

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) "Cannabis-infused beverage" has the same meaning as in Section 6 of this*
16 *Act;*

17 *(d) "Direct shipper" means a direct shipper licensed under KRS 243.027;*

18 *(e) "Gross receipts":*

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

23 *a. The alcoholic beverage retailer's cost of the alcoholic beverages*
24 *or cannabis-infused beverages;*

25 *b. Charges by the retailer for any services necessary to complete the*
26 *sale; and*

27 *c. Delivery charges by the retailer for the preparation and delivery*

1 to a location designated by the purchaser, including
2 transportation, shipping, postage, handling, crating, and
3 packing; and

4 2. Does not include:

5 a. Discounts, including cash, term, or coupons that are not
6 reimbursed by a third party and that are allowed by an alcoholic
7 beverage retailer and taken by a purchaser on a sale;

8 b. Interest, financing, and carrying charges from credit extended
9 on the sale of alcoholic beverages or cannabis-infused
10 beverages, if the amount is separately stated on the invoice, bill
11 of sale, or similar document given to the purchaser;

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

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

19 e. Sales made by a direct shipper to a consumer located outside of
20 Kentucky;

21 (f) "Person" means an individual, partnership, joint venture, committee,
22 association, corporation, governmental unit, nonprofit organization, or any
23 other organization or group of persons;

24 (g) "State retail regulatory license fee" includes interest accrued at the rate
25 provided by KRS 131.183, all applicable penalties imposed pursuant to this
26 chapter, and all applicable penalties and fees imposed pursuant to KRS
27 131.180, 131.410 to 131.445, and 131.990; and

- 1 (h) "Third party" means a person other than the purchaser.
- 2 (2) On or after July 1, 2027, a state retail regulatory license fee is imposed on all
3 alcoholic beverage retailers at the rate of four percent (4%) of the gross receipts
4 derived from the sale of alcoholic beverages or cannabis-infused beverages to
5 consumers in this state.
- 6 (3) The state retail regulatory license fee shall be:
- 7 (a) Administered by the department; and
8 (b) Transferred to the general fund.
- 9 (4) The state retail regulatory license fee:
- 10 (a) May be added to the selling price charged by the alcoholic beverage retailer
11 on the alcoholic beverages or cannabis-infused beverages, when stated
12 separately; and
- 13 (b) Shall be paid by the alcoholic beverage retailer as prescribed in
14 administrative regulations promulgated by the department in accordance
15 with KRS Chapter 13A.
- 16 (5) The alcoholic beverage retailer is liable for the state retail regulatory license fee.
- 17 (6) (a) Every alcoholic beverage retailer shall, by the twentieth day of each month,
18 transmit to the department reports, on the forms the department may
19 prescribe, on the total retail sales for the month and state retail regulatory
20 license fees due.
- 21 (b) For purposes of facilitating the administration, payment, or collection of the
22 state retail regulatory license fees levied by this chapter, the department
23 may, within its discretion, permit or require returns or fee payments for
24 periods other than those prescribed in paragraph (a) of this subsection.
- 25 (7) Payment of the state retail regulatory license fee shall be due with the report.
- 26 (8) (a) For reimbursement of the cost of collecting and remitting the fee, the
27 alcoholic beverage retailer shall deduct on each return one-quarter of one

1 percent (0.25%) of the fee due, provided the amount due is not delinquent at
2 the time of payment.

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

5 (c) For purposes of this subsection only, "alcoholic beverage retailer" shall not
6 include a distiller.

7 (9) The alcoholic beverage retailer shall keep and preserve an accurate record of all
8 receipts of alcoholic beverages and cannabis-infused beverages sold, and state
9 retail regulatory license fees due, together with invoices or other pertinent records
10 and papers required by the department for four (4) years.

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

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

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

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

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

20 2. The payment of the whole or any part of the state retail regulatory
21 license fee or penalties due; or

22 (d) Fail to keep and preserve records of the alcoholic beverages or cannabis-
23 infused beverages sold by the alcoholic beverage retailer to substantiate the
24 reports required by this section.

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

1 (12) 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. A NEW SECTION OF KRS CHAPTER 138 IS CREATED TO
8 READ AS FOLLOWS:

9 (1) On and 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) On and after July 1, 2027, a state wholesale regulatory license fee is imposed at a
20 rate of one and six-tenths of a cent (\$0.016) for each milliliter or milligram of
21 tetrahydrocannabinol contained in a cannabis-infused beverage for human
22 consumption sold, used, or distributed by sale or gift in the Commonwealth of
23 Kentucky on every:

24 (a) Wholesaler;

25 (b) Distributor;

26 (c) Manufacturer permitted by the Department for Public Health; and

27 (d) Direct shipper.

