due.

16 (b) For purposes of facilitating the administration, payment, or collection of the
17 state retail regulatory license fees levied by this chapter, the department
18 may, within its discretion, permit or require returns or fee payments for
19 periods other than those prescribed in paragraph (a) of this subsection.

20 (7) Payment of the state retail regulatory license fee shall be due with the report.

21 (8) (a) For reimbursement of the cost of collecting and remitting the fee, the
22 alcoholic beverage retailer shall deduct on each return one-quarter of one
23 percent (0.25%) of the fee due, provided the amount due is not delinquent at
24 the time of payment.

25 (b) The total reimbursement allowed for each alcohol beverage retailer shall
26 not exceed fifty dollars (\$50) per return.

27 (c) For purposes of this subsection only, "alcoholic beverage retailer" shall not

1 include a distiller.

2 (9) The alcoholic beverage retailer shall keep and preserve an accurate record of all
3 receipts of its alcoholic beverage products sold, and state retail regulatory license
4 fees due, together with invoices or other pertinent records and papers required by
5 the department for four (4) years.

6 (10) An alcoholic beverage retailer or other person shall not:

7 (a) Fail or refuse to make the returns and pay the state retail regulatory license
8 fee prescribed by this section;

9 (b) Refuse to permit the department or any representative appointed by the
10 commissioner in writing to examine his or her records, papers, files, and
11 equipment pertaining to the taxable business;

12 (c) Make an incomplete, false, or fraudulent return, or attempt to do anything
13 to avoid:

14 1. A full disclosure of the amount of business done; or
15 2. The payment of the whole or any part of the state retail regulatory
16 license fee or penalties due; or

17 (d) Fail to keep and preserve records of the alcoholic beverage products sold by
18 the alcoholic beverage retailer to substantiate the reports required by this
19 section.

20 (11) Any person who violates any provision of this section shall be subject to the
21 uniform civil penalties imposed pursuant to KRS 131.180 and interest at the tax
22 interest rate as defined in KRS 131.183.

23 (12) (a) 1. Notwithstanding any other provision of this chapter to the contrary,
24 the president, vice president, secretary, treasurer, or any other person
25 holding any equivalent corporate office of any corporation subject to
26 this section shall be personally and individually liable, both jointly and
27 severally, for the state retail regulatory license fees imposed by this

1 section, and neither the corporate dissolution nor withdrawal of the
2 corporation from the state nor the cessation of holding any corporate
3 office shall discharge the foregoing liability of any person.

4 2. The personal and individual liability shall apply to each and every
5 person holding the corporate office at the time the state retail
6 regulatory license fees become or became due.

7 3. A person shall not be personally and individually liable pursuant to
8 this section who had no authority in the management of the business
9 or financial affairs of the corporation at the time that the state retail
10 regulatory license fees imposed by this section become or became due.

11 (b) 1. Notwithstanding any other provision of this chapter, KRS 275.150,
12 362.1-306(3) or predecessor law, or 362.2-404(3) to the contrary, the
13 managers of a limited liability company, the partners of a limited
14 liability partnership, and the general partners of a limited liability
15 limited partnership or any other person holding any equivalent office
16 of a limited liability company, limited liability partnership, or limited
17 liability limited partnership subject to this section shall be personally
18 and individually liable, both jointly and severally, for the state retail
19 regulatory license fees imposed by this section.

20 2. Dissolution, withdrawal of the limited liability company, limited
21 liability partnership, or limited liability limited partnership from the
22 state, or the cessation of holding any office shall not discharge the
23 liability of any person. The personal and individual liability shall
24 apply to every manager of a limited liability company, partner of a
25 limited liability partnership, or general partner of a limited liability
26 limited partnership at the time the state retail regulatory license fees
27 become or became due.

1 (13) The department may prescribe forms and promulgate administrative regulations
2 in accordance with KRS Chapter 13A to execute and administer this section. The
3 state retail regulatory license fee may be paid via electronic funds transfer. The
4 alcoholic beverage retailer shall provide the department with all protocol
5 documentation and electronic funds transfer data necessary to facilitate the
6 timely transfer of funds.

7 ➔ SECTION 2. KRS CHAPTER 243A IS ESTABLISHED AND A NEW
8 SECTION THEREOF IS CREATED TO READ AS FOLLOWS:

9 (1) On or after July 1, 2027, a state wholesale regulatory license fee is imposed at a
10 rate of four-tenths of a cent (\$0.004) for each milliliter of alcohol contained in an
11 alcoholic beverage for human consumption sold, used, or distributed by sale or
12 gift in the Commonwealth of Kentucky on every:

13 (a) Wholesaler;

14 (b) Distributor;

15 (c) Distiller that directly transfers products to its retail premises;

16 (d) Small farm winery that directly transfers products to its retail premises;

17 (e) Manufacturer permitted to self-distribute to retailers; and

18 (f) Direct shipper.

19 (2) (a) On or after July 1, 2027, a state wholesale regulatory license fee is imposed
20 on a microbrewery for its barrels directly transferred to a retailer or
21 consumer independent of a distributor at the following rates for each
22 milliliter of alcohol contained in an alcoholic beverage for human
23 consumption sold, used, or distributed by sale or gift in the Commonwealth
24 of Kentucky:

25 1. For the first fifteen thousand (15,000) taxable, directly transferred
26 barrels in a calendar year, at a rate of fourteen one-hundredths of a
27 cent (\$0.0014) for each milliliter of alcohol contained in an alcoholic

beverage sold; and

2. For any directly transferred barrels exceeding the first fifteen thousand (15,000) taxable, directly transferred barrels in a calendar year, at a rate of four-tenths of a cent (\$0.004) for each milliliter of alcohol contained in an alcoholic beverage sold for human consumption in the Commonwealth of Kentucky.

(b) A microbrewery that directly transfers products to a retailer or consumer independent of a distributor prior to July 1, 2027, and:

- 1. Directly transfers more than one thousand (1,000) barrels in calendar year 2026 is subject to the state wholesale regulatory license fee in paragraph (a) of this subsection; or*

2. a. Directly transfers less than one thousand (1,000) barrels in calendar year 2026 is exempt from the state wholesale regulatory license fee in paragraph (a) of this subsection, subject to subdivision b. of this subparagraph.

b. If the microbrewery directly transfers more than one thousand (1,000) barrels in a calendar year after 2026, the state wholesale regulatory license fee imposed by paragraph (a) of this subsection shall apply to:

- i. All directly transferred gallons exceeding the first one thousand (1,000) barrels in that calendar year; and*
- ii. All directly transferred gallons in subsequent calendar years.*

(c) 1. A microbrewery that begins directly transferring products to a retailer or consumer independent of a distributor on or after July 1, 2027, is exempt from the state wholesale regulatory license fee levied in paragraph (a) of this subsection on the first one thousand (1,000)

1 barrels sold in a calendar year, subject to subparagraph 2. of this
2 paragraph.

3 2. If the microbrewery directly transfers more than one thousand (1,000)
4 barrels in a calendar year, the state wholesale regulatory license fee
5 imposed by paragraph (a) of this subsection shall apply to:

6 a. All directly transferred barrels exceeding the first one thousand
7 (1,000) barrels in that calendar year; and
8 b. All directly transferred barrels in subsequent calendar years.

9 (3) For timely filing and payment, the wholesaler, distributor, distiller, small farm
10 winery, manufacturer, direct shipper, or microbrewery shall deduct, for each
11 milliliter transferred or sold, seven-thousandths of a cent (\$0.00007) per milliliter
12 of alcohol contained in an alcoholic beverage sold for human consumption in the
13 Commonwealth of Kentucky, provided the amount due is not delinquent at the
14 time of payment.

15 (4) (a) A wholesaler, distributor, distiller, small farm winery, manufacturer, direct
16 shipper, and microbrewery shall pay and report the state wholesale
17 regulatory license fee levied in subsections (1) and (2) of this section to the
18 Department of Revenue on or before the twentieth day of the calendar
19 month next succeeding the month in which possession or title of the
20 alcoholic beverages is transferred from the wholesaler, distributor, distiller,
21 small farm winery, manufacturer, direct shipper, or microbrewery to
22 manufacturers, retailers, or consumers in this state, in accordance with
23 administrative regulations promulgated pursuant to KRS Chapter 13A
24 designed reasonably to protect the revenues of the Commonwealth.

25 (b) The report of the state wholesale regulatory license fees shall be on the
26 forms the Department of Revenue prescribes and shall include:

27 1. Total milliliters of alcohol transferred or sold, with a listing

containing the container size of each type of product transferred or sold, the milliliters per container, and how many products were sold; and

2. The amount of state wholesale regulatory license fees due.

2. The personal and individual liability shall apply to each and every person holding the corporate office at the time the state wholesale regulatory license fees become or became due.

3. A person shall not be personally and individually liable pursuant to this section who had no authority in the management of the business or financial affairs of the corporation at the time that the state wholesale regulatory license fees imposed by this section become or became due.

(b) 1. Notwithstanding any other provision of this chapter, KRS 275.150, 362.1-306(3) or predecessor law, or 362.2-404(3) to the contrary, the managers of a limited liability company, the partners of a limited liability partnership, and the general partners of a limited liability limited partnership or any other person holding any equivalent office of a limited liability company, limited liability partnership, or limited liability limited partnership subject to this section shall be personally

1 and individually liable, both jointly and severally, for the state
2 wholesale regulatory license fees imposed by this section.

3 2. Dissolution, withdrawal of the limited liability company, limited
4 liability partnership, or limited liability limited partnership from the
5 state, or the cessation of holding any office shall not discharge the
6 liability of any person. The personal and individual liability shall
7 apply to every manager of a limited liability company, partner of a
8 limited liability partnership, or general partner of a limited liability
9 limited partnership at the time the state wholesale regulatory license
10 fees become or became due.

11 ➔ SECTION 3. A NEW SECTION OF KRS CHAPTER 243A IS CREATED TO
12 READ AS FOLLOWS:

13 (1) As used in this section:

14 (a) "Food" has the same meaning as in KRS 217.2201;
15 (b) "Hemp" means the plant species *Cannabis sativa L.* and any part of that
16 plant, including the seeds thereof and all derivatives, extracts,
17 cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or
18 not, with a total delta-9 tetrahydrocannabinol concentration of not more
19 than three-tenths of one percent (0.3%) on a dry weight basis;

20 (c) "Hemp-derived cannabinoid product":

4. *Means any intermediate or final product derived from hemp that;*

22 a. Contains cannabinoids in any form; and

23 b. Is intended for human or animal use through any means of
24 application or administration, such as inhalation, ingestion, or
25 topical application; and

26 2. Includes but is not limited to cannabis-infused beverages, as defined
27 in Section 6 of this Act, and any other edible or consumable product

containing tetrahydrocannabinol, regardless of the extraction method used to obtain the tetrahydrocannabinol;

- (d) "Kratom" has the same meaning as in KRS 217.2201;
- (e) "Kratom extract" has the same meaning as in KRS 217.2201;
- (f) "Kratom product" has the same meaning as in KRS 217.2201;
- (g) "Person" has the same meaning as in Section 36 of this Act;
- (h) "Retailer" means any person that sells or ships hemp-derived cannabinoid products, kratom extracts, or kratom products for any purpose other than resale;

1. At a Kentucky retail location; or

2. To a Kentucky address; and

(i) "State retail regulatory license fee" includes interest accrued at the rate provided by KRS 131.183, all applicable penalties imposed pursuant to this chapter, and all applicable penalties and fees imposed pursuant to KRS 131.180, 131.410 to 131.445, and 131.990.

16 (2) On or after July 1, 2027, a state retail regulatory license fee is levied on retailers
17 for the privilege of selling kratom extracts or kratom products in this state at the
18 rate of:

(a) Four cents (\$0.04) per milligram of mitragynine in kratom product sold if the concentration of kratom is two percent (2%) or less per serving;

(b) Four dollars (\$4) per milligram of mitragynine in kratom product sold if the concentration of kratom is more than two percent (2%) per serving;

(c) Forty cents (\$0.40) per milligram of mitragynine in kratom extract sold if the concentration of kratom is two percent (2%) or less; and

(d) Eight dollars (\$8) per milligram of mitragynine in kratom extract sold if the concentration of kratom is more than two percent (2%) per serving.

27 (3) *On or after July 1, 2027, a state retail regulatory license fee is levied on retailers*

1 for the privilege of selling hemp-derived cannabinoid products in this state at the
2 rate of sixteen cents (\$0.16) per milligram or milliliter, as labeled on the product,
3 of delta-9 tetrahydrocannabinol or delta-8 tetrahydrocannabinol or any other
4 form of tetrahydrocannabinol sold.

5 (4) The state retail regulatory license fees shall be:
6 (a) Administered by the Department of Revenue;
7 (b) Transferred to the general fund; and
8 (c) Paid by the retailer as prescribed in administrative regulations promulgated
9 by the Department of Revenue in accordance with KRS Chapter 13A.

10 (5) The retailer is liable for the state retail regulatory license fee.

11 (6) Every retailer shall, by the twentieth day of each month, transmit reports to the
12 Department of Revenue, on the forms the Department of Revenue may prescribe,
13 on the:

14 (a) Total kratom products sold, with a listing containing the description of each
15 type of product sold, which contains the milligrams of mitragynine per
16 serving and how many servings are in each product;
17 (b) Total mitragynine milligrams contained in the kratom products sold;
18 (c) Total hemp-derived cannabinoid products sold, with a listing containing the
19 description of each type of product sold which contains the milligrams of
20 delta-9 tetrahydrocannabinol or delta-8 tetrahydrocannabinol or any other
21 form of tetrahydrocannabinol per serving and how many servings are in
22 each product;
23 (d) Total delta-9 tetrahydrocannabinol or delta-8 tetrahydrocannabinol or any
24 other form of tetrahydrocannabinol milligrams contained in the products
25 sold; and
26 (e) Amount of state retail regulatory license fees due.

27 (7) Payment of the state retail regulatory license fee shall be due with the report.

1 (8) *The retailer shall keep and preserve an accurate record of all receipts of its hemp-*
2 *derived cannabinoid products, kratom extracts, and kratom products sold, and*
3 *state retail regulatory license fees due, together with invoices or other pertinent*
4 *records and papers required by the Department of Revenue for four (4) years.*

5 (9) *A retailer or other person shall not:*

6 (a) *Fail or refuse to make the returns and pay the state retail regulatory license*
7 *fee prescribed by this section;*

8 (b) *Refuse to permit the Department of Revenue or any representative*
9 *appointed by the commissioner of the Department of Revenue in writing to*
10 *examine his or her records, papers, files, and equipment pertaining to the*
11 *taxable business;*

12 (c) *Make an incomplete, false, or fraudulent return, or attempt to do anything*
13 *to avoid:*

14 1. *A full disclosure of the amount of business done; or*

15 2. *The payment of the whole or any part of the state retail regulatory*
16 *license fee or penalties due; or*

17 (d) *Fail to keep and preserve records of the hemp-derived cannabinoid products*
18 *sold, kratom extracts, or kratom products sold by the retailer to substantiate*
19 *the reports required by this section.*

20 (10) *Any person who violates any provision of this section shall be subject to the*
21 *uniform civil penalties imposed pursuant to KRS 131.180 and interest at the tax*
22 *interest rate as defined in KRS 131.183.*

23 (11) (a) 1. *Notwithstanding any other provisions of this chapter to the contrary,*
24 *the president, vice president, secretary, treasurer, or any other person*
25 *holding any equivalent corporate office of any corporation subject to*
26 *this section shall be personally and individually liable, both jointly and*
27 *severally, for the state retail regulatory license fees imposed by this*

1 section, and neither the corporate dissolution nor withdrawal of the
2 corporation from the state nor the cessation of holding any corporate
3 office shall discharge the foregoing liability of any person.

4 2. The personal and individual liability shall apply to each and every
5 person holding the corporate office at the time the state retail
6 regulatory license fees become or became due.

7 3. A person shall not be personally and individually liable pursuant to
8 this section who had no authority in the management of the business
9 or financial affairs of the corporation at the time that the state retail
10 regulatory license fees imposed by this section become or became due.

11 (b) 1. Notwithstanding any other provision of this chapter, KRS 275.150,
12 362.1-306(3) or predecessor law, or 362.2-404(3) to the contrary, the
13 managers of a limited liability company, the partners of a limited
14 liability partnership, and the general partners of a limited liability
15 limited partnership or any other person holding any equivalent office
16 of a limited liability company, limited liability partnership, or limited
17 liability limited partnership subject to this section shall be personally
18 and individually liable, both jointly and severally, for the state retail
19 regulatory license fees imposed by this section.

20 2. Dissolution, withdrawal of the limited liability company, limited
21 liability partnership, or limited liability limited partnership from the
22 state, or the cessation of holding any office shall not discharge the
23 liability of any person. The personal and individual liability shall
24 apply to every manager of a limited liability company, partner of a
25 limited liability partnership, or general partner of a limited liability
26 limited partnership at the time the state retail regulatory license fees
27 becomes or became due.

1 (12) The Department of Revenue may prescribe forms and promulgate administrative
2 regulations in accordance with KRS Chapter 13A to execute and administer this
3 section. The state retail regulatory license fee may be paid via electronic funds
4 transfer. The retailer shall provide the department with all protocol
5 documentation and electronic funds transfer data necessary to facilitate the
6 timely transfer of funds.

7 (13) It is the purpose and intent of the General Assembly to impose regulatory license
8 fees on retailers of substances that may have an intoxicating effect on users. It is
9 not the intent of the General Assembly to legalize such activities if not otherwise
10 legal.

11 ➔ SECTION 4. A NEW SECTION OF KRS CHAPTER 243A IS CREATED TO
12 READ AS FOLLOWS:

13 (1) Any person who violates any provision of Section 2 or 3 of this Act or any
14 administrative regulation promulgated thereunder shall be guilty of a Class A
15 misdemeanor.

16 (2) Any person who violates any provision of Section 2 or 3 of this Act shall be
17 subject to the uniform civil penalties imposed pursuant to KRS 131.180.

18 (3) Any state wholesale regulatory license fee imposed by Section 2 of this Act and
19 any state retail regulatory license fee imposed by Section 3 of this Act that is not
20 paid on or before the due date shall bear interest at the tax interest rate as defined
21 in KRS 131.010 from the due date until the date of payment.

22 ➔ Section 5. KRS 211.285 is amended to read as follows:

23 (1) There is hereby created the alcohol wellness and responsibility education fund,
24 which shall provide moneys on a matching basis for educational information and
25 materials that deter or eliminate underage drinking. The fund shall consist of
26 moneys generated from:

27 (a) One percent (1%) of the excise tax collected from the sale and distribution of

1 malt beverages under KRS 243.720 before July 1, 2027; []

2 **(b)** One percent (1%) of the wholesale tax collected from distributors of malt
3 beverages and microbreweries under KRS 243.884 **before July 1, 2027;** [,
4 and]

10 (2) The alcohol wellness and responsibility education fund shall be established in the
11 State Treasury as a trust and agency account under KRS 45.253. Moneys in the
12 account shall be distributed by the State Treasurer to the Alcohol Wellness and
13 Responsibility Education Corporation, a nonprofit organization that is organized
14 under the laws of this state, upon the authorization of the secretary of the Public
15 Protection Cabinet. The moneys shall be awarded to the corporation solely to fund
16 educational programs to deter or eliminate underage drinking and promote alcohol
17 responsibility measures.