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

7 1. For the first fifteen thousand (15,000) taxable, directly transferred
8 barrels in a calendar year, at a rate of fourteen one-hundredths of a
9 cent (\$0.0014) for each milliliter of alcohol contained in an alcoholic
10 beverage sold; and

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

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

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

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

25 b. If the microbrewery directly transfers more than one thousand
26 (1,000) barrels in a calendar year after 2026, the state wholesale
27 regulatory license fee imposed by paragraph (a) of this

1 subsection shall apply to:

2 i. All directly transferred gallons exceeding the first one
3 thousand (1,000) barrels in that calendar year; and

4 ii. All directly transferred gallons in subsequent calendar
5 years.

6 (c) 1. A microbrewery that begins directly transferring products to a retailer
7 or consumer independent of a distributor on and after July 1, 2027, is
8 exempt from the state wholesale regulatory license fee levied in
9 paragraph (a) of this subsection on the first one thousand (1,000)
10 barrels sold in a calendar year, subject to subparagraph 2. of this
11 paragraph.

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

15 a. All directly transferred barrels exceeding the first one thousand
16 (1,000) barrels in that calendar year; and

17 b. All directly transferred barrels in subsequent calendar years.

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

24 (5) (a) A wholesaler, distributor, distiller, small farm winery, manufacturer, direct
25 shipper, and microbrewery shall pay and report the state wholesale
26 regulatory license fee levied in subsections (1), (2), and (3) of this section to
27 the Department of Revenue on or before the twentieth day of the calendar

1 month next succeeding the month in which possession or title of the
 2 alcoholic beverages or cannabis-infused beverages is transferred from the
 3 wholesaler, distributor, distiller, small farm winery, manufacturer, direct
 4 shipper, or microbrewery to manufacturers, retailers, or consumers in this
 5 state, in accordance with administrative regulations promulgated pursuant
 6 to KRS Chapter 13A designed reasonably to protect the revenues of the
 7 Commonwealth.

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

10 1. Total milliliters of alcohol transferred or sold, with a listing
 11 containing the container size of each type of product transferred or
 12 sold, the milliliters per container, and how many products were sold;

13 2. Total milliliters or milligrams of tetrahydrocannabinol transferred or
 14 sold, with a listing container size of each type of product transferred or
 15 sold, the milliliter or milligrams per container, and how many
 16 products were sold; and

17 3. The amount of state wholesale regulatory license fees due.

18 ➔SECTION 3. A NEW SECTION OF KRS CHAPTER 138 IS CREATED TO
 19 READ AS FOLLOWS:

20 (1) As used in this section:

21 (a) "Food" has the same meaning as in KRS 217.2201;

22 (b) "Hemp" means the plant species Cannabis sativa L. and any part of that
 23 plant, including the seeds thereof and all derivatives, extracts,
 24 cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or
 25 not, with a total delta-9 tetrahydrocannabinol concentration of not more
 26 than three-tenths of one percent (0.3%) on a dry weight basis;

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

- 1 1. Means any intermediate or final product derived from hemp that:
- 2 a. Contains cannabinoids in any form; and
- 3 b. Is intended for human or animal use through any means of
- 4 application or administration, such as inhalation, ingestion, or
- 5 topical application; and
- 6 2. Includes but is not limited to cannabis-infused beverages as defined in
- 7 Section 6 of this Act, and any other edible or consumable product
- 8 containing tetrahydrocannabinol, regardless of the extraction method
- 9 used to obtain the tetrahydrocannabinol;
- 10 (d) "Kratom" has the same meaning as in KRS 217.2201;
- 11 (e) "Kratom extract" has the same meaning as in KRS 217.2201;
- 12 (f) "Kratom product" has the same meaning as in KRS 217.2201;
- 13 (g) "Person" has the same meaning as in Section 31 of this Act;
- 14 (h) "Retailer" means any person that sells or ships hemp-derived cannabinoid
- 15 products, kratom extracts, or kratom products for any purpose other than
- 16 resale:
- 17 1. At a Kentucky retail location; or
- 18 2. To a Kentucky address; and
- 19 (i) "State retail regulatory license fee" includes interest accrued at the rate
- 20 provided by KRS 131.183, all applicable penalties imposed pursuant to this
- 21 chapter, and all applicable penalties and fees imposed pursuant to KRS
- 22 131.180, 131.410 to 131.445, and 131.990.
- 23 (2) On and after July 1, 2027, a state retail regulatory license fee is levied on retailers
- 24 for the privilege of selling kratom extracts or kratom products in this state at the
- 25 rate of:
- 26 (a) Four cents (\$0.04) per milligram of mitragynine in kratom product sold if
- 27 the concentration of kratom is two percent (2%) or less per serving;

- 1 (b) Four dollars (\$4) per milligram of mitragynine in kratom product sold if the
2 concentration of kratom is more than two percent (2%) per serving;
- 3 (c) Forty cents (\$0.40) per milligram of mitragynine in kratom extract sold if
4 the concentration of kratom is two percent (2%) or less; and
- 5 (d) Eight dollars (\$8) per milligram of mitragynine in kratom extract sold if the
6 concentration of kratom is more than two percent (2%) per serving.
- 7 (3) On and after July 1, 2027, a state retail regulatory license fee is levied on retailers
8 for the privilege of selling hemp-derived cannabinoid products in this state at the
9 rate of one and six-tenths of a cent (\$0.016) per milligram, as labeled on the
10 product, of delta-9 tetrahydrocannabinol or delta-8 tetrahydrocannabinol or any
11 other form of tetrahydrocannabinol sold.
- 12 (4) The state retail regulatory license fees shall be:
- 13 (a) Administered by the Department of Revenue;
14 (b) Transferred to the general fund; and
15 (c) Paid by the retailer as prescribed in administrative regulations promulgated
16 by the Department of Revenue in accordance with KRS Chapter 13A.
- 17 (5) The retailer is liable for the state retail regulatory license fee.
- 18 (6) Every retailer shall, by the twentieth day of each month, transmit reports to the
19 Department of Revenue, on the forms the Department of Revenue may prescribe,
20 on the:
- 21 (a) Total kratom products sold, with a listing containing the description of each
22 type of product sold, which contains the milligrams of mitragynine per
23 serving and how many servings are in each product;
- 24 (b) Total mitragynine milligrams contained in the kratom products sold;
25 (c) Total hemp-derived cannabinoid products sold, with a listing containing the
26 description of each type of product sold which contains the milligrams of
27 delta-9 tetrahydrocannabinol or delta-8 tetrahydrocannabinol or any other

1 form of tetrahydrocannabinol per serving and how many servings are in
2 each product;

3 (d) Total delta-9 tetrahydrocannabinol or delta-8 tetrahydrocannabinol or any
4 other form of tetrahydrocannabinol milligrams contained in the products
5 sold; and

6 (e) Amount of state retail regulatory license fees due.

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

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

12 (9) A retailer or other person shall not:

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

15 (b) Refuse to permit the Department of Revenue or any representative
16 appointed by the commissioner of the Department of Revenue in writing to
17 examine his or her records, papers, files, and equipment pertaining to the
18 taxable business;

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

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

22 2. The payment of the whole or any part of the state retail regulatory
23 license fee or penalties due; or

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

27 (10) Any person who violates any provision of this section shall be subject to the

1 uniform civil penalties imposed pursuant to KRS 131.180 and interest at the tax
 2 interest rate as defined in KRS 131.183.

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

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

13 ➔Section 4. KRS 211.285 is amended to read as follows:

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

18 (a) One percent (1%) of the excise tax collected from the sale and distribution of
 19 malt beverages under KRS 243.720 ~~before July 1, 2027;~~

20 (b) One percent (1%) of the wholesale tax collected from distributors of malt
 21 beverages and microbreweries under KRS 243.884 ~~before July 1, 2027;~~
 22 and

23 (c) ~~One-half of one percent (0.5%) of the state retail regulatory license fee~~
 24 ~~collected from the sale of alcoholic beverages pursuant to Section 1 of this~~
 25 ~~Act on and after July 1, 2027; and~~

26 (d) All proceeds from public auctions conducted by the Alcoholic Beverage
 27 Control Board under KRS 241.060 and 243.540.