18 (3) The secretary of the Public Protection Cabinet shall authorize that moneys from the
19 fund be disbursed to the corporation upon the secretary's receipt of a certification
20 from the corporation showing the moneys the corporation has received from malt
21 beverage distributors, microbreweries, auctions, and other private sources since the
22 last certification. The moneys disbursed from the fund shall be equal to the
23 contributions that the corporation has received from its members and other private
24 sources during that period. The moneys in the fund shall be disbursed in accordance
25 with a schedule established by the secretary, and shall be disbursed until the
26 moneys in the fund are exhausted or until the moneys in the fund lapse in
27 accordance with subsection (4) of this section, whichever comes first.

1 (4) Moneys that are credited to the fund and not issued to the corporation shall lapse at
2 the end of the fiscal year and shall be returned to the general fund.

3 (5) As a condition of receiving the governmental funds, the corporation's board of
4 directors shall include the following among its directors:

5 (a) All duly elected statewide constitutional officers or designees;

6 (b) The President of the Senate or designee, who shall serve as a nonvoting
7 member;

8 (c) The Speaker of the House or designee, who shall serve as a nonvoting
9 member;

10 (d) The secretary of the Public Protection Cabinet or designee;

11 (e) The commissioner of the Department of Alcoholic Beverage Control or
12 designee;

13 (f) A representative of the malt beverage industry submitted by the Kentucky
14 Beer Wholesalers' Association;

15 (g) A representative of the malt beverage industry submitted by the Kentucky
16 Malt Beverage Council;

17 (h) A representative of the Kentucky Guild of Brewers submitted by the
18 Kentucky Guild of Brewers; and

19 (i) A representative of the distilled spirits industry submitted by the
20 Kentucky Distillers' Association.

21 (6) All expenditures of moneys from the fund shall be approved by a majority of those
22 persons set out in subsection (5)(a) and (d) to (h) of this section. If the moneys from
23 the fund are not expended in their entirety, any moneys that remain unused by the
24 corporation at the end of the fiscal year shall be returned to the general fund.

25 (7) Any moneys from the fund that are not expended shall be returned to the general
26 fund upon the dissolution of the corporation.

27 (8) The Alcohol Wellness and Responsibility Education Corporation may accept

1 applications for grants by Kentucky high schools, colleges and universities, and
2 other entities that promote alcohol responsibility, and the board of directors shall
3 develop criteria for the awarding of any funds by application.

4 (9) Any high school in the Commonwealth of Kentucky that was registered with the
5 Department of Education as of July 1, 2024, may make an application to the
6 Alcohol Wellness and Responsibility Education Corporation by February 28 of
7 each year and shall be granted a minimum of one thousand dollars (\$1,000)
8 annually from the funds contributed by the alcohol wellness and responsibility
9 education fund for the single purpose of supporting "Project Graduation" events.

10 ➔Section 6. KRS 241.010 is amended to read as follows:

11 As used in KRS Chapters 241 to 244, unless the context requires otherwise:

12 (1) "Alcohol" means ethyl alcohol, hydrated oxide of ethyl or spirit of wine, from
13 whatever source or by whatever process it is produced;

14 (2) "Alcoholic beverage" means every liquid, solid, powder, or crystal, whether
15 patented or not, containing alcohol in an amount in excess of more than one percent
16 (1%) of alcohol by volume, which is fit for beverage purposes. It includes distilled
17 spirits, wine, malt beverages, and every spurious or imitation liquor sold as, or
18 under any name commonly used for, alcoholic beverages containing alcohol in an
19 amount in excess of more than one percent (1%) of alcohol by volume[, whether
20 containing any alcohol or not]. It does not include the following products:

21 (a) Medicinal preparations manufactured in accordance with formulas prescribed
22 by the United States Pharmacopoeia, National Formulary, or the American
23 Institute of Homeopathy;

24 (b) Patented, patent, and proprietary medicines;

25 (c) Toilet, medicinal, and antiseptic preparations and solutions;

26 (d) Flavoring extracts and syrups;

27 (e) Denatured alcohol or denatured rum;

1 (f) Vinegar and preserved sweet cider;

2 (g) Wine for sacramental purposes; ~~{ and }~~

3 (h) Alcohol unfit for beverage purposes that is to be sold for legitimate external

4 use; and

5 (i) **Products intended for human consumption containing cannabinoids that**

6 **have intoxicating properties that change the function of the nervous system**

7 **and result in alterations of perception, cognition, or behavior;**

8 (3) (a) "Alcohol vaporizing device" or "AWOL device" means any device, machine,

9 or process that mixes liquor, spirits, or any other alcohol product with pure

10 oxygen or by any other means produces a vaporized alcoholic product used

11 for human consumption;

12 (b) "Alcohol vaporizing device" or "AWOL device" does not include an inhaler,

13 nebulizer, atomizer, or other device that is designed and intended by the

14 manufacturer to dispense a prescribed or over-the-counter medication or a

15 device installed and used by a licensee under this chapter to demonstrate the

16 aroma of an alcoholic beverage;

17 (4) "Automobile race track" means a facility primarily used for vehicle racing that has a

18 seating capacity of at least thirty thousand (30,000) people;

19 (5) "Barrel-aged and batched cocktail" means an alcoholic beverage that is:

20 (a) Composed of:

21 1. Distilled spirits that have been dispensed from their original sealed

22 container; and

23 2. Other ingredients or alcoholic beverages;

24 (b) Placed into a barrel or container on the premises of a retail licensee; and

25 (c) Dispensed from the barrel or container as a retail sale by the drink;

26 (6) "Bed and breakfast" means a one (1) family dwelling unit that:

27 (a) Has guest rooms or suites used, rented, or hired out for occupancy or that are

- (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

1 human consumption that has intoxicating properties that change the function
2 of the nervous system and results in alterations of perception, cognition, or
3 behavior and shall not contain more than five (5) milligrams of intoxicating
4 adult-use cannabinoids per twelve (12) ounce serving; and

5 (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.

9 (14) "Caterer" means a person operating a food service business that prepares food in a
10 licensed and inspected commissary, transports the food and alcoholic beverages to
11 the caterer's designated and inspected banquet hall or to an agreed location, and
12 serves the food and alcoholic beverages pursuant to an agreement with another
13 person;

14 (15) "Charitable organization" means a nonprofit entity recognized as exempt from
15 federal taxation under Section 501(c) of the Internal Revenue Code, 26 U.S.C. sec.
16 501(c), or any organization having been established and continuously operating
17 within the Commonwealth of Kentucky for charitable purposes for three (3) years
18 and which expends at least sixty percent (60%) of its gross revenue exclusively for
19 religious, educational, literary, civic, fraternal, or patriotic purposes;

20 (16) "Cider" means any fermented fruit-based beverage containing seven percent (7%)
21 or more alcohol by volume and includes hard cider and perry cider;

22 (17) "City administrator" means city alcoholic beverage control administrator;

23 (18) "Commercial airport" means an airport through which more than five hundred
24 thousand (500,000) passengers arrive or depart annually:

25 (19) (a) "Commercial quadricycle" means a vehicle equipped with a minimum of ten
26 (10) pairs of fully operative pedals for propulsion by means of human
27 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.

10 (b) A "commercial quadricycle" is not a motor vehicle as defined in KRS 186.010 or 189.010;

12 (20) "Commissioner" means the commissioner of the Department of Alcoholic Beverage Control;

14 (21) "Consumer" means a person, persons, or business organization who purchases alcoholic beverages and who:

- 16 (a) Does not hold a license or permit issued by the department;
- 17 (b) Purchases the alcoholic beverages for personal consumption only and not for resale;
- 19 (c) Is of lawful drinking age; and
- 20 (d) Receives the alcoholic beverages in territory where the alcoholic beverages may be lawfully sold or received;

22 (22) "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;

27 (23) "Convicted" and "conviction" means a finding of guilt resulting from a plea of

1 guilty, the decision of a court, or the finding of a jury, irrespective of a
2 pronouncement of judgment or the suspension of the judgment;

3 (24) "County administrator" means county alcoholic beverage control administrator;

4 (25) "Department" means the Department of Alcoholic Beverage Control;

5 (26) "Dining car" means a railroad passenger car that serves meals to consumers on any
6 railroad or Pullman car company;

7 (27) "Discount in the usual course of business" means price reductions, rebates, refunds,
8 and discounts given by wholesalers to distilled spirits and wine retailers pursuant to
9 an agreement made at the time of the sale of the merchandise involved and are
10 considered a part of the sales transaction, constituting reductions in price pursuant
11 to the terms of the sale, irrespective of whether the quantity discount was:

12 (a) Prorated and allowed on each delivery;

13 (b) Given in a lump sum after the entire quantity of merchandise purchased had
14 been delivered; or

15 (c) Based on dollar volume or on the quantity of merchandise purchased;

16 (28) "Distilled spirits" or "spirits" means any product capable of being consumed by a
17 human being which contains alcohol obtained by distilling, mixed with water or
18 other substances in solution, except wine, hard cider, and malt beverages;

19 (29) "Distiller" means any person who is engaged in the business of manufacturing
20 distilled spirits at any distillery in the state and is registered in the Office of the
21 Collector of Internal Revenue for the United States at Louisville, Kentucky;

22 (30) "Distillery" means any place or premises where distilled spirits are manufactured
23 for sale, and which are registered in the office of any collector of internal revenue
24 for the United States. It includes any United States government bonded warehouse;

25 (31) "Distributor" means any person who distributes malt beverages for the purpose of
26 being sold at retail;

27 (32) "Dry" means a territory in which a majority of the electorate voted to prohibit all

1 forms of retail alcoholic beverage sales through a local option election held under
2 KRS Chapter 242;

3 (33) "Election" means:

4 (a) An election held for the purpose of taking the sense of the people as to the
5 application or discontinuance of alcoholic beverage sales under KRS Chapter
6 242; or

7 (b) Any other election not pertaining to alcoholic beverages;

8 (34) "Horse racetrack" means a facility licensed to conduct a horse race meeting under
9 KRS Chapter 230;

10 (35) "Hotel" means a hotel, motel, or inn for accommodation of the traveling public,
11 designed primarily to serve transient patrons;

12 (36) "Investigator" means any employee or agent of the department who is regularly
13 employed and whose primary function is to travel from place to place for the
14 purpose of visiting licensees, and any employee or agent of the department who is
15 assigned, temporarily or permanently, by the commissioner to duty outside the main
16 office of the department at Frankfort, in connection with the administration of
17 alcoholic beverage statutes;

18 (37) "License" means any license issued pursuant to KRS Chapters 241 to 244;

19 (38) "Licensee" means any person to whom a license has been issued, pursuant to KRS
20 Chapters 241 to 244;

21 (39) "Limited restaurant" means:

22 (a) A facility where the usual and customary business is the preparation and
23 serving of meals to consumers, which has a bona fide kitchen facility, which
24 receives at least seventy percent (70%) of its food and alcoholic beverage
25 receipts from the sale of food, which maintains a minimum seating capacity of
26 fifty (50) persons for dining, which has no open bar, which requires that
27 alcoholic beverages be sold in conjunction with the sale of a meal, and which

1 by alcoholic beverage statutes is operated or carried on. "Premises" shall not
2 include as a single unit two (2) or more separate businesses of one (1) owner on the
3 same lot or tract of land, in the same or in different buildings if physical and
4 permanent separation of the premises is maintained, excluding employee access by
5 keyed entry and emergency exits equipped with crash bars, and each has a separate
6 public entrance accessible directly from the sidewalk or parking lot. Any licensee
7 holding an alcoholic beverage license on July 15, 1998, shall not, by reason of this
8 subsection, be ineligible to continue to hold his or her license or obtain a renewal,
9 of the license;

10 (49) "Primary source of supply" or "supplier" means the distiller, winery, brewer,
11 producer, owner of the commodity at the time it becomes a marketable product,
12 bottler, or authorized agent of the brand owner. In the case of imported products,
13 the primary source of supply means either the foreign producer, owner, bottler, or
14 agent of the prime importer from, or the exclusive agent in, the United States of the
15 foreign distiller, producer, bottler, or owner;

16 (50) "Private club" means a nonprofit social, fraternal, military, or political organization,
17 club, or nonprofit or for-profit entity maintaining or operating a club room, club
18 rooms, or premises from which the general public is excluded;

19 (51) "Private selection event" means a private event with a licensed distiller during
20 which participating consumers, retail licensees, wholesalers, distributors, or a
21 distillery's own representatives select a single barrel or a blend of barrels of the
22 distiller's products to be specially packaged for the participants;

23 (52) "Private selection package" means a bottle of distilled spirits sourced from the
24 barrel or barrels selected by participating consumers, retail licensees, wholesalers,
25 distributors, microbreweries that hold a quota retail drink or quota retail package
26 license, or a distillery's own representatives during a private selection event;

27 (53) "Public nuisance" means a condition that endangers safety or health, is offensive to

1 the senses, or obstructs the free use of property so as to interfere with the
2 comfortable enjoyment of life or property by a community or neighborhood or by
3 any considerable number of persons;

4 (54) "Qualified historic site" means:

5 (a) A contributing property with dining facilities for at least fifty (50) persons at
6 tables, booths, or bars where food may be served within a commercial district
7 listed in the National Register of Historic Places;

8 (b) A site that is listed as a National Historic Landmark or in the National
9 Register of Historic Places with dining facilities for at least fifty (50) persons
10 at tables, booths, or bars where food may be served;

11 (c) A distillery which is listed as a National Historic Landmark and which
12 conducts souvenir retail package sales under KRS 243.0305; or

13 (d) A not-for-profit or nonprofit facility listed on the National Register of Historic
14 Places;

15 (55) "Rectifier" means any person who rectifies, purifies, or refines distilled spirits,
16 malt, or wine by any process other than as provided for on distillery premises, and
17 every person who, without rectifying, purifying, or refining distilled spirits by
18 mixing alcoholic beverages with any materials, manufactures any imitations of or
19 compounds liquors for sale under the name of whiskey, brandy, gin, rum, wine,
20 spirits, cordials, bitters, or any other name;

21 (56) "Repackaging" means the placing of alcoholic beverages in any retail container
22 irrespective of the material from which the container is made;

23 (57) "Restaurant" means a facility where the usual and customary business is the
24 preparation and serving of meals to consumers, that has a bona fide kitchen facility,
25 and that receives at least fifty percent (50%) of its food and alcoholic beverage
26 receipts from the sale of food at the premises;

27 (58) "Retail container" means any bottle, can, barrel, or other container which, without a

1 separable intermediate container, holds alcoholic beverages and is suitable and
2 destined for sale to a retail outlet, whether it is suitable for delivery or shipment to
3 the consumer or not;

4 (59) "Retail sale" means any sale of alcoholic beverages to a consumer, including those
5 transactions taking place in person, electronically, online, by mail, or by telephone;

6 (60) "Retailer" means any licensee who sells and delivers any alcoholic beverage to
7 consumers, except for manufacturers with limited retail sale privileges and direct
8 shipper licensees;

9 (61) "Riverboat" means any boat or vessel with a regular place of mooring in this state
10 that is licensed by the United States Coast Guard to carry forty (40) or more
11 passengers for hire on navigable waters in or adjacent to this state;

12 (62) "Sale" means any transfer, exchange, or barter for consideration, and includes all
13 sales made by any person, whether principal, proprietor, agent, servant, or
14 employee, of any alcoholic beverage;

15 (63) "Service bar" means a bar, counter, shelving, or similar structure used for storing or
16 stocking supplies of alcoholic beverages that is a workstation where employees
17 prepare alcoholic beverage drinks to be delivered to customers away from the
18 service bar;

19 (64) "Sell" includes solicit or receive an order for, keep or expose for sale, keep with
20 intent to sell, and the delivery of any alcoholic beverage;

21 (65) "Small farm winery" means a winery whose wine production is not less than two
22 hundred fifty (250) gallons and not greater than five hundred thousand (500,000)
23 gallons in a calendar year;

24 (66) "Souvenir package" means a special package of distilled spirits available from a
25 licensed retailer that is:
26 (a) Available for retail sale at a licensed Kentucky distillery where the distilled
27 spirits were produced or bottled; or

1 used to manufacture, bottle, or sell these beverages;

2 (75)¶(74) "Vintage distilled spirit" means:

3 (a) A private selection package; or

4 (b) A package or packages of distilled spirits that:

5 1. Are in their original manufacturer's unopened container;

6 2. Are not owned by a distillery; and

7 3. Are not otherwise available for purchase from a licensed wholesaler
8 within the Commonwealth;

9 (76)¶(75) (a) "Vintage distilled spirits seller" means a nonlicensed person at least
10 twenty-one (21) years of age who is:

11 1. An administrator, executor, receiver, or other fiduciary who receives and
12 sells vintage distilled spirits in execution of the person's fiduciary
13 capacity;

14 2. A creditor who receives or takes possession of vintage distilled spirits as
15 security for, or in payment of, debt, in whole or in part;

16 3. A public officer or court official who levies on vintage distilled spirits
17 under order or process of any court or magistrate to sell the vintage
18 distilled spirits in satisfaction of the order or process; or

19 4. Any other person not engaged in the business of selling alcoholic
20 beverages.

21 (b) "Vintage distilled spirits seller" does not mean:

22 1. A person selling alcoholic beverages as part of an approved KRS
23 243.630 transfer; or

24 2. A person selling alcoholic beverages as authorized by KRS 243.540;

25 (77)¶(76) "Warehouse" means any place in which alcoholic beverages are housed or
26 stored;

27 (78)¶(77) "Weak cider" means any fermented fruit-based beverage containing more than

1 one percent (1%) but less than seven percent (7%) alcohol by volume;

2 (79)~~(78)~~ "Wet" means a territory in which a majority of the electorate voted to permit

3 all forms of retail alcoholic beverage sales by a local option election under KRS

4 242.050 or 242.125 on the following question: "Are you in favor of the sale of

5 alcoholic beverages in (name of territory)?";

6 (80)~~(79)~~ "Wholesale sale" means a sale to any person for the purpose of resale;

7 (81)~~(80)~~ "Wholesaler" means any person who distributes alcoholic beverages for the

8 purpose of being sold at retail, but it shall not include a subsidiary of a

9 manufacturer or cooperative of a retail outlet;

10 (82) (a)~~(81)~~ "Wine" means the product of the normal alcoholic fermentation of the

11 juices of fruits, with the usual processes of manufacture and normal additions,

12 and includes champagne and sparkling and fortified wine of an alcoholic

13 content not to exceed twenty-four percent (24%) by volume.

14 (b) "Wine"~~H~~ includes:

15 1. Sake, cider, hard cider, and perry cider; and~~also includes~~

16 2. Preparations or mixtures vended in retail containers if these preparations

17 or mixtures contain not more than fifteen percent (15%) of alcohol by

18 volume.~~H~~

19 (c) "Wine" does not include weak cider; and

20 (83)~~(82)~~ "Winery" means any place or premises in which wine is manufactured from

21 any fruit, or brandies are distilled as a by-product of wine or other fruit, or cordials

22 are compounded, except a place or premises that manufactures wine for sacramental

23 purposes exclusively.

24 ➔Section 7. KRS 241.069 is amended to read as follows:

25 (1) Any city, including any city located in a wet or dry county, county, or urban-county

26 government may petition the board:

27 (a) For an increase in the number of quota retail package licenses available in its

1 jurisdiction; or

2 (b) For an increase in the number of quota retail package licenses available in the

3 county, if the number of quota retail package licenses is governed by KRS

4 241.066.

5 A request for an increase shall not exceed the ratio of one (1) per every one

6 thousand five hundred (1,500) residents.

7 (2) The board shall consider the following factors when deciding whether to grant the

8 increase:

9 (a) Population served by the city, county, or urban-county government;

10 (b) Estimated total retail sales of the city, county, or urban-county government for

11 the most recent past fiscal year;

12 (c) Estimated retail sales per capita for the most recent past fiscal year;

13 (d) Estimated total alcohol sales in the city, county, or urban-county government

14 for the most recent past fiscal year;

15 (e) Tourist destinations in the area, if applicable; and

16 (f) Other economic and commercial data offered to show the capacity to support

17 additional licenses.

18 (3) The board shall grant the request if the information supplied supports the requested

19 increase~~, and shall begin the process of filing an amendment to its administrative~~

20 ~~regulation to register the increase. Additional licenses shall not be issued until the~~

21 ~~administrative regulation process is complete and the amendment is adopted].~~

22 (4) If the board determines the information supplied does not support a quota increase,

23 it shall notify the city, county, or urban-county government of its decision by

24 registered mail at the address given in the request. The city, county, or urban-county

25 government shall have thirty (30) days from the date of the mailing to file a written

26 request for a hearing before the board regarding its request for an increase.

27 ➔Section 8. KRS 243.020 is amended to read as follows:

- 1 (1) A person shall not do any act authorized by any kind of license with respect to the
2 manufacture, storage, sale, purchase, transporting, or other traffic in alcoholic
3 beverages or the distribution, retail sale, or transportation of cannabis-infused
4 beverages unless the person holds or is an independent contractor, agent, servant, or
5 employee of a person who holds the kind of license that authorizes the act, or is a
6 third party utilized by a direct shipper licensee as set forth in KRS 243.027.
- 7 (2) The holding of any permit from the United States government to traffic in alcoholic
8 beverages without the corresponding requisite state and local licenses shall in all
9 cases raise a rebuttable presumption that the holder of the United States permit is
10 unlawfully trafficking in alcoholic beverages.
- 11 (3) Except as permitted by KRS 243.033, 243.036, 243.155, 243.157, and 243.260, a
12 person, conducting a place of business patronized by the public, who is not a
13 licensee authorized to sell alcoholic beverages, shall not permit any person to sell,
14 barter, loan, give away, or drink alcoholic beverages on the premises of the place of
15 business.
- 16 (4) A licensee shall not permit any consumer to possess, give away, or drink alcoholic
17 beverages or cannabis-infused beverages on the licensed premises that are not
18 purchased from the licensee.
- 19 (5) In a moist territory, the only types of licenses that may be issued are those that
20 directly correspond with the types of sales approved by the voters through moist
21 elections within the territory, unless otherwise specifically authorized by statute.
- 22 (6) **If a licensee holds two (2) or more licenses, only the specific license for which the
23 licensee has violated the terms shall be subject to suspension or revocation.**
- 24 (7) Notwithstanding subsections (3) and (4) of this section, with the written permission
25 of a licensed entertainment destination center:
 - 26 (a) A retail drink licensee located wholly within a licensed entertainment
27 destination center or that has a storefront sharing a physical boundary with

1 that licensed entertainment destination center may allow persons on the
2 licensee's premises to possess and drink alcoholic beverages that were
3 purchased from another retail drink licensee located wholly within, or that has
4 a storefront sharing a physical boundary with, the licensed entertainment
5 destination center; and

6 (b) A nonlicensed place of business that is located wholly within a licensed
7 entertainment destination center or that has a storefront sharing a physical
8 boundary with that licensed entertainment destination center may allow
9 persons on its property to possess and drink alcoholic beverages that were
10 purchased from a retail drink licensee located wholly within, or that has a
11 storefront sharing a physical boundary with, the licensed entertainment
12 destination center.

13 ➔Section 9. KRS 243.030 is amended to read as follows:

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

19 (1) Distiller's license:

20 (a) Class A, per annum	<u>\$2,980.00</u> [\$3,090.00]
21 (b) Class B (craft distillery), per annum.....	<u>\$890.00</u> [\$1,000.00]
22 (c) Off-premises retail sales outlet, per annum	\$300.00

23 (2) Rectifier's license:

24 (a) Class A, per annum	\$2,580.00
25 (b) Class B (craft rectifier), per annum	\$825.00

26 (3) Winery license, per annum

\$1,030.00

27 (4) Small farm winery license, per annum

\$110.00

1	(a) Small farm winery off-premises retail license, per annum	\$30.00
2	(5) Wholesaler's license, per annum	\$2,060.00
3	(6) Quota retail package license, per annum	\$570.00
4	(7) Quota retail drink license, per annum	\$620.00
5	(8) Transporter's license, per annum	\$210.00
6	(9) Special nonbeverage alcohol license, per annum	\$60.00
7	(10) Special agent's or solicitor's license, per annum	\$30.00
8	(11) Bottling house or bottling house storage license, per annum	\$1,030.00
9	(12) Special temporary license, per event	\$100.00
10	(13) Special Sunday retail drink license, per annum	\$520.00
11	(14) Caterer's license, per annum	\$830.00
12	(15) Special temporary alcoholic beverage auction license, per event	\$100.00
13	(16) Extended hours supplemental license, per annum	\$2,060.00
14	(17) Hotel in-room license, per annum	\$210.00
15	(18) Air transporter license, per annum	\$520.00
16	(19) Sampling license, per annum	\$110.00
17	(20) Replacement or duplicate license	\$25.00
18	(21) Entertainment destination center license:	
19	(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
20		
21	(b) All other licensees, per annum	\$7,730.00
22		
23	(22) Limited restaurant license, per annum	\$780.00
24	(23) Limited golf course license, per annum	\$720.00
25	(24) Small farm winery wholesaler's license, per annum	\$110.00
26	(25) Qualified historic site license, per annum	\$1,030.00
27	(26) Nonquota type 1 license, per annum	\$4,120.00

1 (27) Nonquota type 2 license, per annum.....\$830.00

2 (28) Nonquota type 3 license, per annum.....\$310.00

3 (29) Distilled spirits and wine storage license, per annum\$620.00

4 (30) Out-of-state distilled spirits and wine supplier's license, per annum\$1,550.00

5 (31) Limited out-of-state distilled spirits and wine supplier's

6 license, per annum\$260.00

7 (32) Authorized public consumption license, per annum.....\$250.00

8 (33) Direct shipper Type A license, per annum.....\$100.00

9 (34) Limited nonquota package license, per annum.....\$300.00

10 (35) Vintage distilled spirits license, per annum\$300.00

11 (36) Cannabis-infused beverage retail package license, per annum.....\$2,000.00

12 (37) Cannabis-infused beverage distributor's license, per annum\$1,000.00

13 (38) Cannabis-infused beverage distributor's license,

14 supplemental, per annum\$1,000.00

15 (39) Direct shipper Type B license, per annum.....\$1,000.00

16 (40) **Souvenir package sales license, per annum.....\$110.00**

17 (41) A nonrefundable fee of sixty dollars (\$60) shall be charged to process each new

18 transitional license pursuant to KRS 243.045.

19 (42){(41)} Other special licenses the board finds necessary for the proper regulation and

20 control of the traffic in distilled spirits and wine and provides for by administrative

21 regulation. In establishing the amount of license taxes that are required to be fixed

22 by the board, it shall have regard for the value of the privilege granted.

23 (43){(42)} The fee for each of the first five (5) supplemental bar licenses shall be the

24 same as the fee for the primary retail drink license. There shall be no charge for

25 each supplemental license issued in excess of five (5) to the same licensee at the

26 same premises.

27 A nonrefundable application fee of fifty dollars (\$50) shall be charged to process each

1 new application under this section, except for subsections (4), (8), (9), (10), (12), (15),
2 (19), and (20) of this section. The application fee shall be applied to the licensing fee if
3 the license is issued; otherwise it shall be retained by the department.

4 ➔Section 10. KRS 243.0305 is amended to read as follows:

5 (1) Any licensed Kentucky distiller that is located in wet territory or in any precinct
6 that has authorized the limited sale of alcoholic beverages at distilleries under KRS
7 242.1243 and that has a gift shop or other retail outlet on its premises may conduct
8 the activities permitted under this section as a part of its distiller's license.

9 (2) (a) For purposes of all retail drink and package sales that occur pursuant to
10 subsection (3), (4), (7), (9), (10), (12), or (13) of this section, the distillery
11 shall:

12 1. Be permitted to transfer its products from the distillery proper to the
13 location where those retail sales occur without having to transfer
14 physical possession of those distilled spirits to a licensed wholesaler;
15 and

16 2. Without otherwise reporting those distilled spirits to a licensed
17 wholesaler, report those retail sales and pay all taxes required to the
18 Department of Revenue at the time and in the manner required by the
19 Department of Revenue in accordance with its powers under KRS
20 131.130(3).

21 (b){—1.} A distiller selling distilled spirits in accordance with this
22 subsection shall pay all state regulatory license fees{wholesale sales
23 taxes} due under Sections 1 and 2 of this Act[KRS 243.884]. For the
24 purposes of this subsection, "selling"["wholesale sales"] means a sale
25 of distilled spirits made by a distiller under subsection (3)(b), (4), (7),
26 (9), (10), (12), and (13) of this section, if required by Section 1 or
27 Section 2 of this Act[KRS 243.884], excluding sales made by a distiller

1 under subsection (4)(a)3. and (b) of this section that utilize a licensed
2 wholesaler.¶

3 2. A distiller shall pay the excise tax on distilled spirits in accordance with
4 KRS 243.720 and 243.730.]

5 (c) All other distilled spirits that are produced by the distillery shall be sold and
6 physically transferred in compliance with all other relevant provisions of KRS
7 Chapters 241 to 244.

8 (3) **If** a distiller **holds a souvenir package sales license, it** may sell its own private
9 selection packages and souvenir packages at retail:

10 (a) To consumers in accordance with KRS 243.027 to 243.029 if it holds a direct
11 shipper license; and

12 (b) To distillery visitors of legal drinking age, in quantities not to exceed an
13 aggregate of nine (9) liters per purchaser per day.

14 (4) **If** a distiller holds a souvenir package sales license, it may conduct private
15 selection events and sell private selection packages at retail, as follows:

16 (a) Distillers may sell private selection packages to consumers who participated
17 in a private selection event only by:

18 1. Shipping the private selection packages in accordance with KRS
19 243.027 to 243.029 if the distiller holds a direct shipper license, but
20 these sales and shipments shall be exempt from the quantity limitations
21 established in KRS 243.028(1);

26 3. Selling the private selection packages through a wholesaler and to a
27 licensed retailer of the consumer's choice. The distillery and

1 wholesaler's cooperation in facilitating the sale of the private selection
2 packages to the retailer of the consumer's choice shall not be deemed a
3 violation of KRS 244.240.

4 (b) Except as provided in KRS 243.036, distillers may sell private selection
5 packages to retail licensees that participated in a private selection event only
6 through a licensed wholesaler.

7 (c) A distillery shall make available for purchase not less than seventy percent
8 (70%) of its annual private selection packages to licensed wholesalers and
9 shall maintain records of such transactions in accordance with KRS 244.150.

10 (d) Distillers may sell private selection packages to wine and distilled spirits
11 wholesalers, malt beverage distributors, and microbreweries that hold a quota
12 retail drink or quota retail package license that participated in a private
13 selection event if the private selection packages resulting from the event are
14 sold only through a licensed retailer.

15 (5) Hours of sale for souvenir packages sold at retail and private selection packages
16 sold at retail shall be in conformity with KRS 244.290(3).

17 (6) Except as provided in this section, souvenir package and private selection package
18 sales to distillery visitors shall be governed by all the statutes and administrative
19 regulations governing the retail sale of distilled spirits by the package.

20 (7) Souvenir packages sold to distillery visitors under subsection (3)(b) of this section,
21 which are not made available to wholesalers licensed in Kentucky or elsewhere,
22 shall be registered by the licensed distiller with the department and shall be sold
23 exclusively to in-person distillery visitors in quantities not to exceed three (3) liters
24 per person per day.

25 (8) Notwithstanding any provision of KRS 244.050 to the contrary, a distillery holding
26 a sampling license may allow visitors to sample distilled spirits under the following
27 conditions:

1 licensed malt beverage distributor or a microbrewery pursuant to KRS
2 243.157(1)(f). A microbrewery selling and delivering the jointly branded
3 souvenir package directly to a distiller under this subsection shall provide
4 notice to the distributor of any self-distribution delivery by electronic or other
5 means.

6 (12) (a) A distiller that holds a Class B distiller's license but does not hold a Class A
7 distiller's license under KRS 243.030 may sell and deliver to any licensed
8 retailer up to five thousand (5,000) gallons of distilled spirits annually, sold
9 under a brand name owned or exclusively licensed to the distillery, provided
10 the distilled spirits were:

- 11 1. Produced by the distillery;
- 12 2. Produced for the distillery under a written contract with another licensed
13 manufacturer; or
- 14 3. Bottled for or by the distillery.

15 (b) Any products sold and delivered under this subsection that are not otherwise
16 registered by a licensed wholesaler shall be registered by the distillery with
17 the department.

18 (c) Any products sold and delivered under this subsection shall be delivered by
19 the distillery in vehicles owned and operated by the distillery, displaying the
20 distillery's name and license number.

21 (d) The distillery is responsible for payment of all applicable taxes and reporting
22 of self-distributed distilled spirits.

23 (e) The distillery may extend credit on distilled spirits sold to retail licensees for a
24 period not to exceed thirty (30) days from the date of invoice, with the date of
25 invoice included in the total number of days.

26 (f) A distillery shall report self-distribution sales under this subsection as follows:
27 1. For a sale of in excess of nine (9) liters to any given retailer on any

1 given day, the distillery shall provide at least twenty-four (24) hours
2 advance written or electronic notice to wholesalers that have an existing
3 business relationship with the distillery and that distribute the products
4 the distillery is self-distributing. If advance notice is not practicable, the
5 distillery shall notify the wholesaler within one (1) business day of
6 delivery;

7 2. A distillery shall submit a quarterly report of its self-distribution sales
8 under this subsection to wholesalers that have an existing business
9 relationship with the distillery and that distribute the products the
10 distillery is self-distributing. The quarterly report shall describe the type,
11 quantity, and price of the product that was self-distributed, the retail
12 delivery location, and the date of delivery of the self-distribution sales in
13 the most recently completed quarter preceding the due date of the report;
14 and

15 3. Each distillery engaging in self-distribution sales under this subsection
16 shall report to the department the total number of gallons self-distributed
17 annually at the time of the renewal of its Class B distiller's license.

18 (13) A distiller that sells souvenir packages and serves complimentary samples in
19 accordance with this section at any of its licensed premises may, for each such
20 premises, maintain one (1) separately licensed off-premises retail sales outlet and
21 engage in the activities and hold the licenses authorized in subsections (3), (4), (8),
22 (9), (11), and (12) of this section if the off-premises retail sales outlet premises are
23 located in wet territory or in a precinct that has authorized alcoholic beverage sales
24 by the distillery under KRS 242.1243. The distiller shall pay the fee required under
25 KRS 243.030 for each off-premises retail sales outlet it maintains.

26 (14) Except as expressly stated in this section, this section does not exempt the holder of
27 a distiller's license from:

- 1 (a) The provisions of KRS Chapters 241 to 244;
- 2 (b) The administrative regulations of the board;~~and~~
- 3 (c) Regulation by the board at all the distiller's licensed premises;and
- 4 (d) **The state regulatory license fees imposed by Sections 1 and 2 of this Act.**
- 5 (15) **A distiller shall only sell souvenir packages pursuant to this section if it also**
- 6 **holds a souvenir package sales license.**
- 7 (16) Nothing in this section shall be construed to vitiate the policy of this
- 8 Commonwealth supporting an orderly three (3) tier system for the production and
- 9 sale of alcoholic beverages.
- 10 (17) **A distiller may permit leashed dogs on its premises, consistent with any applicable**
- 11 **health or safety codes.**
- 12 ➔ Section 11. KRS 243.033 is amended to read as follows:
- 13 (1) A caterer's license may be issued as a supplementary license to a caterer that holds a
- 14 quota retail package license, a quota retail drink license, an NQ1 license, an NQ2
- 15 license, or a limited restaurant license.
- 16 (2) The caterer's license may be issued as a primary license to a caterer in any wet
- 17 territory or in any moist territory under KRS 242.1244 for the premises that serves
- 18 as the caterer's commissary and designated banquet hall. ~~A~~~~No~~ primary caterer's
- 19 license shall not authorize alcoholic beverage sales at a premises that operates as a
- 20 restaurant. The alcoholic beverage stock of the caterer shall be kept under lock and
- 21 key at the licensed premises during the time that the alcoholic beverages are not
- 22 being used in conjunction with a catered function.
- 23 (3) The caterer's license shall authorize the caterer to:
- 24 (a) Purchase and store alcoholic beverages in the manner prescribed in KRS
- 25 243.088, 243.250, and 244.260;
- 26 (b) Transport, sell, serve, and deliver alcoholic beverages by the drink at locations
- 27 away from the licensed premises or at the caterer's designated banquet hall in

1 conjunction with the catering of food and alcoholic beverages for a customer
2 and the customer's guests, in:

3 1. Cities and counties established as moist territory under KRS 242.1244 if
4 the receipts from the catering of food at any catered event are at least
5 seventy percent (70%) of the gross receipts from the catering of both
6 food and alcoholic beverages;

7 2. Precincts established as moist territory if the receipts from the catering
8 of food at any catered event are at least ten percent (10%) of the gross
9 receipts from the catering of both food and alcoholic beverages. This
10 subparagraph shall supersede any conflicting provisions of KRS
11 Chapters 241 to 244;

12 3. Wet cities and counties in which quota retail drink licenses are not
13 available if the receipts from the catering of food at any catered event
14 are at least fifty percent (50%) of the gross receipts from the catering of
15 both food and alcoholic beverages; or

16 4. All other wet territory if the receipts from the catering of food at any
17 catered event are at least thirty-five percent (35%) of the gross receipts
18 from the catering of both food and alcoholic beverages;

19 (c) Receive and fill telephone orders for alcoholic beverages in conjunction with
20 the ordering of food for a catered event; and

21 (d) Receive payment for alcoholic beverages served at a catered event on a by-
22 the-drink, cash bar, or by-the-event basis. The caterer may bill the customer
23 for by-the-function sales of alcoholic beverages in the usual course of the
24 caterer's business.

25 (4) A caterer licensee shall not cater alcoholic beverages at locations for which retail
26 alcoholic beverage licenses or special temporary licenses have been issued. A
27 caterer licensee may cater a charitable or nonprofit fundraising event **or a state or**

1 **national conference** for which a special temporary alcoholic beverage auction
2 license has been issued under KRS 243.036.

3 (5) A caterer licensee shall not cater alcoholic beverages on Sunday except in territory
4 in which the Sunday sale of alcoholic beverages is permitted under the provisions
5 of KRS 244.290 and 244.480.

6 (6) The location at which alcoholic beverages are sold, served, and delivered by a
7 caterer, pursuant to this section, shall not constitute a public place for the purpose of
8 KRS Chapter 222. If the location is a multi-unit structure, only the unit or units at
9 which the function being catered is held shall be excluded from the public place
10 provisions of KRS Chapter 222.