- 1 (2) The alcohol wellness and responsibility education fund shall be established in the
2 State Treasury as a trust and agency account under KRS 45.253. Moneys in the
3 account shall be distributed by the State Treasurer to the Alcohol Wellness and
4 Responsibility Education Corporation, a nonprofit organization that is organized
5 under the laws of this state, upon the authorization of the secretary of the Public
6 Protection Cabinet. The moneys shall be awarded to the corporation solely to fund
7 educational programs to deter or eliminate underage drinking and promote alcohol
8 responsibility measures.
- 9 (3) The secretary of the Public Protection Cabinet shall authorize that moneys from the
10 fund be disbursed to the corporation upon the secretary's receipt of a certification
11 from the corporation showing the moneys the corporation has received from malt
12 beverage distributors, microbreweries, auctions, and other private sources since the
13 last certification. The moneys disbursed from the fund shall be equal to the
14 contributions that the corporation has received from its members and other private
15 sources during that period. The moneys in the fund shall be disbursed in accordance
16 with a schedule established by the secretary, and shall be disbursed until the
17 moneys in the fund are exhausted or until the moneys in the fund lapse in
18 accordance with subsection (4) of this section, whichever comes first.
- 19 (4) Moneys that are credited to the fund and not issued to the corporation shall lapse at
20 the end of the fiscal year and shall be returned to the general fund.
- 21 (5) As a condition of receiving the governmental funds, the corporation's board of
22 directors shall include the following among its directors:
- 23 (a) All duly elected statewide constitutional officers or designees;
- 24 (b) The President of the Senate or designee, who shall serve as a nonvoting
25 member;
- 26 (c) The Speaker of the House or designee, who shall serve as a nonvoting
27 member;

- 1 (d) The secretary of the Public Protection Cabinet or designee;
- 2 (e) The commissioner of the Department of Alcoholic Beverage Control or
3 designee;
- 4 (f) A representative of the malt beverage industry submitted by the Kentucky
5 Beer Wholesalers' Association;
- 6 (g) A representative of the malt beverage industry submitted by the Kentucky
7 Malt Beverage Council;
- 8 **(h) A representative of the Kentucky Guild of Brewers submitted by the**
9 **Kentucky Guild of Brewers;** and
- 10 ~~(i)(h)~~ A representative of the distilled spirits industry submitted by the
11 Kentucky Distillers' Association.
- 12 (6) All expenditures of moneys from the fund shall be approved by a majority of those
13 persons set out in subsection (5)(a) and (d) to (h) of this section. If the moneys from
14 the fund are not expended in their entirety, any moneys that remain unused by the
15 corporation at the end of the fiscal year shall be returned to the general fund.
- 16 (7) Any moneys from the fund that are not expended shall be returned to the general
17 fund upon the dissolution of the corporation.
- 18 (8) The Alcohol Wellness and Responsibility Education Corporation may accept
19 applications for grants by Kentucky high schools, colleges and universities, and
20 other entities that promote alcohol responsibility, and the board of directors shall
21 develop criteria for the awarding of any funds by application.
- 22 (9) Any high school in the Commonwealth of Kentucky that was registered with the
23 Department of Education as of July 1, 2024, may make an application to the
24 Alcohol Wellness and Responsibility Education Corporation by February 28 of
25 each year and shall be granted a minimum of one thousand dollars (\$1,000)
26 annually from the funds contributed by the alcohol wellness and responsibility
27 education fund for the single purpose of supporting "Project Graduation" events.

1 ➔SECTION 5. A NEW SECTION OF KRS CHAPTER 217 IS CREATED TO
2 READ AS FOLLOWS:

3 (1) As used in this section:

4 (a) "Certified reference materials" means highly accurate, stable, and
5 homogenous substances with documented traceability to SI units, used to
6 evaluate methods and to ensure measurement quality;

7 (b) "Department" means the Department for Public Health;

8 (c) "Fit-for-purpose" means a validated test procedure that is suitable,
9 functional, and effective for its intended use and meets required standards;

10 (d) "Hemp-derived cannabinoid product" has the same meaning as in Section 3
11 of this Act;

12 (e) "Proficiency test" means a test established to evaluate the ability of a
13 laboratory to perform test procedures required under this section by
14 comparing each laboratory's results against a set of standards;

15 (f) "Proficiency test sample" means an unknown substance sent by an
16 approved, external provider to a laboratory for analysis to evaluate
17 accuracy, precision, and performance. Proficiency test samples are
18 submitted blindly for testing using the same methods as are used for
19 regular, routine samples to assess the ability of the laboratory to produce
20 valid results;

21 (g) "SI units":

22 1. Means the International System of Units (SI) that uses the seven (7)
23 base units of meter, kilogram, second, ampere, kelvin, mole, and
24 candela to provide a consistent, precise, reproducible, and
25 unambiguous foundation for all physical measurements; and

26 2. Can be used to report or specify a concentration;

27 (h) "Third-party laboratory" means an independent, impartial testing entity not

1 affiliated with a manufacturer, wholesaler, retailer, or any other seller or
2 buyer of a hemp-derived cannabinoid product; and

3 (i) "Z-score" means a standardized measurement that indicates how many
4 standard deviations a specific data point or test result is above or below the
5 mean of the measurements.