11 (7) The caterer licensee shall post a copy of the licensee's caterer's license at the
12 location of the function for which alcoholic beverages are catered.

13 (8) All restrictions and prohibitions applying to a quota retail drink licensee and an
14 NQ4 retail malt beverage drink licensee not inconsistent with this section shall
15 apply to the caterer licensee.

16 (9) The caterer licensee shall maintain records as set forth in KRS 244.150 and in
17 administrative regulations promulgated by the board.

18 (10) Notwithstanding subsection (3)(b) of this section, a caterer may serve alcoholic
19 beverages to guests who are twenty-one (21) years of age or older at a private event
20 in dry territory if:

21 (a) The alcoholic beverages were lawfully purchased in a wet or moist territory:
22 1. By an individual; or
23 2. At the caterer's licensed premises in wet or moist territory; and
24 (b) The alcoholic beverages are not sold in dry territory to guests at the private
25 residence or private event regardless of whether the venue is a public place.

26 ➔Section 12. KRS 243.036 is amended to read as follows:

27 (1) A special temporary alcoholic beverage auction license may be issued to:

- 1 (a) An auctioneer licensed under KRS Chapter 330; ~~or to }~~
- 2 (b) A charitable organization; ~~or }~~
- 3 (c) A nonprofit organization; or
- 4 (d) The organizer or sponsor of a state or national conference.
- 5 (2) A special temporary alcoholic beverage auction license issued to a charitable or
- 6 nonprofit organization or to the organizer or sponsor of a state or national
- 7 conference shall authorize the holder to:
- 8 (a) Purchase, transport, receive, possess, store, sell, and deliver alcoholic
- 9 beverages by the package or by the drink to be sold by auction or raffle or
- 10 given away or served or consumed at charity or nonprofit events or at state or
- 11 national conferences;
- 12 (b) Purchase, transport, receive, possess, store, sell, and deliver limited specially
- 13 labeled bottles of alcoholic beverages to be sold or given away at charity or
- 14 nonprofit events or state or national conferences;
- 15 (c) Obtain alcoholic beverages from distillers, rectifiers, wineries, small farm
- 16 wineries, brewers, microbreweries, wholesalers, distributors, retailers, or any
- 17 other person, by gift or donation, for the purpose of charity or nonprofit
- 18 events or state or national conferences; and
- 19 (d) Receive payment for alcoholic beverages sold at events.
- 20 (3) For a charitable or nonprofit organization or a state or national conference-
- 21 sponsored auction:
- 22 (a) Each alcoholic beverage auction or raffle ~~conducted by a charitable~~
- 23 ~~organization~~ shall be subject to all restrictions and limitations contained in
- 24 KRS Chapters 241 to 244 and the administrative regulations issued under
- 25 those chapters and shall be authorized only on the days and only during the
- 26 hours that the sale of alcoholic beverages is otherwise authorized in the
- 27 county or municipality; and

1 (b) The location at which the alcoholic beverages are auctioned, raffled, or
2 consumed under this section shall not constitute a public place for the purpose
3 of KRS Chapter 222. Charitable, ~~or~~ nonprofit, or state or national
4 conference-sponsored events may be conducted on licensed or unlicensed
5 premises. The ~~charitable~~ organization possessing a special temporary
6 alcoholic beverage auction license shall post a copy of the license at the
7 location of the event.

8 (4) An auctioneer holding a special temporary alcoholic beverage auction license may:
9 (a) Transport, receive, possess, store, advertise, auction, sell, deliver, and ship
10 alcoholic beverages either sold or intended for sale at auction by the licensee;
11 (b) Sell only alcoholic beverages at auction that:
12 1. Were previously lawfully sold at retail; and
13 2. Are in their original manufacturer's unopened container;
14 (c) Deliver and ship any alcoholic beverages sold at an auction directly to the
15 consumer who purchased the alcoholic beverages. Any shipment to a
16 consumer outside of this state is subject to all applicable laws of the
17 jurisdiction in which that consumer is located. When shipping alcoholic
18 beverages directly to a consumer in this state, the auctioneer holder of the
19 license shall:
20 1. Ensure that the shipping label on each container containing the alcoholic
21 beverages conspicuously states the following: "CONTAINS
22 ALCOHOL: SIGNATURE OF PERSON AGE 21 OR OLDER
23 REQUIRED FOR DELIVERY";
24 2. Obtain the signature of a person who is at least twenty-one (21) years of
25 age at the delivery address prior to delivery, after requiring that person
26 to demonstrate that he or she is at least twenty-one (21) years of age by
27 providing a valid identification document; and

- 1 3. Not ship the alcoholic beverages to any address in this state located in
2 dry territory; and
- 3 (d) Conduct the auction on premises licensed by the department, unlicensed
4 premises, or online.
- 5 (5) A special temporary alcoholic beverage auction conducted by an auctioneer shall
6 be:
 - 7 (a) Subject to all restrictions and limitations contained in KRS Chapters 241 to
8 244 and the administrative regulations issued under those chapters;
 - 9 (b) Separate from any other type of alcoholic beverage auction authorized under
10 KRS Chapters 241 to 244, but may be combined with other types of auctions
11 authorized under KRS Chapter 330;
 - 12 (c) Authorized for in-person live auctions and online auction closings only on the
13 days and only during the hours that the sale of alcoholic beverages is
14 otherwise authorized in the county or municipality where the live auction is
15 held or, for an online auction, the physical location of the alcoholic beverages
16 being sold; and
 - 17 (d) Subject to the auction and auctioneer requirements of KRS Chapter 330.
- 18 (6) An auctioneer conducting a special temporary alcoholic beverage auction shall:
 - 19 (a) Post a copy of its special temporary alcoholic beverage auction license and
20 auctioneer license at the location of the event for in-person auctions and on
21 the auction website for online auctions; and
 - 22 (b) Not hold any other type of alcoholic beverage license.
- 23 (7) Alcoholic beverages shall only be sold by an auctioneer under a special temporary
24 alcoholic beverage auction license if the alcoholic beverages were not purchased or
25 attained for the purpose of resale at auction and in the following circumstances:
 - 26 (a) As an "Estate Auction," or included in such auction where the alcoholic
27 beverages being offered at auction are the property belonging to the estate of

1 one (1) or more deceased persons and are being offered by:

2 1. The direction and authority of the authorized executor or administrator;

3 2. Court order; or

4 3. The direction or on behalf of a surviving spouse or direct heirs;

5 (b) As a "Living Estate Auction" or "Downsizing Auction" or included in such

6 auction where the alcoholic beverages being offered at auction are the

7 property belonging to a person or persons of a household that is in transition

8 due to one (1) of the following life-changing situations:

9 1. One (1) or more members of the household moving into a retirement

10 home, nursing home, assisted living home, or a smaller residence; or

11 2. Combining one (1) household with another; or

12 (c) As a partial or complete disbursement of an alcoholic beverage collection

13 consisting of more than one (1) package that has been collected by the same

14 individual or household. An individual or household shall not sell collections

15 at auction more than once every three (3) years.

16 (8) (a) A person shall not purchase alcoholic beverages from an auctioneer at a

17 special temporary alcoholic beverage auction unless that person may lawfully

18 receive or possess the alcoholic beverages.

19 (b) Nothing in this section shall prevent a vintage distilled spirits licensee from

20 purchasing alcoholic beverages at auction if the alcoholic beverages qualify as

21 vintage distilled spirits.

22 (9) All advertising for an auctioneer special temporary alcoholic beverage auction

23 shall:

24 (a) Show the name and license number for the special temporary alcoholic

25 beverage auction license and the auctioneer license; and

26 (b) Conform to all advertising requirements and restrictions for auctions

27 contained in KRS Chapter 330 and any administrative regulations

1 promulgated under that chapter.

2 (10) If a person ceases to be licensed as an auctioneer under KRS Chapter 330, the
3 person's special temporary alcoholic beverage auction license shall be automatically
4 suspended until the person reestablishes licensure as an auctioneer.

5 (11) An auctioneer holding a special temporary alcoholic beverage auction license shall
6 file a quarterly report with the department, which shall be established and
7 maintained by the department, utilizing a form prescribed by the department that
8 includes the following information:

9 (a) The number of alcoholic beverage packages auctioned in the preceding three
10 (3) months in total, with each purchase matched to the individuals who both
11 sold and purchased the alcoholic beverages;

12 (b) The date of each purchase;

13 (c) The name, address, and phone number of each individual who sold and
14 purchased the alcoholic beverages;

15 (d) A detailed description of the alcoholic beverages purchased, including the
16 brand name, number of packages, and the size of the packages; and

17 (e) Whether each alcoholic beverage package was purchased in-person, delivered
18 in-person, or shipped.

19 (12) A special temporary alcoholic beverage auction license shall not be issued for any
20 period longer than thirty (30) days.

21 (13) Notwithstanding any other provision of KRS Chapters 241 to 244, a distiller,
22 rectifier, winery, small farm winery, brewer, microbrewery, wholesaler, distributor,
23 or retailer may donate, give away, or deliver any of its products to a charitable or
24 nonprofit organization or the organizer or sponsor of a state or national
25 conference possessing a special temporary alcoholic beverage auction license under
26 this section.

27 (14) All restrictions and prohibitions applying to an alcoholic beverage retail package

1 and alcoholic beverage by the drink license, not inconsistent with this section, shall
2 apply to a special temporary alcoholic beverage auction license.

3 ➔Section 13. KRS 243.039 is amended to read as follows:

4 (1) A limited golf course license may be issued to an establishment that is a nine (9) or
5 an eighteen (18) hole golf course that meets United States Golf Association criteria
6 as a regulation golf course as long as the establishment is within:

7 (a) Any wet territory; ~~or~~

8 (b) Any territory where the sale of alcoholic beverages is lawful; or

9 (c) Any moist precinct that has specifically authorized the sale of distilled spirits,
10 wine, and malt beverages at that establishment under KRS 242.123.

11 (2) A limited golf course license shall authorize the licensee to purchase, receive,
12 possess, and sell distilled spirits, wine, and malt beverages at retail by the drink for
13 consumption on the licensed premises. The licensee shall purchase distilled spirits,
14 wine, and malt beverages only from licensed wholesalers or distributors. The
15 license shall not authorize the licensee to sell distilled spirits, wine, and malt
16 beverages by the package.

17 ➔Section 14. KRS 243.040 is amended to read as follows:

18 The following kinds of malt beverage licenses may be issued by the malt beverages
19 administrator, the fees for which shall be:

20 (1) Brewer's license, per annum	\$2,580.00
21 (2) Microbrewery license, per annum	\$520.00
22 (3) Distributor's license, per annum	\$520.00
23 (4) Nonquota retail malt beverage package license, per annum	<u>\$570.00</u> \$210.00
24 (5) Out-of-state malt beverage supplier's license, 25 per annum	\$1,550.00
26 (6) Malt beverage storage license, per annum	\$260.00
27 (7) Replacement or duplicate license, per annum	\$25.00

1 (8) Limited out-of-state malt beverage supplier's license,
2 per annum\$260.00

3 (9) Nonquota type 4 malt beverage drink license,
4 per annum\$210.00

5 (10) Direct shipper Type A license, per annum.....\$100.00

6 (11) The holder of a nonquota retail malt beverage package license may obtain a
7 Nonquota type 4 malt beverage drink license for a fee of fifty dollars (\$50). The
8 holder of a Nonquota type 4 malt beverage drink license may obtain a nonquota
9 retail malt beverage package license for a fee of fifty dollars (\$50).

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

12 (13) Other special licenses as the state board finds to be necessary for the administration
13 of KRS Chapters 241 to 244 and for the proper regulation and control of the
14 trafficking in malt beverages, as provided for by administrative regulations
15 promulgated by the state board.

16 A nonrefundable application fee of fifty dollars (\$50) shall be charged to process each
17 new application for a license under this section. The application fee shall be applied to
18 the licensing fee if the license is issued, or otherwise the fee shall be retained by the
19 department.

20 ➤Section 15. KRS 243.042 is amended to read as follows:

21 (1) A qualified historic site license may be issued to any establishment meeting the
22 criteria established in KRS 241.010 as long as the establishment is within:
23 (a) Any wet territory; or
24 (b) Any precinct that has authorized the sale of alcoholic beverages under KRS
25 242.1242.

26 (2) A qualified historic site license shall authorize the licensee to:
27 (a) Sell alcoholic beverages by the drink at one (1) or more permanent or

1 nonpermanent locations on the premises over which the licensee, by lease or
2 ownership, has exclusive control without obtaining additional supplemental
3 bar licenses prescribed by KRS 243.037;

4 (b) Sell alcoholic beverages by the drink to patrons at public or private functions
5 held on the premises; ~~and~~
6 (c) *Sell alcoholic beverages by the package under a limited nonquota package*
7 *license to patrons at public or private functions held on the premises in a*
8 *jurisdiction that has authorized the sale of distilled spirits and wine by the*
9 *package; and*
10 (d) Purchase and store alcoholic beverages in the manner prescribed in KRS
11 243.088, 243.250, and 244.260.

12 ➔SECTION 16. KRS 243.075 IS REPEALED AND REENACTED TO READ
13 AS FOLLOWS:

14 (1) **As used in this section:**

15 (a) "City or county" means a city, including a city recognized under KRS
16 67C.111; county; urban-county government; consolidated local
17 government; charter county government; or unified local government;
18 (b) "Gross receipts" has the same meaning as in Section 1 of this Act; and
19 (c) "Regulatory license fee" means a local fee imposed by a city or county
20 pursuant to this section.

21 (2) (a) The legislative body of a city or county may by ordinance impose a
22 regulatory license fee upon the gross receipts of the sale of alcoholic
23 beverages and cannabis-infused beverages of each establishment where
24 alcoholic beverage sales or cannabis-infused beverage sales are lawful.
25 (b) The regulatory license fee may be levied at the beginning of each budget
26 period to support local emergency services within the city's or county's
27 jurisdiction or to reimburse the local government for the estimated costs of

1 any additional policing, regulatory, or administrative expenses related to the
2 sale of alcoholic beverages or cannabis-infused beverages in the city or
3 county.

4 (c) The regulatory license fee shall be in addition to any other taxes, fees, or
5 licenses permitted by law, except:

6 1. A credit against a regulatory license fee shall be allowed in an amount
7 equal to any licenses or fees imposed by the city or county pursuant to
8 KRS 243.060 or 243.070;

9 2. In a county in which the city and county both levy a regulatory license
10 fee, the county license fee shall only be applicable outside the
11 jurisdictional boundaries of those cities which levy a license fee; and

12 3. In any consolidated local government in which the local regulatory
13 license fee is levied on or after July 1, 2026, and in which there are
14 cities recognized under KRS 67C.111 within the jurisdictional
15 boundaries of the consolidated local government which assess a local
16 regulatory license fee as of January 1, 2026, the consolidated local
17 government fee shall only be applicable outside the boundaries of
18 those cities recognized under KRS 67C.111 that levy a fee.

19 (3) (a) For any election held after one (1) year prior to the effective date of this Act,
20 any new fee authorized by subsection (2) of this section shall be enacted by
21 the city or county no later than one (1) year from the date of the local option
22 election held pursuant to KRS Chapter 242.

23 (b) For any election held one (1) year or more prior to the effective date of this
24 Act, the city or county may enact a regulatory license fee based on that
25 election no later than one (1) year after the effective date of this Act.

26 (4) Subject to the restrictions in subsection (7) of this section, the Alcoholic Beverage
27 Control Board shall promulgate administrative regulations in accordance with

1 *KRS Chapter 13A that set forth the process by which a city or county, in the first*
2 *year following the discontinuance of prohibition, may estimate any additional*
3 *emergency services funding within its jurisdiction and policing, regulation, and*
4 *administrative expenses by a city or county directly and solely related to the*
5 *discontinuance of prohibition. This subsection shall apply to any discontinuance*
6 *of prohibition occurring after the promulgation of administrative regulations*
7 *required by this subsection.*

8 *(5) (a) The revenue received from the imposition of the regulatory license fee*
9 *authorized by subsection (2) of this section shall be:*

- 10 *1. Deposited into a segregated fund of the city or county;*
- 11 *2. Spent only in accordance with the requirements of subsection (2) of*
12 *this section; and*
- 13 *3. Audited in accordance with subsection (6) of this section.*

14 *(6) (a) By January 1, 2028, the Auditor of Public Accounts shall conduct audits of*
15 *each local government imposing the regulatory license fee authorized by*
16 *subsection (2) of this section for a full audit of the segregated fund*
17 *established in subsection (5) of this section for the most recently completed*
18 *ten (10) fiscal years. The local government shall retain all documentation*
19 *relating to the segregated fund for the audited years.*

20 *(b) If the local government fails to substantially comply with the requirements*
21 *of this section, the local government shall:*

- 22 *1. Forfeit all revenue it collected through the regulatory license fee*
23 *during the audited years;*
- 24 *2. Reimburse the regulatory license fee audit fund established in*
25 *subsection (10) of this section for the cost of the audit with funds from*
26 *an account other than the segregated regulatory license fee fund; and*
- 27 *3. Be prohibited from imposing the regulatory license fee for ten (10)*

1 years.

(c) Any protest or appeal by a local government related to the findings of an audit completed pursuant to paragraph (a) of this subsection shall be conducted within the administrative procedures of the Auditor of Public Accounts.

6 (d) The cost of all audits conducted pursuant to this subsection shall be paid
7 from the regulatory license fee audit fund established in subsection (10) of
8 this section.

9 (e) The Auditor of Public Accounts may contract with other auditing entities to
10 assist in the completion of audits required by this subsection.

11 (7) (a) Any city or county that was authorized to impose the regulatory license fee
12 *by this section prior to the effective date of this Act shall:*

13 1. Not impose the regulatory license fee at a rate greater than the rate it
14 imposed on January 1, 2026, at any time during the four (4) years
15 after the effective date of this Act; and

16 2. *Impose the fee at a rate of no more than three percent (3%) within*
17 *four (4) years after the effective date of this Act.*

18 (b) Any city or county that initially begins to impose the regulatory license fee
19 on or after the effective date of this Act shall impose the fee at a rate of no
20 more than one percent (1%).

21 (8) A direct shipper licensee shall be subject to and remit the regulatory license fee
22 imposed by this section as though it were an establishment located in a city or
23 county licensed to sell alcoholic beverages or cannabis-infused beverages. Any
24 regulatory license fee imposed pursuant to this section shall be considered a tax
25 as defined in KRS 243.029.

26 **(9) Any city or county imposing a regulatory license fee pursuant to this section shall**
27 **file with the:**

1 (a) Department a report showing the applicable fee amount and remittance
2 address for each affected license type in its jurisdiction. Any adoption of this
3 fee or modification of the applicable fee amount or remittance address for
4 each affected licensee shall be reported to the department within thirty (30)
5 days of adoption by the city or county imposing the fee. Within twenty (20)
6 days after receipt of the information, the department shall compile and
7 publish the information so that it is readily available to the public; and

8 (b) Department for Local Government an annual report on or before
9 September 30 of each year that shows the actual expenses incurred and paid
10 and the receipts taken in relating to the regulatory license fee. If the city or
11 county fails to file this report within fifteen (15) days after its due date, the
12 city's or county's funds for the previous year taken in through the
13 regulatory license fee shall be forfeited to the Auditor of Public Accounts.

14 (10) (a) There is hereby established in the State Treasury a trust and agency
15 account to be known as the regulatory license fee audit fund. The fund shall
16 consist of moneys received pursuant to subsection (6) of this section, state
17 appropriations, gifts, grants, and federal funds.

18 (b) The fund shall be administered by the Auditor of Public Accounts.

19 (c) Amounts deposited in the fund shall be used to pay all expenses accruing
20 from audits conducted pursuant to subsection (6) of this section and for no
21 other purpose.

22 (d) Notwithstanding KRS 45.229, fund amounts not expended at the close of a
23 fiscal year shall not lapse but shall be carried forward into the next fiscal
24 year.

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

26 (1) Except as provided in subsection (3) of this section, each kind of license listed in
27 KRS 243.030 shall be incompatible with every other kind listed in that section and

1 no person or entity holding a license of any of those kinds shall apply for or hold a
2 license of another kind listed in KRS 243.030.

3 (2) (a) Each kind of license listed in KRS 243.040(1), (3), or (4) shall be
4 incompatible with every other kind listed in KRS 243.040(1), (3), or (4), and
5 no person holding a license of any of those kinds shall apply for or hold a
6 license of any other kind listed in KRS 243.040(1), (3), or (4).

7 (b) A brewery holding a license listed in KRS 243.040(5) or (8) shall not apply
8 for or hold a license listed in KRS 243.040(3) or (4).

9 (3) (a) The holder of a quota retail package license may also hold a quota retail drink
10 license, an NQ1 retail drink license, an NQ2 retail drink license, an NQ3 retail
11 drink license, a cannabis-infused beverage retail package license, or a special
12 nonbeverage alcohol license.

13 (b) The holder of a transporter's license may also hold a distilled spirits and wine
14 storage license.

15 (c) The holder of a distiller's license may also hold a rectifier's license, a special
16 nonbeverage alcohol license, a winery license, or a small farm winery license.

17 (d) A commercial airline system or charter flight system retail license, a
18 commercial airline system or charter flight system transporter's license, and a
19 retail drink license if held by a commercial airline or charter flight system
20 may be held by the same licensee.

21 (e) A Sunday retail drink license, vintage distilled spirits license, and
22 supplemental license may be held by the holder of a primary license.

23 (f) The holder of a distiller's, winery, small farm winery, brewer, microbrewery,
24 distilled spirits and wine supplier's, or malt beverage supplier's license may
25 also hold a direct shipper license.

26 (g) The holder of an NQ1 retail drink license, an NQ2 retail drink license, an
27 NQ3 retail drink license, a quota retail drink license, a qualified historic site

1 license, or a limited restaurant license may also hold a limited nonquota
2 package license.

3 (4) (a) The holder of a cannabis-infused beverage retail package license shall not
4 apply for or hold the license listed in KRS 243.030(5) or 243.040(3).

5 (b) The holder of a cannabis-infused beverage retail package license shall also
6 hold a quota retail package license.

7 (c) The holder of a cannabis-infused beverage distributor's license may hold it as
8 a primary license or as a supplemental license to a distributor's license or a
9 wholesaler's license.

10 (5) Any person may hold two (2) or more licenses of the same kind.

11 (6) A person or entity shall not evade the prohibition against applying for or holding
12 licenses of two (2) kinds by applying for a second license through or under the
13 name of a different person or entity. The state administrator shall examine the
14 ownership, membership, and management of applicants, and shall deny the
15 application for a license if the applicant is substantially interested in a person or
16 entity that holds an incompatible license.

17 ➔Section 18. KRS 243.120 is amended to read as follows:

18 (1) A distiller's, rectifier's, or winery license shall authorize the licensee to engage in
19 the business of distiller, rectifier, or winery at the premises specifically designated
20 in the license, to maintain aging warehouses, to bottle products manufactured for
21 itself, and to transport for itself~~himself or herself~~ only any alcoholic beverage
22 which the licensee~~he or she~~ is authorized under the license to manufacture or sell.
23 The licensee shall transport alcoholic beverages only by a vehicle operated by
24 itself~~himself or herself~~, which has affixed to its sides at all times a sign of form
25 and size prescribed by the state board, containing among other things the name and
26 license number of the licensee.

27 (2) (a) 1. A licensee holding a distiller's license, Class A license, or Class B

1 license shall distill no less than six hundred (600) gallons in one (1) year
2 at the distillery's licensed premises. Documentation of production shall
3 be:

4 a. Provided by each licensee to the department upon the renewal of
5 its distiller's license; and
6 b. Considered confidential tax information pursuant to KRS
7 131.190 and excepted from public inspection pursuant to KRS
8 61.878(1)(l), except as authorized by court order.

9 2. A licensee that engages in the distilling process for the exclusive
10 purpose of providing training and education, conducting research, or
11 teaching about the distilling process, aging, or bottling of distilled spirits
12 shall be exempt from subparagraph 1. of this paragraph, so long as the
13 licensee does not produce spirits for sale to the general public.

14 (b) Distillers that produce more than fifty thousand (50,000) gallons of distilled
15 spirits per calendar year at the premises shall obtain a distiller's license, Class
16 A.

17 (c) Distillers that produce fifty thousand (50,000) gallons or less of distilled
18 spirits per calendar year at the premises shall obtain a distiller's license, Class
19 B (craft distillery).

20 (3) (a) Rectifiers that rectify more than fifty thousand (50,000) gallons of distilled
21 spirits per calendar year at the premises shall obtain a rectifier's license, Class
22 A.

23 (b) Rectifiers that rectify fifty thousand (50,000) gallons or less of distilled spirits
24 per calendar year at the premises shall obtain a rectifier's license, Class B
25 (craft rectifier).

26 (4) (a) A distiller that is located in wet territory, or in any precinct that has authorized
27 the limited sale of alcoholic beverages at distilleries under KRS 242.1243,

1 may sell distilled spirits by the drink or by the package at retail to consumers
2 in accordance with KRS 243.0305.

3 (b) Any distilled spirits sold under this subsection shall be taxed and distributed
4 in the same manner as sales under KRS 243.0305(2).

5 (c) Except as provided in this subsection, sales under this subsection shall be
6 governed by all of the statutes and administrative regulations governing the
7 retail sale of distilled spirits by the drink.

8 (5) Nothing in this section shall be construed to:

9 (a) Vitiate the policy of this Commonwealth supporting an orderly three (3) tier
10 system for the production and sale of alcoholic beverages; or

11 (b) Allow delivery or shipment of alcohol into dry or moist territory.

12 ➔Section 19. KRS 243.155 is amended to read as follows:

13 (1) A small farm winery may apply for a small farm winery license. In addition to all
14 other licensing requirements, an applicant for a small farm winery license shall
15 submit with its application a copy of the small farm winery's federal basic permit
16 and proof documenting its annual wine production. The board shall promulgate
17 administrative regulations establishing the form the documentation of proof of
18 production shall take.

19 (2) A small farm winery license shall authorize the licensee to perform the following
20 functions without having to obtain separate licenses, except that each small farm
21 winery off-premises retail site shall be separately licensed and the state regulatory
22 license fees imposed by Sections 1 and 2 of this Act shall be paid by the licensee:

23 (a) Engage in the business of a winery under the terms and conditions of KRS
24 243.120 and 243.130, except that a small farm winery may sell and deliver
25 wine produced by it to a retailer as authorized by this section. The
26 manufacture of wine at the small farm winery shall not be less than two
27 hundred fifty (250) gallons, and shall not exceed five hundred thousand

(500,000) gallons, in one (1) year;

(b) Bottle wines produced by that small farm winery and other licensed small farm wineries;

(c) Enter into an agreement with another licensed small farm winery under which it crushes, processes, ferments, bottles, or any combination of these services, the grapes, fruits, or other agricultural products of the other small farm winery for a production year. The resulting wine shall be considered the product of the small farm winery that provides the fruit. The small farm winery providing the custom crushing services may exclude the wine produced under this paragraph from its annual production gallonage;

(d) If the licensed small farm winery or off-premises retail site premises is located in wet territory or in a precinct that has authorized alcoholic beverage sales by the small farm winery under KRS 242.124:

1. Serve complimentary samples of wine produced by it in amounts not to exceed six (6) ounces per patron per day; and
2. Sell by the drink for on-premises consumption or off-premises consumption pursuant to KRS 243.081, or by the package wine produced by it or by another licensed small farm winery, at retail to consumers;

(e) Sell by the drink or by the package, at fairs, festivals, and other similar types of events, wine produced by it or by another licensed small farm winery, at retail to consumers if all sales occur in a wet territory;

(f) Sell and transport wine produced by it to consumers, licensed small farm winery off-premises retail sites, wholesale license holders, and small farm winery license holders, except that wine purchased between small farm wineries shall not exceed five hundred (500) gallons per year per small farm winery;

1 (g) Consume on the premises wine produced by the small farm winery or a
2 licensed small farm winery and purchased by the drink or by the package at
3 the licensed premises, if the small farm winery is located in wet territory;

4 (h) Sell wine at retail to consumers in accordance with KRS 243.027 to 243.029
5 if it holds a direct shipper license; and

6 (i) Sell and deliver, in accordance with KRS 243.120(1), up to twelve thousand
7 (12,000) gallons of wine produced by it annually to any retail license holder
8 as long as:

9 1. Any products sold and delivered under this paragraph that are not
10 otherwise registered by a licensed wholesaler shall be registered with the
11 department by the small farm winery;

12 2. The small farm winery is responsible for payment of wine state
13 wholesale regulatory license fees~~[wholesale sales taxes]~~ and reporting
14 of self-distributed wines in accordance with Section 2 of this Act~~[KRS~~
15 ~~243.884]~~; and

16 3. The small farm winery may extend credit on wine sold to retail licensees
17 for a period not to exceed thirty (30) days from the date of invoice, with
18 the date of invoice included in the total number of days.

19 This paragraph shall not apply to small farm winery wholesalers licensed
20 under KRS 243.154.

21 (3) If the requirements of KRS 242.1241 or 244.290(5) relating to Sunday sales on the
22 licensed premises of a small farm winery are met, a small farm winery within that
23 territory may sell alcoholic beverages on Sunday only in accordance with this
24 section during the hours and times as permitted in the local ordinance for that
25 locality.

26 (4) A small farm winery license holder may also hold an NQ2 retail drink license or an
27 NQ4 retail malt beverage drink license if:

1 (a) The small farm winery is located in wet territory or in a precinct that has
2 authorized alcoholic beverage sales by the small farm winery under KRS
3 242.124; and
4 (b) The issuance of these licenses is in connection with the establishment and
5 operation of a restaurant, hotel, inn, bed and breakfast, conference center, or
6 any similar business enterprise designed to promote viticulture, enology, and
7 tourism.

8 (5) This section shall not exempt the holder of a small farm winery license from the
9 provisions of KRS Chapters 241 to 244, nor from the administrative regulations of
10 the board, nor from regulation by the board at all premises licensed by the small
11 farm winery, except as expressly stated in this section.

12 (6) Nothing contained in this section shall exempt a licensed out-of-state winery from
13 obeying the laws of its resident state.

14 (7) Upon the approval of the department, a small farm winery license may be renewed
15 after the licensee submits to the department the winery's federal basic permit and
16 proof of its annual wine production. **Documentation of production shall be:**
17 (a) **Provided by each licensee to the department upon the renewal of its small**
18 **farm winery license; and**
19 (b) **Considered confidential tax information pursuant to KRS 131.190 and**
20 **excepted from public inspection pursuant to KRS 61.878(1)(l), except as**
21 **authorized by court order.**

22 (8) An employee of a small farm winery may sample the products produced by that
23 small farm winery for purposes of education, quality control, and product
24 development.

25 (9) **A small farm winery may permit leashed dogs on its premises, consistent with any**
26 **applicable health or safety codes.**

27 ➤Section 20. KRS 243.157 is amended to read as follows:

1 (1) A microbrewery license shall authorize the licensee to perform the following
2 functions:

3 (a) Engage in the business of a brewer under the terms and conditions of KRS
4 243.150, provided that production of malt beverages at the microbrewery shall
5 not exceed fifty thousand (50,000) barrels in one (1) year;

6 (b) Serve~~on the premises~~ complimentary samples of malt beverages produced
7 by the microbrewery in amounts not to exceed sixteen (16) ounces per patron,
8 provided the microbrewery is located in wet territory or a precinct that has
9 authorized the sale of alcoholic beverages at microbreweries under KRS
10 242.1239;

11 (c) Sell malt beverages produced on the premises of the microbrewery to licensed
12 distributors;

13 (d) Sell malt beverages produced on the premises of the microbrewery for on- and
14 off-premises purposes in accordance with subsection (3)(b) and (c) of this
15 section, pursuant to the following:

16 1. Without restriction on the amount of malt beverages sold by the drink
17 for on-premises consumption provided the microbrewery is located in
18 wet territory or a precinct that has authorized the sale of alcoholic
19 beverages at microbreweries under KRS 242.1239; and

20 2. With a restriction on the amount of malt beverages sold for off-premises
21 consumption, in an aggregate amount not to exceed thirty-one (31)
22 gallons per person per day that shall not include more than three (3)
23 cases in case format;

24 (e) Sell:

25 1. Unlimited amounts of malt beverages by the drink; and

26 2. Not more than one (1) case of packaged malt beverages;

27 produced on the premises of the microbrewery to consumers at fairs, festivals,

1 and other similar types of events located in wet territory, in accordance with
2 subsection (3)(b)2. and (c)2. of this section; and

3 (f) Sell and deliver up to two thousand five hundred (2,500) barrels of malt
4 beverages annually to any retail license holder, provided that ~~½~~
5 ~~1.~~ any products sold and delivered under this paragraph that are not
6 otherwise registered by a licensed distributor shall be registered with the
7 department by the microbrewery~~½~~; and
8 ~~2. The microbrewer notifies the distributor of any self distribution delivery
9 by electronic or other means.~~

10 (2) A microbrewery license shall not be deemed to be incompatible with any other
11 license except for a distributor's license under the provisions of KRS 243.180.

12 (3) In accordance with the provisions of this section, a microbrewery license holder
13 may:

14 (a) Hold retail drink and package licenses both on and off the premises of the
15 microbrewery. The holder of a microbrewery license is exempt from the
16 provisions of KRS 244.570 and 244.590 as applied to any retail licenses held
17 by the microbrewery license holder, and from any other sections which would
18 restrict the co-ownership of the microbrewery license and any retail licenses
19 described in this section;

20 (b) Sell malt beverages produced on the premises of the microbrewery for on-
21 premises purposes without having to transfer physical possession of those
22 malt beverages to a licensed distributor provided:

23 1. The microbrewery possesses a retail drink license for those premises;
24 and

25 2. The microbrewery reports and pays all taxes and state regulatory
26 license fees required by Sections 1 and 2 of this Act~~subsection (5)(a)~~
27 ~~and (b) of this section~~ to the Department of Revenue at the time and in

3 (c) Sell malt beverages produced on the premises of the microbrewery for off-
4 premises purposes without having to transfer physical possession of those
5 malt beverages to a licensed distributor provided that:

6 1. The microbrewery possesses a retail package license for those premises;
7 and

8 2. The microbrewery reports and pays all taxes and state regulatory
9 license fees required by Sections 1 and 2 of this Act [subsection (5)(a)
10 and (b) of this section] to the Department of Revenue at the time and in
11 the manner required by the Department of Revenue in accordance with
12 its powers under KRS 131.130(3).

13 (4) The provisions of subsection (3)(b) and (c) of this section shall apply only to malt
14 beverages that are produced by the microbrewery at its licensed premises and:

15 (a) Offered for sale by the microbrewery at that same premises under the
16 microbrewery's retail drink or package license; or
17 (b) Offered for sale by the microbrewery at a fair, festival, or other similar type of
18 event as authorized under subsection (1)(e) of this section.

19 All other malt beverages produced by the microbrewery which are offered for retail
20 sale shall be sold and physically transferred to a licensed distributor in compliance
21 with all other relevant provisions of KRS Chapters 241 to 244, and a licensed
22 microbrewery shall not otherwise affect sales of malt beverages directly to retail
23 customers except as provided in subsection (3)(b) and (c) of this section under KRS
24 243.027 to 243.029 if the microbrewery holds a direct shipper license.

25 (5) (a) A microbrewery selling malt beverages in accordance with subsection (1)(d),
26 (e), or (f)[or (3)(b) and (e)] of this section shall pay all[wholesale sales]
27 taxes *and state regulatory license fees* due under *Sections 1 and 2 of this*

1 Act~~KRS 243.884~~. For the purposes of this subsection, "selling"~~"wholesale~~
2 ~~sales"~~ means a sale of malt beverages made by a microbrewery under
3 subsection (1)~~(d), (e), or (f)~~~~(3)(b) and (e)~~ of this section, as applicable.

4 (b) A microbrewery~~shall pay the excise tax on malt beverages in accordance~~
5 ~~with KRS 243.720(3) and 243.730 and~~ shall be entitled to the credit set forth
6 in Section 2 of this Act~~KRS 243.720(3)(b)~~.

7 (6) A microbrewery shall not be located in dry territory.

8 (7) An employee of a microbrewery may sample the products produced by that
9 microbrewery for purposes of education, quality control, and product development.

10 (8) This section does not exempt the holder of a microbrewery license from the
11 provisions of KRS Chapters 241 to 244, nor from any rules of the board as
12 established by administrative regulations, nor from regulation by the board, except
13 as expressly stated in this section. The provisions of this section shall not be
14 deemed inconsistent with the provisions of KRS 244.602.

15 (9) Nothing in this section shall be construed to vitiate the policy of this
16 Commonwealth, as set forth in KRS 244.167 and 244.602, supporting an orderly
17 three (3) tier system for the production and sale of malt beverages.

18 **(10) Documentation of production shall be:**

19 (a) *Provided by each licensee to the department upon the renewal of its*
20 *microbrewery license; and*

21 (b) *Considered confidential tax information pursuant to KRS 131.190 and*
22 *excepted from public inspection pursuant to KRS 61.878(1)(l), except as*
23 *authorized by court order.*

24 **(11) A microbrewery may permit leashed dogs on its premises, consistent with any**
25 **applicable health or safety codes.**

26 ➔ Section 21. KRS 243.160 is amended to read as follows:

27 (1) A licensed wholesaler may purchase, receive, store, or possess distilled spirits and

1 wine to sell at wholesale, from the licensed premises only, and to transport to and
2 from the licensed premises only alcoholic beverages that the wholesaler's license
3 authorizes the licensee to sell. The wholesaler may transport:

4 (a) Beverages in the manner provided for manufacturers in KRS 243.120; and
5 (b) Distilled spirits and wine from a manufacturer's warehouse or from another
6 licensed wholesaler's premises to the licensed wholesaler premises.

7 (2) The holder of a wholesaler's license may sell and transport its products to the holder
8 of a special nonbeverage alcohol license.

9 (3) **The holder of a wholesaler's license shall:**

10 (a) **Have exclusive control over the licensed premises and its contents; and**
11 (b) **Ensure distilled spirits, wine, and business records stored on the premises**
12 **are adequately secured.**

13 ➔Section 22. KRS 243.238 is amended to read as follows:

14 (1) A limited nonquota package license may be issued as a supplementary license to a
15 licensee that holds an NQ1 retail drink license, an NQ2 retail drink license, an NQ3
16 retail drink license, a quota retail drink license, **a qualified historic site license**, or a
17 limited restaurant license in a jurisdiction that has authorized the sale of distilled
18 spirits and wine by the package.