6 (2) The department shall work to improve testing procedures, proficiency testing, and
7 approvals of third-party laboratories who seek to test registered hemp-derived
8 cannabinoid products for sale in Kentucky.

9 (3) Third-party laboratories certified to test registered hemp-derived cannabinoid
10 products shall meet the following requirements:

11 (a) Accreditation under ISO/IEC 17025:2017 standard by a recognized
12 accreditation body, including accreditation for each method used for testing
13 hemp-derived cannabinoid products;

14 (b) Comprehensive quality systems and validated methods for testing hemp-
15 derived cannabinoids using both Gas Chromatography-Mass Spectrometry
16 (GC-MS/ or GC-MS/MS) and High-Performance Liquid Chromatography
17 (HPLC-PDA or LC-MS/MS) systems;

18 (c) Establishing standard operating procedures and methodologies for testing
19 products containing hemp-derived cannabinoids that are fit-for-purpose;

20 (d) Utilizing fit-for-purpose testing for plant material, oils, edibles, beverages,
21 and vaporizable products;

22 (e) Participating in an accredited proficiency testing program under ISO/IEC
23 17043; and

24 (f) Meeting other standards necessary to fulfill the requirements of this section.

25 (4) (a) The department shall establish a proficiency test for demonstrating
26 proficiency in testing hemp-derived cannabinoids for the purpose of
27 evaluating and approving third-party laboratories that seek to conduct

1 compliance testing of hemp-derived cannabinoid products registered in the
2 Commonwealth.

3 (b) The department shall establish the proficiency test. The department shall
4 utilize certified reference materials to create a reference product for
5 compliance testing. The reference product shall include the following
6 cannabinoids:

7 1. Cannabidiol (CBD) (CAS # 13956-29-1);

8 2. Cannabinol (CBN) (CAS # 521-35-7);

9 3. Delta-9-tetrahydrocannabinolic acid (THCA) (CAS # 23978-85-0);

10 4. Delta-9-tetrahydrocannabinol (delta-9-THC) (CAS # 1972-08-3);

11 5. Delta-8-tetrahydrocannabinol (delta-8-THC) (CAS # 5757-75-5);

12 6. Hexahydrocannabinol (HHC) (CAS # 36403-90-4 for 9(R)-HHC and
13 36403-91-5 for 9(S)-HHC);

14 7. Delta-8-iso-tetrahydrocannabinol (delta-8-iso-THC) (CAS # 23050-47-
15 7);

16 8. Delta-4,8-iso-tetrahydrocannabinol (delta 4(8)-iso-THC) (CAS #
17 23050-59-1);

18 9. 9(R) Hexahydrocannabinol (9(R)-HHC) (CAS # 23050-47-7); and

19 10. 9(S) Hexahydrocannabinol (9(S)-HHC) (CAS # 36403-91-5).

20 (c) The proficiency test samples shall be of known concentration, preparation
21 documented, and maintained by the department for purposes of proficiency
22 testing and periodic validation.

23 (5) Upon establishing the proficiency test, the department shall establish an approval
24 process for third-party laboratories seeking to conduct testing of hemp-derived
25 cannabinoid products intended for registration in the Commonwealth in
26 accordance with the following:

27 (a) The department shall provide proficiency test materials to any third-party

1 laboratory that seeks approval to conduct cannabinoid testing for hemp-
2 derived cannabinoid products intended for registration in Kentucky;

3 (b) Participating third-party laboratories shall test each proficiency sample
4 using the validated methods and analytical procedures that are within their
5 scope of accreditation as specified on their accreditation certificate and
6 submit their results to the department within a timeframe established by the
7 department;

8 (c) The department shall compare the proficiency test results submitted by
9 third-party laboratories to target values and to the results derived from the
10 same reference materials by other certified laboratories. The results from
11 each applicant laboratory for each analyte shall be assigned a z-score;

12 (d) 1. A third-party laboratory shall be approved for inclusion on the
13 Commonwealth's list of approved laboratories if its results fall within
14 an acceptable range established by the department through the
15 promulgation of administrative regulations.