19 (2) The limited nonquota package license shall authorize the licensee to:
20 (a) Purchase private selection packages in the original manufacturer's unopened
21 containers; and
22 (b) Sell private selection packages at retail in the original manufacturer's
23 unopened containers, and only for consumption off the licensed premises.

24 (3) The licensee shall purchase private selection packages in accordance with KRS
25 243.0305(4).

26 ➔Section 23. KRS 243.280 is amended to read as follows:

27 (1) A nonquota retail malt beverage package license shall authorize the licensee to:

1 wholesale or retail licensees legally authorized to buy and receive the alcoholic
2 beverages of the distiller, rectifier, winery, or wholesaler licensed in Kentucky.

3 The license shall set forth the name, address, and, unless the vendor is a
4 nonresident, the license numbers of the vendors the agent or solicitor represents, as
5 well as the name, address, and license number of the agent or solicitor. An agent or
6 solicitor shall not represent any vendor or licensee whose name does not appear
7 upon the license or the application for the license.

8 (2) A special agent's or solicitor's license may be issued to a nonresident of this state.
9 The license shall authorize the nonresident to represent a manufacturer, winery, or
10 wholesaler who is licensed by another state and by the federal government, if the
11 nonresident has been issued a license by another state conferring privileges similar
12 to a special agent's or solicitor's license authorized by subsection (1) of this section.
13 If the state of residence of the applicant does not issue a similar license, the
14 application filed with the department shall not be accepted without the approval of
15 the alcoholic beverage control agency of the state of the applicant's residence.

16 ➤Section 25. KRS 243.360 is amended to read as follows:

17 (1) (a) For each application for any new or transitional license issued by the
18 department, the department shall provide public notice by listing the
19 application on a dedicated public website space controlled by the department
20 for fourteen (14) days, beginning on the day the application is submitted~~[All~~
21 ~~persons shall, before applying for a license, advertise by publication their~~
22 ~~intention to apply for a license in the newspaper for legal notices for the~~
23 ~~county or city whose local administrator has jurisdiction over the proposed~~
24 ~~premises]~~.

25 (b) For each application for any new or transitional license that also requires a
26 license issued by a local administrator, the local administrator may publish
27 a public notice by listing the application in the same manner that public

1 meeting notices are published on a dedicated public website space
2 controlled by the local administrator or the legislative body of the affiliated
3 city or county for fourteen (14) days, beginning on the day the application is
4 submitted to the department[An advertisement under this subsection may be
5 made online or in print].

6 (c) The department shall[may] prescribe the form and content of the public
7 website space described in paragraph (a) of this subsection[advertisement]
8 by an administrative regulation[that is] promulgated in accordance with KRS
9 Chapter 13A.

10 (2) The public notice and website requirements of subsection (1) of this section shall
11 not apply to an applicant for the same license for the same premises, or an applicant
12 for any of the following licenses:

13 (a) Out-of-state malt beverage supplier's license;
14 (b) Limited out-of-state malt beverage supplier's license;
15 (c) Out-of-state distilled spirits and wine supplier's license;
16 (d) Limited out-of-state distilled spirits and wine supplier's license;
17 (e) Supplemental bar license;
18 (f) Extended hours supplemental license;
19 (g) Special agent or solicitor's license;
20 (h) Special nonbeverage alcohol license;
21 (i) Transporter's license;
22 (j) Special Sunday drink license;
23 (k) Hotel in-room license;
24 (l) Sampling license;
25 (m) Direct shipper license;
26 (n) Special temporary drink license; or
27 (o) Vintage distilled spirits license.

1 (3) The department's or local administrator's application listing under subsection (1)
2 of this section[notice] shall state[contain] the following[information]:
3 (a) The[notice shall state: the] name and address of the applicant and the name[
4 and address] of each principal owner, partner, member, officer, and director if
5 the applicant is a partnership, limited partnership, limited liability company,
6 corporation, governmental agency, or other business entity recognized by law;
7 (b) The[notice shall specifically state the] location of the premises for which the
8 license is sought, the type of business, and the type of license being requested;
9 and
10 (c) The[notice shall state the] date the application was[will be] filed and shall
11 contain the following statement:
12 1. For a listing published by the department: "Any person may protest the
13 approval of the license by writing the Department of Alcoholic
14 Beverage Control within fourteen (14)[thirty (30)] days of the date the
15 application was submitted to the department[of legal publication]."; or
16 2. For a listing published by a local administrator: "Any person may
17 protest the approval of the license by writing to the local administrator
18 within fourteen (14) days of the date the application was submitted to
19 the department."
20 (4) Any protest received after the fourteen (14)[thirty (30)] day period has expired
21 shall not be considered a valid legal protest by the local administrator or the board.
22 (5) Substantial compliance with the information listed in subsection (3) of this section
23 shall be sufficient to comply with this section.
24 ➔Section 26. KRS 243.630 is amended to read as follows:
25 (1) For purpose of this section, "transfer" means:
26 (a) The transfer to a new person or entity of ten percent (10%) or more ownership
27 interest in any licensed business or license;

1 or the state administrator of distilled spirits or both.

2 (9) A licensee shall not transfer its license or any interest in the license while any
3 proceedings against the license or the licensee for a violation of any statute or
4 administrative regulation which may result in the suspension or revocation of the
5 license are pending.

6 (10) **(a)** A licensee shall not transfer its license or any interest it has in the license if
7 the licensee owes a debt on the inventory to a wholesaler responsible for the
8 collection and payment of the state wholesale regulatory license fee~~[tax]~~
9 imposed under Section 2 of this Act.

10 **(b) A transfer shall not take place until the department is notified that the**
11 **licensee's indebtedness has been paid or resolved to all wholesalers.**

12 **(c) If a licensee owes debt on the inventory to a wholesaler and the licensee**
13 **surrenders its license, or its license otherwise becomes inactive, a new**
14 **license shall not be issued on the same premises unless the new license**
15 **applicant signs an affidavit swearing that a transfer is not taking place**~~[KRS~~
16 ~~243.884].~~

17 (11) A licensee shall not transfer its license or any interest in the license if the licensee
18 owes the Commonwealth of Kentucky for taxes as defined in KRS 243.500(4). A
19 transfer shall not take place until the department is notified by the Kentucky
20 Department of Revenue that the licensee's indebtedness has been paid or resolved to
21 the satisfaction of the Department of Revenue. This section shall not prohibit a
22 transfer of a license or an interest in a license by a trustee in bankruptcy if all other
23 requirements of this section are met.

24 ➔Section 27. KRS 243.710 is amended to read as follows:

25 **(1)** Each wholesaler or self-distributing distiller shall pay to the Department of
26 Revenue five cents (\$0.05) per case on each case of distilled spirits sold by the
27 wholesaler or self-distributing distiller in the state. This tax shall be computed each

1 month according to the report required to be filed by KRS 243.850 and shall be paid
2 on or before the date in each succeeding month when reports are required to be
3 filed.

4 **(2) This section shall expire on July 1, 2027.**

5 ➔Section 28. KRS 243.720 is amended to read as follows:

6 (1) (a) There is levied upon the use, sale, or distribution by sale or gift of distilled
7 spirits a tax of one dollar and ninety-two cents (\$1.92) on each wine gallon of
8 distilled spirits, and a proportional rate per gallon on all distilled spirits used,
9 sold, or distributed in any container of more or less than one (1) gallon, but
10 the rate of the excise tax on spirits in retail containers of one-half (1/2) pint
11 shall be twelve cents (\$0.12); and

12 (b) Notwithstanding the provisions of paragraph (a) of this subsection, distilled
13 spirits placed in containers for sale at retail, where the distilled spirits
14 represent six percent (6%) or less of the total volume of the contents of the
15 containers, shall be taxed at the rate of twenty-five cents (\$0.25) per gallon.

16 (2) There is levied upon the use, sale, or distribution by sale or gift of wine, a tax of
17 fifty cents (\$0.50) on each gallon of wine, and a proportional rate per gallon on the
18 wine used, sold, or distributed in any container of more or less than one (1) gallon,
19 but the tax shall not be less than four cents (\$0.04) on the sale or distribution of any
20 retail container of wine.

21 (3) (a) There is levied upon the sale or distribution by sale or gift of malt beverages
22 an excise tax of two dollars and fifty cents (\$2.50) on each barrel of thirty-one
23 (31) gallons and a proportional rate per gallon on malt beverages sold or
24 distributed in any container of more or less than thirty-one (31) gallons;

25 (b) Each brewer producing malt beverages in this state shall be entitled to a credit
26 of fifty percent (50%) of the tax levied on each barrel of malt beverages sold
27 in this state, up to three hundred thousand (300,000) barrels per annum.

1 (4) There is levied upon the use, sale, or distribution by sale or gift of cannabis-infused
2 beverages a tax of one dollar and ninety-two cents (\$1.92) on each gallon of a
3 cannabis-infused beverage, and a proportional rate per gallon on all cannabis-
4 infused beverages used, sold, or distributed in any container of more or less than
5 one (1) gallon.

6 (5) This section shall not apply to:
7 (a) Wine manufactured, sold, given away, or distributed and used solely for
8 sacramental purposes; or
9 (b) Distilled spirits and wine purchased by holders of special licenses provided
10 for in KRS 243.320 and purchased and used in the manner authorized by
11 those licenses.

12 (6) Subsections (1), (2), (3), and (5) of this section shall expire on July 1, 2027.

13 ➔ Section 29. KRS 243.730 is amended to read as follows:

14 (1) (a) Wholesalers of distilled spirits and wine shall pay and report the tax and fees
15 levied by Sections 1 and 2 of this Act~~[KRS 243.720(1) and (2)]~~ on or before
16 the twentieth day of the calendar month next succeeding the month in which
17 possession or title of the distilled spirits and wine is transferred from the
18 wholesaler to retailers or consumers in this state, in accordance with
19 administrative regulations promulgated under KRS Chapter 13A designed
20 reasonably to protect the revenues of the Commonwealth.

21 (b) 1. Distributors or retailers of malt beverages, who purchase malt beverages
22 directly from a brewer, shall pay and report the tax and fees levied by
23 Sections 1 and 2 of this Act~~[KRS 243.720(3)]~~ on or before the twentieth
24 day of the calendar month next succeeding the month in which the
25 brewer sells, transfers, or passes title of the malt beverage to the
26 distributor or retailer, in accordance with administrative regulations
27 promulgated under KRS Chapter 13A designed reasonably to protect the

1 revenues of the Commonwealth.

2. The credit allowed brewers in this state, under the provisions of KRS
243.720(3)(b), shall flow through to the distributor or retailer who
purchases malt beverages directly from the brewer.

5 3.] If a brewer sells, transfers, or passes title to malt beverages to any of its
6 employees for home consumption or to any charitable or fraternal
7 organization pursuant to the provisions of KRS 243.150, the brewer
8 shall be responsible for paying and reporting the tax and fees levied by
9 Sections 1 and 2 of this Act~~[KRS 243.720(3)]~~ in accordance with the
10 provisions of paragraph (d) of this subsection.

11 (c) Cannabis-infused beverage distributors shall pay and report the tax levied by
12 KRS 243.720(4) on or before the twentieth day of the calendar month next
13 succeeding the month in which possession or title of the cannabis-infused
14 beverages are transferred from the cannabis-infused beverage distributor to
15 retailers or consumers in this state, in accordance with administrative
16 regulations promulgated under KRS Chapter 13A designed reasonably to
17 protect the revenues of the Commonwealth.

18 (d) 1. Every brewer selling, transferring, or passing title to malt beverages to
19 any person in this state other than a distributor or retailer;
20 2. Every manufacturer of cannabis-infused beverages permitted by the
21 Department for Public Health selling, transferring, or passing title to
22 cannabis-infused beverages to any person in this state other than a
23 distributor or retailer; and
24 3. Every other person selling, transferring, or passing title of distilled
25 spirits, wine, malt beverages, or cannabis-infused beverages to
26 distributors, retailers, cannabis-infused beverage licensees, or
27 consumers:

1 shall report and pay the tax and fees levied by Sections 1 and 2 of this Act
2 and KRS 243.720 on or before the twentieth day of the calendar month next
3 succeeding the month in which possession or title of distilled spirits, wine,
4 malt beverages, or cannabis-infused beverages is transferred to a distributor,
5 retailer, cannabis-infused beverage licensee, or consumer in this state, in
6 accordance with administrative regulations promulgated under KRS Chapter
7 13A designed reasonably to protect the revenues of the Commonwealth.

8 (e) Every distributor, retailer, or consumer possessing, using, selling, or
9 distributing distilled spirits, wine, malt beverages, or cannabis-infused
10 beverages in this state upon which the tax and fees levied by Sections 1 and 2
11 of this Act and KRS 243.720[and 243.884] has not been paid shall be jointly
12 and severally liable for reporting and paying the tax due, in accordance with
13 administrative regulations promulgated under KRS Chapter 13A designed
14 reasonably to protect the revenues of the Commonwealth. The liability shall
15 not be extinguished until the tax has been paid to the Department of Revenue.

16 (f) Notwithstanding the provisions of paragraph (a) of this subsection, every
17 owner of a small farm winery shall pay and report the tax and fees levied by
18 Sections 1 and 2 of this Act[KRS 243.720 (1) and (2)] on a quarterly basis, in
19 accordance with administrative regulations of the Department of Revenue
20 designed reasonably to protect the revenues of the Commonwealth.

21 (2) Every wholesaler of distilled spirits or wine before using, selling, or distributing by
22 sale or gift distilled spirits and wine shall register with the Department of Revenue.

23 (3) Every brewer before selling or distributing by sale or gift malt beverages, or before
24 importing malt beverages into the state, shall register with the Department of
25 Revenue in a manner as the Department of Revenue may require.

26 (4) Every manufacturer of cannabis-infused beverages before selling or distributing by
27 sale or gift cannabis-infused beverages, or before importing cannabis-infused

1 beverages into the state, shall:

2 (a) Obtain a permit as a food manufacturer through the Department for Public
3 Health; and

4 (b) Register with the Department of Revenue in a manner as the Department of
5 Revenue may require.

6 **(5) A cannabis-infused beverage distributor or retailer shall not be subject to**
7 **Sections 1 and 2 of this Act.**

8 ➔Section 30. KRS 243.884 is amended to read as follows:

9 (1) (a) **Before July 1, 2027**, for the privilege of making "wholesale sales" or "sales at
10 wholesale" of malt beverages, wine, distilled spirits, or cannabis-infused
11 beverages, a tax is hereby imposed upon all wholesalers of wine and distilled
12 spirits, all distributors of malt beverages or cannabis-infused beverages, all
13 direct shipper licensees shipping alcoholic beverages or cannabis-infused
14 beverages to a consumer at a Kentucky address, all distillers making sales
15 pursuant to KRS 243.0305(3), (4)(a)1. and 2. and (c), (7), (9), (10), (12), and
16 (13), all microbreweries selling malt beverages under KRS 243.157, all small
17 farm wineries selling wine under KRS 243.155, and all manufacturers of
18 cannabis-infused beverages permitted by the Department for Public Health.

19 (b) **On or after July 1, 2027, for the privilege of making "wholesale sales" or**
20 **"sales at wholesale" of cannabis-infused beverages to a consumer at a**
21 **Kentucky address, a tax is hereby imposed on all manufacturers of**
22 **cannabis-infused beverages permitted by the Department for Public**
23 **Health**~~Prior to July 1, 2015, the tax shall be imposed at the rate of eleven~~
24 percent (11%) of the gross receipts of any wholesaler or distributor derived
25 from "sales at wholesale" or "wholesale sales" made within the
26 Commonwealth, except as provided in subsection (3) of this section. For the
27 purposes of this section, the gross receipts of a microbrewery making

1 "wholesale sales" shall be calculated by determining the dollar value amount
2 that the microbrewer would have collected had it conveyed to a distributor the
3 same volume sold to a consumer as allowed under KRS 243.157(3)(b) and
4 (e)].

5 (c) The following rates shall apply to wholesale sales or sales at wholesale:

6 1. For distilled spirits and cannabis-infused beverages, eleven percent

7 (11%); and

8 2. For wine and malt beverages, ten percent (10%).

9 (d) The following rates shall apply for direct shipper sales:

10 1. For distilled spirits and cannabis-infused beverages shipments, eleven

11 percent (11%) for wholesale sales or sales at wholesale; and

12 2. For wine and malt beverage shipments, ten percent (10%) for wholesale

13 sales or sales at wholesale.

14 (e) For direct shipper sales or sales made pursuant to KRS 243.0305, if a

15 wholesale price is not readily available, the direct shipper licensee or distillery

16 shall calculate the wholesale price to be seventy percent (70%) of the retail

17 price of the alcoholic beverages.

18 (2) Wholesalers of distilled spirits and wine, distributors of malt beverages or cannabis-

19 infused beverages, microbreweries, distillers, manufacturers of cannabis-infused

20 beverages permitted by the Department for Public Health, and direct shipper

21 licensees shall pay and report the tax levied by this section on or before the

22 twentieth day of the calendar month next succeeding the month in which possession

23 or title of the distilled spirits, wine, malt beverages, or cannabis-infused beverages

24 is transferred from the wholesaler or distributor to retailers, or by microbreweries,

25 distillers, manufacturers of cannabis-infused beverages permitted by the

26 Department for Public Health, or direct shipper licensees to consumers in this state,

27 in accordance with administrative regulations promulgated under KRS Chapter 13A

1 designed reasonably to protect the revenues of the Commonwealth.

2 (3) Gross receipts from sales at wholesale or wholesale sales shall not include the
3 following sales:

4 (a) Sales made between wholesalers, between distributors, or between
5 manufacturers of cannabis-infused beverages permitted by the Department for
6 Public Health;

7 (b) Sales from the first fifty thousand (50,000) gallons of wine produced by a
8 small farm winery in a calendar year made by:

9 1. The small farm winery; or

2. A wholesaler of that wine produced by the small farm winery; and

11 (c) Sales made between a direct shipper licensee and a consumer located outside
12 of Kentucky.

13 (4) Any portion of this section relating to alcoholic beverages shall expire on July 1,

15 ➤Section 31. KRS 243.886 is amended to read as follows:

16 (1) To reimburse himself or herself for the cost of collecting and reporting the tax, each

17 person required to pay and report the tax levied by KRS 243.884, other than a

18 microbrewery or a distiller, shall deduct on each report one percent (1%) of the tax

19 due, provided the amount due is not delinquent at the time of payment. A

20 microbrewery or distiller that reports and pays the wholesale sales tax levied by

21 KRS 243.884, in accordance with KRS 243.0305 or 243.157 as applicable, shall not

22 be entitled to deduct one percent (1%) of the tax due.

23 (2) *This section shall expire on July 1, 2027.*

24 ➔ Section 32. KRS 243.890 is amended to read as follows:

25 Except as provided in KRS 211.285, receipts derived from taxes and fees assessed and
26 collected under the provisions of this chapter and KRS Chapter 243A shall be
27 appropriated for general fund purposes.

1 ➔Section 33. KRS 244.080 is amended to read as follows:

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

6 **(a)** A minor, except that in any prosecution for selling alcoholic beverages
7 or cannabis-infused beverages to a minor it shall be an affirmative defense
8 that the sale was induced by the use of false, fraudulent, or altered
9 identification papers or other documents and that the appearance and character
10 of the purchaser were such that the purchaser's age could not have been
11 ascertained by any other means and that the purchaser's appearance and
12 character indicated strongly that the purchaser was of legal age to purchase
13 alcoholic beverages or cannabis-infused beverages. This evidence may be
14 introduced either in mitigation of the charge or as a defense to the charge
15 itself; or

16 **(b)** A person who appears to a reasonable person to be actually or
17 apparently under the influence of alcoholic beverages, cannabis-infused
18 beverages, controlled substances, other intoxicating substances, or any of
19 these substances in combination, to the degree that the person may endanger
20 any person or property, or unreasonably annoy persons in the vicinity.

21 **(2) If a retail licensee violates subsection (1)(a) of this section three (3) or more times**
22 **at the same licensed premises within a twenty-four (24) month period, that retail**
23 **licensee shall be permanently prohibited from holding any kind of alcoholic**
24 **beverage license issued by the department at that licensed premises.**

25 ➔Section 34. KRS 244.585 is amended to read as follows:

26 (1) It shall be unlawful for any distributor to sell any brand or product name of malt
27 beverage in the Commonwealth of Kentucky, except in the territory described in a

1 written agreement between the supplier or brewer and distributor, authorizing sale
2 by the distributor of that brand and product name within a designated area, and
3 within that designated area the distributor shall not refuse to sell or offer reasonable
4 service to licensed retailers during the normal business hours of the distributor.
5 Where a supplier or brewer sells several brands and named products, the agreement
6 need not apply to all brands and named products sold by the supplier or brewer and
7 may apply to only one (1) brand and product name. A[No] supplier or brewer shall
8 not provide by the written agreement for the distribution of a brand or named
9 product of malt beverages to more than one (1) distributor for all or any part of the
10 designated territory. Upon request, all territorial agreements shall be filed with the
11 department.

12 (2) Each distributor shall comply with current, written quality control standards as
13 determined by the owner of the trademark of the brand of malt beverage, provided
14 those controls are:

15 (a) Normal industry practice;

16 (b) Reasonably related to the maintenance of quality control;

17 (c) Consistent with the provisions of this chapter and all administrative
18 regulations promulgated under this chapter; and

19 (d) Communicated to the distributor through written notice of them from the
20 owner.

21 (3) A distributor may sell to only those licensed retailers, religious, charitable, or
22 fraternal organizations located within its designated geographical territory as
23 provided in this section and to the distributor's employees and to other distributors
24 of the same brand. A[No] brand or product name of malt beverage may not be sold
25 in the Commonwealth of Kentucky without prior written approval of the brewer and
26 supplier filed with the department.

27 (4) A territorial designation in any agreement between a distributor and brewer or

1 supplier pursuant to this section shall be modified only in accordance with all the
2 rights and duties of the distributor and brewer or supplier contained in any written
3 agreement between them or by any other action of the brewer, supplier, or
4 distributor that is consistent with the terms of their agreement, and this modification
5 shall be filed pursuant to the provisions of this section. The board shall require each
6 party to verify that the level of service within the designated territory will not be
7 adversely affected by the modification. When a distributor is prevented from selling
8 or servicing retailers within its territory due to natural disasters, labor disputes, or
9 other causes beyond the distributor's control, the distributor may allow another
10 distributor of the same brand or named product of malt beverages to sell and service
11 that brand within its territory upon approval of the brewer or supplier.

12 (5) **The**~~Ne~~ provisions of any agreement shall not expressly or impliedly establish or
13 maintain the resale price of any brand or product name of malt beverage by the
14 distributor, **nor may any brewer or microbrewery:**

15 (a) **Adjust the price at which the brewer or microbrewery sells malt beverages to**
16 **a distributor based on the price at which a distributor resells malt beverages**
17 **to a retailer; or**

18 (b) **Seek to recover any percentage of the distributor's increase in price to a**
19 **retailer that may exceed the brewer's or microbrewery's recommended price**
20 **to that retailer.**

21 (6) **It shall be unlawful for any brewer or microbrewery to require any distributor to**
22 **accept delivery of any malt beverages or any other item or commodity that was**
23 **not ordered by the distributor or included in sales projections to the brewer or**
24 **microbrewery that were agreed upon by the distributor.**

25 (7) **Each brewer or microbrewery contracting with a distributor shall submit an**
26 **affidavit to the distributor verifying that it will not, by any means, induce a**
27 **distributor to, or cause a distributor to, waive or forego any rights granted or**

1 *protected by this chapter with respect to the distributor's franchise.*

2 **(8) This section shall not be construed as encouraging or authorizing any unlawful**
3 **activity, including but not limited to violations of federal antitrust laws.**

4 ➔Section 35. KRS 131.250 is amended to read as follows:

5 (1) For the purpose of facilitating the administration of the taxes it administers, the
6 department may require any tax return, report, or statement to be electronically
7 filed.

8 (2) (a) A person required to electronically file a return, report, or statement may
9 apply for a waiver from the requirement by submitting the request on a form
10 prescribed by the department.

11 (b) The request shall indicate the lack of one (1) or more of the following:

12 1. Compatible computer hardware;

13 2. Internet access; or

14 3. Other technological capabilities determined relevant by the department.

15 (3) Beginning July 1, 2026, a licensee:

16 (a) Holding a microbrewery license and authorized to sell malt beverages under
17 KRS 243.157; and

18 (b) Required to pay the *state regulatory license fees due pursuant to Sections 1*
19 *and 2 of this Act*;

20 1. Wholesale sales tax under KRS 243.884; and

21 2. Excise tax on malt beverages under KRS 243.720(3)};

22 shall electronically submit any payment and tax return, report, or statement to the
23 department.

24 ➔Section 36. KRS 139.010 is amended to read as follows:

25 As used in this chapter, unless the context otherwise provides:

26 (1) (a) "Admissions" means the fees paid for:

27 1. The right of entrance to a display, program, sporting event, music

1 concert, performance, play, show, movie, exhibit, fair, or other
2 entertainment or amusement event or venue; and

5 a. Bowling centers;

6 b. Skating rinks;

7 c. Health spas;

8 d. Swimming pools;

9 e. Tennis courts;

10 f. Weight training facilities;

11 g. Fitness and recreational sports centers; and

12 h. Golf courses, both public and private;

13 regardless of whether the fee paid is per use or in any other form,
14 including but not limited to an initiation fee, monthly fee, membership
15 fee, or combination thereof.

16 (b) "Admissions" does not include:

17 1. Any fee paid to enter or participate in a fishing tournament; or

18 2. Any fee paid for the use of a boat ramp for the purpose of allowing
19 boats to be launched into or hauled out from the water;

20 (2) "Advertising and promotional direct mail" means direct mail the primary purpose of
21 which is to attract public attention to a product, person, business, or organization, or
22 to attempt to sell, popularize, or secure financial support for a product, person,
23 business, or organization. As used in this definition, "product" means tangible
24 personal property, an item transferred electronically, or a service;

25 (3) "Business" includes any activity engaged in by any person or caused to be engaged
26 in by that person with the object of gain, benefit, or advantage, either direct or
27 indirect:

- 1 (4) "Commonwealth" means the Commonwealth of Kentucky;
- 2 (5) (a) "Cosmetic surgery services" means modifications to all areas of the head,
3 neck, and body to enhance appearance through surgical and medical
4 techniques.
- 5 (b) "Cosmetic surgery services" does not include surgery services that are
6 medically necessary to reconstruct or correct dysfunctional areas of the face
7 and body due to birth disorders, trauma, burns, or disease;
- 8 (6) "Department" means the Department of Revenue;
- 9 (7) (a) "Digital audio-visual works" means a series of related images which, when
10 shown in succession, impart an impression of motion, with accompanying
11 sounds, if any.
- 12 (b) "Digital audio-visual works" includes movies, motion pictures, musical
13 videos, news and entertainment programs, and live events.
- 14 (c) "Digital audio-visual works" shall not include video greeting cards, video
15 games, and electronic games;
- 16 (8) (a) "Digital audio works" means works that result from the fixation of a series of
17 musical, spoken, or other sounds.
- 18 (b) "Digital audio works" includes ringtones, recorded or live songs, music,
19 readings of books or other written materials, speeches, or other sound
20 recordings.
- 21 (c) "Digital audio works" shall not include audio greeting cards sent by electronic
22 mail;
- 23 (9) (a) "Digital books" means works that are generally recognized in the ordinary and
24 usual sense as books, including any literary work expressed in words,
25 numbers, or other verbal or numerical symbols or indicia if the literary work
26 is generally recognized in the ordinary or usual sense as a book.
- 27 (b) "Digital books" shall not include digital audio-visual works, digital audio

1 works, periodicals, magazines, newspapers, or other news or information
2 products, chat rooms, or weblogs;

3 (10) (a) "Digital code" means a code which provides a purchaser with a right to obtain
4 one (1) or more types of digital property. A "digital code" may be obtained by
5 any means, including electronic mail messaging or by tangible means,
6 regardless of the code's designation as a song code, video code, or book code.

7 (b) "Digital code" shall not include a code that represents:
8 1. A stored monetary value that is deducted from a total as it is used by the
9 purchaser; or

10 2. A redeemable card, gift card, or gift certificate that entitles the holder to
11 select specific types of digital property;

12 (11) (a) "Digital property" means any of the following which is transferred
13 electronically:

14 1. Digital audio works;
15 2. Digital books;
16 3. Finished artwork;
17 4. Digital photographs;
18 5. Periodicals;
19 6. Newspapers;
20 7. Magazines;
21 8. Video greeting cards;
22 9. Audio greeting cards;
23 10. Video games;
24 11. Electronic games; or
25 12. Any digital code related to this property.

26 (b) "Digital property" shall not include digital audio-visual works or satellite
27 radio programming;

1 (12) (a) "Direct mail" means printed material delivered or distributed by United States
2 mail or other delivery service to a mass audience or to addressees on a mailing
3 list provided by the purchaser or at the direction of the purchaser when the
4 cost of the items are not billed directly to the recipient.

5 (b) "Direct mail" includes tangible personal property supplied directly or
6 indirectly by the purchaser to the direct mail retailer for inclusion in the
7 package containing the printed material.

8 (c) "Direct mail" does not include multiple items of printed material delivered to
9 a single address;

10 (13) "Directly used in the manufacturing or industrial processing process" means the
11 process that commences with the movement of raw materials from storage into a
12 continuous, unbroken, integrated process and ends when the finished product is
13 packaged and ready for sale;

14 (14) (a) "Executive employee recruitment services" means services provided by a
15 person to locate potential candidates to fill open senior-level management
16 positions.

17 (b) "Executive employee recruitment services" includes but is not limited to
18 making a detailed list of client requirements, researching and identifying
19 potential candidates, performing prescreening interviews, and providing
20 contract and salary negotiations;

21 (15) (a) "Extended warranty services" means services provided through a service
22 contract agreement between the contract provider and the purchaser where the
23 purchaser agrees to pay compensation for the contract and the provider agrees
24 to repair, replace, support, or maintain tangible personal property, digital
25 property, real property, or prewritten computer software access services
26 according to the terms of the contract.

27 (b) "Extended warranty services" does not include the sale of a service contract

1 agreement for tangible personal property to be used by a small telephone
2 utility as defined in KRS 278.516 or a Tier III CMRS provider as defined in
3 KRS 65.7621 to deliver communications services as defined in KRS 136.602
4 or broadband;

5 (16) (a) "Finished artwork" means final art that is used for actual reproduction by
6 photomechanical or other processes or for display purposes.

7 (b) "Finished artwork" includes:

- 8 1. Assemblies;
- 9 2. Charts;
- 10 3. Designs;
- 11 4. Drawings;
- 12 5. Graphs;
- 13 6. Illustrative materials;
- 14 7. Lettering;
- 15 8. Mechanicals;
- 16 9. Paintings; and
- 17 10. Paste-ups;

18 (17) (a) "Gross receipts" and "sales price" mean the total amount or consideration,
19 including cash, credit, property, and services, for which tangible personal
20 property, digital property, or services are sold, leased, or rented, valued in
21 money, whether received in money or otherwise, without any deduction for
22 any of the following:

- 23 1. The retailer's cost of the tangible personal property, digital property, or
24 services sold;
- 25 2. The cost of the materials used, labor or service cost, interest, losses, all
26 costs of transportation to the retailer, all taxes imposed on the retailer, or
27 any other expense of the retailer;

- 1 3. Charges by the retailer for any services necessary to complete the sale;
- 2 4. Delivery charges, which are defined as charges by the retailer for the
- 3 preparation and delivery to a location designated by the purchaser
- 4 including transportation, shipping, postage, handling, crating, and
- 5 packing;
- 6 5. Any amount for which credit is given to the purchaser by the retailer,
- 7 other than credit for tangible personal property or digital property traded
- 8 when the tangible personal property or digital property traded is of like
- 9 kind and character to the property purchased and the property traded is
- 10 held by the retailer for resale; and
- 11 6. The amount charged for labor or services rendered in installing or
- 12 applying the tangible personal property, digital property, or service sold.

13 (b) "Gross receipts" and "sales price" shall include consideration received by the

14 retailer from a third party if:

- 15 1. The retailer actually receives consideration from a third party and the
- 16 consideration is directly related to a price reduction or discount on the
- 17 sale to the purchaser;
- 18 2. The retailer has an obligation to pass the price reduction or discount
- 19 through to the purchaser;
- 20 3. The amount of consideration attributable to the sale is fixed and
- 21 determinable by the retailer at the time of the sale of the item to the
- 22 purchaser; and
- 23 4. One (1) of the following criteria is met:
 - 24 a. The purchaser presents a coupon, certificate, or other
 - 25 documentation to the retailer to claim a price reduction or discount
 - 26 where the coupon, certificate, or documentation is authorized,
 - 27 distributed, or granted by a third party with the understanding that

the third party will reimburse any seller to whom the coupon, certificate, or documentation is presented;

- b. The price reduction or discount is identified as a third-party price reduction or discount on the invoice received by the purchaser or on a coupon, certificate, or other documentation presented by the purchaser; or
- c. The purchaser identifies himself or herself to the retailer as a member of a group or organization entitled to a price reduction or discount. A "preferred customer" card that is available to any patron does not constitute membership in such a group.

(c) "Gross receipts" and "sales price" shall not include:

1. Discounts, including cash, term, or coupons that are not reimbursed by a third party and that are allowed by a retailer and taken by a purchaser on a sale;
2. Interest, financing, and carrying charges from credit extended on the sale of tangible personal property, digital property, or services, if the amount is separately stated on the invoice, bill of sale, or similar document given to the purchaser;
3. Any taxes legally imposed directly on the purchaser that are separately stated on the invoice, bill of sale, or similar document given to the purchaser; ~~or~~
4. Local alcohol regulatory license fees authorized under KRS 243.075 that are separately stated on the invoice, bill of sale, or similar document given to the purchaser.

5. State retail regulatory license fees imposed by Section 1 of this Act that are stated separately on the invoice, bill of sale, or similar document given to the purchaser.

1 (d) As used in this subsection, "third party" means a person other than the
2 purchaser;

3 (18) "In this state" or "in the state" means within the exterior limits of the
4 Commonwealth and includes all territory within these limits owned by or ceded to
5 the United States of America;

6 (19) "Industrial processing" includes:

7 (a) Refining;

8 (b) Extraction of minerals, ores, coal, clay, stone, petroleum, or natural gas;

9 (c) Mining, quarrying, fabricating, and industrial assembling;

10 (d) The processing and packaging of raw materials, in-process materials, and
11 finished products; and

12 (e) The processing and packaging of farm and dairy products for sale;

13 (20) (a) "Lease or rental" means any transfer of possession or control of tangible
14 personal property for a fixed or indeterminate term for consideration. A lease
15 or rental shall include future options to:

16 1. Purchase the property; or

17 2. Extend the terms of the agreement and agreements covering trailers
18 where the amount of consideration may be increased or decreased by
19 reference to the amount realized upon sale or disposition of the property
20 as defined in 26 U.S.C. sec. 7701(h)(1).

21 (b) "Lease or rental" shall not include:

22 1. A transfer of possession or control of property under a security
23 agreement or deferred payment plan that requires the transfer of title
24 upon completion of the required payments;

25 2. A transfer of possession or control of property under an agreement that
26 requires the transfer of title upon completion of the required payments
27 and payment of an option price that does not exceed the greater of one

3 3. Providing tangible personal property and an operator for the tangible
4 personal property for a fixed or indeterminate period of time. To qualify
5 for this exclusion, the operator must be necessary for the equipment to
6 perform as designed, and the operator must do more than maintain,
7 inspect, or setup the tangible personal property.

8 (c) This definition shall apply regardless of the classification of a transaction
9 under generally accepted accounting principles, the Internal Revenue Code, or
10 other provisions of federal, state, or local law;

11 (21) (a) "Lobbying services" means the act of promoting or securing passage of
12 legislation or an attempt to influence or sway a public official or other public
13 servant toward a desired action, including but not limited to the support of or
14 opposition to a project or the passage, amendment, defeat, approval, or veto of
15 any legislation, regulation, rule, or ordinance.[:]

16 (b) "Lobbying services" includes but is not limited to the performance of
17 activities described as executive agency lobbying activities as defined in KRS
18 11A.201, activities described under the definition of lobby in KRS 6.611, and
19 any similar activities performed at the local, state, or federal levels;

20 (22) (a) "Machinery for new and expanded industry" means machinery:

21 1. Directly used in the manufacturing or industrial processing process of:

22 a. Tangible personal property at a plant facility;

26 or

27

3 2. Which is incorporated for the first time into:

6 3. Which does not replace machinery in the plant facility or licensed
7 premises unless that machinery purchased to replace existing machinery:

8 a. Increases the consumption of recycled materials at the plant
9 facility by not less than ten percent (10%);

10 b. Performs different functions;

11 c. Is used to manufacture a different product; or

14 (b) "Machinery for new and expanded industry" does not include repair,
15 replacement, or spare parts of any kind, regardless of whether the purchase of
16 repair, replacement, or spare parts is required by the manufacturer or seller as
17 a condition of sale or as a condition of warranty;

18 (23) "Manufacturing" means any process through which material having little or no
19 commercial value for its intended use before processing has appreciable
20 commercial value for its intended use after processing by the machinery;

21 (24) "Marketplace" means any physical or electronic means through which one (1) or
22 more retailers may advertise and sell tangible personal property, digital property, or
23 services, or lease tangible personal property or digital property, such as a catalog,
24 Internet website, or television or radio broadcast, regardless of whether the tangible
25 personal property, digital property, or retailer is physically present in this state;

26 (25) (a) "Marketplace provider" means a person, including any affiliate of the person,
27 that facilitates a retail sale by satisfying subparagraphs 1. and 2. of this

1 paragraph as follows:

2 1. The person directly or indirectly:

- 3 a. Lists, makes available, or advertises tangible personal property, digital property, or services for sale by a marketplace retailer in a marketplace owned, operated, or controlled by the person;
- 4 b. Facilitates the sale of a marketplace retailer's product through a marketplace by transmitting or otherwise communicating an offer or acceptance of a retail sale of tangible personal property, digital property, or services between a marketplace retailer and a purchaser in a forum including a shop, store, booth, catalog, Internet site, or similar forum;
- 5 c. Owns, rents, licenses, makes available, or operates any electronic or physical infrastructure or any property, process, method, copyright, trademark, or patent that connects marketplace retailers to purchasers for the purpose of making retail sales of tangible personal property, digital property, or services;
- 6 d. Provides a marketplace for making retail sales of tangible personal property, digital property, or services, or otherwise facilitates retail sales of tangible personal property, digital property, or services, regardless of ownership or control of the tangible personal property, digital property, or services, that are the subject of the retail sale;
- 7 e. Provides software development or research and development activities related to any activity described in this subparagraph, if the software development or research and development activities are directly related to the physical or electronic marketplace provided by a marketplace provider;

1 f. Provides or offers fulfillment or storage services for a marketplace
2 retailer;

3 g. Sets prices for a marketplace retailer's sale of tangible personal
4 property, digital property, or services;

5 h. Provides or offers customer service to a marketplace retailer or a
6 marketplace retailer's customers, or accepts or assists with taking
7 orders, returns, or exchanges of tangible personal property, digital
8 property, or services sold by a marketplace retailer; or

9 i. Brands or otherwise identifies sales as those of the marketplace
10 provider; and

11 2. The person directly or indirectly:

12 a. Collects the sales price or purchase price of a retail sale of tangible
13 personal property, digital property, or services;

14 b. Provides payment processing services for a retail sale of tangible
15 personal property, digital property, or services;

16 c. Through terms and conditions, agreements, or arrangements with a
17 third party, collects payment in connection with a retail sale of
18 tangible personal property, digital property, or services from a
19 purchaser and transmits that payment to the marketplace retailer,
20 regardless of whether the person collecting and transmitting the
21 payment receives compensation or other consideration in exchange
22 for the service; or

23 d. Provides a virtual currency that purchasers are allowed or required
24 to use to purchase tangible personal property, digital property, or
25 services.

26 (b) "Marketplace provider" includes but is not limited to a person that satisfies the
27 requirements of this subsection through the ownership, operation, or control

1 of a digital distribution service, digital distribution platform, online portal, or
2 application store;

3 (26) "Marketplace retailer" means a seller that makes retail sales through any
4 marketplace owned, operated, or controlled by a marketplace provider;

5 (27) (a) "Occasional sale" includes:

15 2. Any transfer of all or substantially all the tangible personal property or
16 digital property held or used by a person in the course of such an activity
17 when after such transfer the real or ultimate ownership of such property
18 is substantially similar to that which existed before such transfer.

19 (b) For the purposes of this subsection, stockholders, bondholders, partners, or
20 other persons holding an interest in a corporation or other entity are regarded
21 as having the "real or ultimate ownership" of the tangible personal property or
22 digital property of such corporation or other entity;

23 (28) (a) "Other direct mail" means any direct mail that is not advertising and
24 promotional direct mail, regardless of whether advertising and promotional
25 direct mail is included in the same mailing.

26 (b) "Other direct mail" includes but is not limited to:

27 1. Transactional direct mail that contains personal information specific to

1 the addressee, including but not limited to invoices, bills, statements of
2 account, and payroll advices;

3 2. Any legally required mailings, including but not limited to privacy
4 notices, tax reports, and stockholder reports; and

5 3. Other nonpromotional direct mail delivered to existing or former
6 shareholders, customers, employees, or agents, including but not limited
7 to newsletters and informational pieces.

8 (c) "Other direct mail" does not include the development of billing information or
9 the provision of any data processing service that is more than incidental to the
10 production of printed material;

11 (29) "Person" includes any individual, firm, copartnership, joint venture, association,
12 social club, fraternal organization, corporation, estate, trust, business trust, receiver,
13 trustee, syndicate, cooperative, assignee, governmental unit or agency, or any other
14 group or combination acting as a unit;

15 (30) "Permanent," as the term applies to digital property, means perpetual or for an
16 indefinite or unspecified length of time;

17 (31) (a) "Photography and photofinishing services" means:

18 1. The taking, developing, or printing of an original photograph; or
19 2. Image editing, including shadow removal, tone adjustments, vertical and
20 horizontal alignment and cropping, composite image creation,
21 formatting, watermarking printing, and delivery of an original
22 photograph in the form of tangible personal property, digital property, or
23 other media.

24 (b) "Photography and photofinishing services" does not include photography
25 services necessary for medical or dental health;

26 (32) "Plant facility" means a single location that is exclusively dedicated to
27 manufacturing or industrial processing activities. A location shall be deemed to be

1 exclusively dedicated to manufacturing or industrial processing activities even if
2 retail sales are made there, provided that the retail sales are incidental to the
3 manufacturing or industrial processing activities occurring at the location. The term
4 "plant facility" shall not include any restaurant, grocery store, shopping center, or
5 other retail establishment;

6 (33) (a) "Prewritten computer software" means:

- 7 1. Computer software, including prewritten upgrades, that are not designed
8 and developed by the author or other creator to the specifications of a
9 specific purchaser;
- 10 2. Software designed and developed by the author or other creator to the
11 specifications of a specific purchaser when it is sold to a person other
12 than the original purchaser; or
- 13 3. Any portion of prewritten computer software that is modified or
14 enhanced in any manner, where the modification or enhancement is
15 designed and developed to the specifications of a specific purchaser,
16 unless there is a reasonable, separately stated charge on an invoice or
17 other statement of the price to the purchaser for the modification or
18 enhancement.

19 (b) When a person modifies or enhances computer software of which the person
20 is not the author or creator, the person shall be deemed to be the author or
21 creator only of the modifications or enhancements the person actually made.

22 (c) The combining of two (2) or more prewritten computer software programs or
23 portions thereof does not cause the combination to be other than prewritten
24 computer software;

25 (34) "Prewritten computer software access services" means the right of access to
26 prewritten computer software where the object of the transaction is to use the
27 prewritten computer software while possession of the prewritten computer software

1 is maintained by the seller or a third party, wherever located, regardless of whether
2 the charge for the access or use is on a per use, per user, per license, subscription, or
3 some other basis;

4 (35) (a) "Purchase" means any transfer of title or possession, exchange, barter, lease,
5 or rental, conditional or otherwise, in any manner or by any means
6 whatsoever, of:

- 7 1. Tangible personal property;
- 8 2. An extended warranty service;
- 9 3. Digital property transferred electronically; or
- 10 4. Services included in KRS 139.200;

11 for a consideration.

12 (b) "Purchase" includes:

- 13 1. When performed outside this state or when the customer gives a resale
14 certificate, the producing, fabricating, processing, printing, or imprinting
15 of tangible personal property for a consideration for consumers who
16 furnish either directly or indirectly the materials used in the producing,
17 fabricating, processing, printing, or imprinting;
- 18 2. A transaction whereby the possession of tangible personal property or
19 digital property is transferred but the seller retains the title as security
20 for the payment of the price; and
- 21 3. A transfer for a consideration of the title or possession of tangible
22 personal property or digital property which has been produced,
23 fabricated, or printed to the special order of the customer, or of any
24 publication;

25 (36) "Recycled materials" means materials which have been recovered or diverted from
26 the solid waste stream and reused or returned to use in the form of raw materials or
27 products;

- 1 (37) "Recycling purposes" means those activities undertaken in which materials that
2 would otherwise become solid waste are collected, separated, or processed in order
3 to be reused or returned to use in the form of raw materials or products;
- 4 (38) "Remote retailer" means a retailer with no physical presence in this state;
- 5 (39) (a) "Repair, replacement, or spare parts" means any tangible personal property
6 used to maintain, restore, mend, or repair machinery or equipment.
7 (b) "Repair, replacement, or spare parts" does not include machine oils, grease, or
8 industrial tools;
- 9 (40) (a) "Retailer" means:
 - 10 1. Every person engaged in the business of making retail sales of tangible
11 personal property, digital property, or furnishing any services in a retail
12 sale included in KRS 139.200;
 - 13 2. Every person engaged in the business of making sales at auction of
14 tangible personal property or digital property owned by the person or
15 others for storage, use or other consumption, except as provided in
16 paragraph (c) of this subsection;
 - 17 3. Every person making more than two (2) retail sales of tangible personal
18 property, digital property, or services included in KRS 139.200 during
19 any twelve (12) month period, including sales made in the capacity of
20 assignee for the benefit of creditors, or receiver or trustee in bankruptcy;
 - 21 4. Any person conducting a race meeting under the provision of KRS
22 Chapter 230, with respect to horses which are claimed during the
23 meeting.
24 (b) When the department determines that it is necessary for the efficient
25 administration of this chapter to regard any salesmen, representatives,
26 peddlers, or canvassers as the agents of the dealers, distributors, supervisors or
27 employers under whom they operate or from whom they obtain the tangible

1 personal property, digital property, or services sold by them, irrespective of
2 whether they are making sales on their own behalf or on behalf of the dealers,
3 distributors, supervisors or employers, the department may so regard them and
4 may regard the dealers, distributors, supervisors or employers as retailers for
5 purposes of this chapter.

6 (c) 1. Any person making sales at a charitable auction for a qualifying entity
7 shall not be a retailer for purposes of the sales made at the charitable
8 auction if:

- 9 a. The qualifying entity, not the person making sales at the auction, is
10 sponsoring the auction;
- 11 b. The purchaser of tangible personal property at the auction directly
12 pays the qualifying entity sponsoring the auction for the property
13 and not the person making the sales at the auction; and
- 14 c. The qualifying entity, not the person making sales at the auction, is
15 responsible for the collection, control, and disbursement of the
16 auction proceeds.

17 2. If the conditions set forth in subparagraph 1. of this paragraph are met,
18 the qualifying entity sponsoring the auction shall be the retailer for
19 purposes of the sales made at the charitable auction.

20 3. For purposes of this paragraph, "qualifying entity" means a resident:
21 a. Church;
22 b. School;
23 c. Civic club; or
24 d. Any other nonprofit charitable, religious, or educational
25 organization;

26 (41) "Retail sale" means any sale, lease, or rental for any purpose other than resale,
27 sublease, or subrent;

1 (42) (a) "Ringtones" means digitized sound files that are downloaded onto a device
2 and that may be used to alert the customer with respect to a communication.

3 (b) "Ringtones" shall not include ringback tones or other digital files that are not
4 stored on the purchaser's communications device;

5 (43) (a) "Sale" means:

6 1. The furnishing of any services included in KRS 139.200; **or**
7 2. Any transfer of title or possession, exchange, barter, lease, or rental,
8 conditional or otherwise, in any manner or by any means whatsoever,
9 of:

10 a. Tangible personal property; or
11 b. Digital property transferred electronically;
12 for a consideration.

13 (b) "Sale" includes but is not limited to:

14 1. The producing, fabricating, processing, printing, or imprinting of
15 tangible personal property or digital property for a consideration for
16 purchasers who furnish, either directly or indirectly, the materials used
17 in the producing, fabricating, processing, printing, or imprinting;
18 2. A transaction whereby the possession of tangible personal property or
19 digital property is transferred, but the seller retains the title as security
20 for the payment of the price; and
21 3. A transfer for a consideration of the title or possession of tangible
22 personal property or digital property which has been produced,
23 fabricated, or printed to the special order of the purchaser.

24 (c) This definition shall apply regardless of the classification of a transaction
25 under generally accepted accounting principles, the Internal Revenue Code, or
26 other provisions of federal, state, or local law;

27 (44) "Seller" includes every person engaged in the business of selling tangible personal

1 property, digital property, or services of a kind, the gross receipts from the retail
2 sale of which are required to be included in the measure of the sales tax, and every
3 person engaged in making sales for resale;

4 (45) (a) "Storage" includes any keeping or retention in this state for any purpose
5 except sale in the regular course of business or subsequent use solely outside
6 this state of tangible personal property, digital property, or prewritten
7 computer software access services purchased from a retailer.

8 (b) "Storage" does not include the keeping, retaining, or exercising any right or
9 power over tangible personal property for the purpose of subsequently
10 transporting it outside the state for use thereafter solely outside the state, or
11 for the purpose of being processed, fabricated, or manufactured into, attached
12 to, or incorporated into, other tangible personal property to be transported
13 outside the state and thereafter used solely outside the state;

14 (46) "Tangible personal property" means personal property which may be seen,
15 weighed, measured, felt, or touched, or which is in any other manner perceptible to
16 the senses and includes natural, artificial, and mixed gas, electricity, water, steam,
17 and prewritten computer software;

18 (47) "Taxpayer" means any person liable for tax under this chapter;

19 (48) "Telemarketing services" means services provided via telephone, facsimile,
20 electronic mail, text messages, or other modes of communications to another
21 person, which are unsolicited by that person, for the purposes of:

22 (a) 1. Promoting products or services;
23 2. Taking orders; or
24 3. Providing information or assistance regarding the products or services;
25 or

26 (b) Soliciting contributions;

27 (49) "Transferred electronically" means accessed or obtained by the purchaser by means

1 other than tangible storage media; and

2 (50) (a) "Use" includes the exercise of:

- 3 1. Any right or power over tangible personal property or digital property
4 incident to the ownership of that property, or by any transaction in
5 which possession is given, or by any transaction involving digital
6 property or tangible personal property where the right of access is
7 granted; or
- 8 2. Any right or power to benefit from any services subject to tax under
9 KRS 139.200(2)(p) to (ax).

10 (b) "Use" does not include the keeping, retaining, or exercising any right or
11 power over:

- 12 1. Tangible personal property or digital property for the purpose of:
 - 13 a. Selling tangible personal property or digital property in the regular
14 course of business; or
 - 15 b. Subsequently transporting tangible personal property outside the
16 state for use thereafter solely outside the state, or for the purpose
17 of being processed, fabricated, or manufactured into, attached to,
18 or incorporated into, other tangible personal property to be
19 transported outside the state and thereafter used solely outside the
20 state; or
- 21 2. Prewritten computer software access services purchased for use outside
22 the state and transferred electronically outside the state for use thereafter
23 solely outside the state.

24 ➔Section 37. KRS 243.045 is amended to read as follows:

25 (1) A transitional license may be issued by the state administrator or administrators
26 during the time a transfer of an ongoing business is being processed under the
27 following conditions:

1 (3) The state administrator shall deny, approve, or issue licenses when, in the sound
2 discretion of the administrator, all of the information necessary has been obtained
3 or the applicant has refused to provide requested information.

4 ➔Section 39. KRS 243.790 is amended to read as follows:
5 The sale or distribution of alcoholic beverages or cannabis-infused beverages
6 manufactured in or imported into this state for shipment permanently out of the state to
7 be sold without the state and consumed without the state shall not be subject to the state
8 regulatory license fees imposed by Sections 1, 2, and 3 of this Act or the tax imposed by
9 KRS 243.720. Provided, however, the Department of Revenue may, when necessary for
10 the purpose of control enforcement or protection of revenue, prescribe the conditions
11 under which containers of the alcoholic beverages or cannabis-infused beverages for
12 shipment permanently out of the state to be sold without the state and consumed without
13 the state may be kept and trafficked in without payment of the tax.

14 ➔Section 40. KRS 243.850 is amended to read as follows:
15 (1) For the purpose of assisting in the enforcement of Sections 1, 2, and 3 of this Act
16 and KRS 243.720, 243.730, 243.790, and 243.884, every licensee{, ~~except~~
17 ~~retailers~~}, whether subject to the payment of state regulatory license fees imposed
18 by Sections 1, 2, and 3 of this Act or the taxes imposed by KRS 243.720, 243.730,
19 243.790, and 243.884, shall, on or before the twentieth day of each month, render to
20 the Department of Revenue a statement, in writing, of all trafficking in alcoholic
21 beverages or cannabis-infused beverages during the preceding month.

22 (2) The statement shall:
23 (a) Be taken directly from the records of the reporting licensee or manufacturer of
24 cannabis-infused beverages permitted by the Department for Public Health,
25 and shall set forth on forms furnished by the Department of Revenue the
26 required information; and
27 (b) Include alcoholic beverages or cannabis-infused beverages destined for sale

1 outside the state, as well as alcoholic beverages or cannabis-infused beverages
2 subject to the **state regulatory license fees imposed by Sections 1, 2, and 3 of**
3 **this Act or the** tax imposed by KRS 243.720, 243.730, 243.790, and 243.884.

4 (3) The Department of Revenue shall have authority to require from retail licensees,
5 other licensees, and manufacturers of cannabis-infused beverages other reports and
6 statements at the necessary times for the enforcement of **Sections 1, 2, and 3 of this**
7 **Act and KRS 243.720, 243.730, 243.790, and 243.884**

8 ➔Section 41. KRS 243.990 is amended to read as follows:

9 (1) Any person who, by himself or herself or acting through another, directly or
10 indirectly, violates any of the provisions of KRS 243.020 to 243.670, for which no
11 other penalty is provided, shall, for the first offense, be guilty of a Class B
12 misdemeanor; and for the second and each subsequent violation, he or she shall be
13 guilty of a Class A misdemeanor. The penalties provided for in this subsection shall
14 be in addition to the revocation of the offender's license.

15 (2) Any person who, by himself or herself or through another, directly or indirectly,
16 violates subsection (1) of KRS 243.020 shall, for the first offense, be guilty of a
17 Class B misdemeanor; for the second offense, he or she shall be guilty of a Class A
18 misdemeanor; and for the third and each subsequent offense, he or she shall be
19 guilty of a Class D felony.

20 (3) Any person who violates subsection (3) of KRS 243.020 shall be guilty of a
21 violation.

22 (4) Any person who violates KRS 243.620 with respect to a license issued under KRS
23 243.050 or 243.082 shall be guilty of a violation.

24 (5) Any person who violates any of the provisions of Section 2 of this Act[KRS
25 ~~243.720 or 243.730~~] or any administrative regulation issued thereunder shall be
26 guilty of a Class A misdemeanor.

27 (6) Any person who violates any provision of *Section 2 of this Act* [KRS 243.710 to

1 243.850} shall be subject to the uniform civil penalties imposed pursuant to KRS
2 131.180.

3 (7) In every case, any state wholesale regulatory license fee~~[tax]~~ imposed by Section 2
4 of this Act~~[KRS 243.710 to 243.720]~~ which is not paid on or before the due date
5 shall bear interest at the tax interest rate as defined in KRS 131.010(6) from the due
6 date until the date of payment.

7 (8) Any person who, by himself or herself or acting through another, directly or
8 indirectly, violates KRS 243.502(1) shall, for the first offense, be guilty of a Class
9 B misdemeanor, and for the second and each subsequent violation, he or she shall
10 be guilty of a Class A misdemeanor. The penalties provided for in this subsection
11 shall be in addition to the suspension or revocation of the offender's license.

12 (9) Any person who violates the provisions of KRS 243.897 shall be subject to a fine
13 not to exceed one thousand dollars (\$1,000).

14 (10) Any vintage distilled spirits seller who, by himself or herself or acting through
15 another, directly or indirectly, violates any of the provisions of KRS 243.232(6)
16 shall:

17 (a) For the first offense, pay a five hundred dollar (\$500) fine;

18 (b) For the second offense, pay a two thousand five hundred dollar (\$2,500) fine;
19 and

20 (c) For the third and each subsequent offense, pay a five thousand dollar (\$5,000)
21 fine.

22 ➔Section 42. Sections 1 to 5, 10, 16, 19, 20, 26 to 32, 35, 36, and 39 to 41 of this
23 Act take effect July 1, 2027.

24 ➔Section 43. Whereas alcoholic beverages require prompt regulation and
25 enforcement, an emergency is declared to exist, and Sections 6, 11, 12, 13, 25, 37, and 38
26 of this Act take effect upon its passage and approval by the Governor or upon its
27 otherwise becoming a law.