16 2. To be eligible for approval under this section, a third-party laboratory
17 shall maintain accreditation under ISO/IEC 17025:2017 or its
18 successor standard and shall provide proof of such accreditation to the
19 department.

20 3. The department may establish additional requirements for third-party
21 laboratories seeking approval within the Commonwealth through an
22 administrative regulation promulgated in accordance with KRS
23 Chapter 13A; and

24 (e) The department shall create and maintain a publicly available list of
25 approved laboratories that meet requirements established under this section.

26 (6) Upon establishment of the approved laboratory list:

27 (a) Any person or entity registering hemp-derived cannabinoid-containing

1 products in Kentucky shall utilize a laboratory included on the department's
 2 approved laboratory list; and

3 (b) All previously registered products containing cannabinoids shall be re-
 4 registered with the department to continue selling in the Commonwealth.
 5 Any registration fees associated with this re-registration requirement shall
 6 be waived.

7 (7) The department shall promulgate administrative regulations in accordance with
 8 KRS Chapter 13A to implement and enforce this section, including but not
 9 limited to:

10 (a) Defining acceptable variance ranges for proficiency testing;

11 (b) Establishing timelines for laboratory participation and review;

12 (c) Establishing procedures for adding or removing laboratories from the
 13 approved list;

14 (d) Specifying recordkeeping and reporting requirements; and

15 (e) Determining a timeframe for allowing registered businesses to re-register
 16 products using the approved laboratories for retesting certified products to
 17 ensure conformance to hemp-derived cannabinoid standards.

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

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

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

22 (2) "Alcoholic beverage" means every liquid, solid, powder, or crystal, whether
 23 patented or not, containing alcohol in an amount in excess of more than one percent
 24 (1%) of alcohol by volume, which is fit for beverage purposes. It includes distilled
 25 spirits, wine, malt beverages, and every spurious or imitation liquor sold as, or
 26 under any name commonly used for, alcoholic beverages containing alcohol in an
 27 amount in excess of more than one percent (1%) of alcohol by volume~~[, whether~~

1 ~~containing any alcohol or not~~. It does not include the following products:

- 2 (a) Medicinal preparations manufactured in accordance with formulas prescribed
3 by the United States Pharmacopoeia, National Formulary, or the American
4 Institute of Homeopathy;
- 5 (b) Patented, patent, and proprietary medicines;
- 6 (c) Toilet, medicinal, and antiseptic preparations and solutions;
- 7 (d) Flavoring extracts and syrups;
- 8 (e) Denatured alcohol or denatured rum;
- 9 (f) Vinegar and preserved sweet cider;
- 10 (g) Wine for sacramental purposes;~~and~~
- 11 (h) Alcohol unfit for beverage purposes that is to be sold for legitimate external
12 use; and
- 13 (i) *Products intended for human consumption containing cannabinoids that*
14 *have intoxicating properties that change the function of the nervous system*
15 *and result in alterations of perception, cognition, or behavior;*
- 16 (3) (a) "Alcohol vaporizing device" or "AWOL device" means any device, machine,
17 or process that mixes liquor, spirits, or any other alcohol product with pure
18 oxygen or by any other means produces a vaporized alcoholic product used
19 for human consumption;
- 20 (b) "Alcohol vaporizing device" or "AWOL device" does not include an inhaler,
21 nebulizer, atomizer, or other device that is designed and intended by the
22 manufacturer to dispense a prescribed or over-the-counter medication or a
23 device installed and used by a licensee under this chapter to demonstrate the
24 aroma of an alcoholic beverage;
- 25 (4) "Automobile race track" means a facility primarily used for vehicle racing that has a
26 seating capacity of at least thirty thousand (30,000) people;
- 27 (5) "Barrel-aged and batched cocktail" means an alcoholic beverage that is:

- 1 (a) Composed of:
- 2 1. Distilled spirits that have been dispensed from their original sealed
- 3 container; and
- 4 2. Other ingredients or alcoholic beverages;
- 5 (b) Placed into a barrel or container on the premises of a retail licensee; and
- 6 (c) Dispensed from the barrel or container as a retail sale by the drink;
- 7 (6) "Bed and breakfast" means a one (1) family dwelling unit that:
- 8 (a) Has guest rooms or suites used, rented, or hired out for occupancy or that are
- 9 occupied for sleeping purposes by persons not members of the single-family
- 10 unit;
- 11 (b) Holds a permit under KRS Chapter 219; and
- 12 (c) Has an innkeeper who resides on the premises or property adjacent to the
- 13 premises during periods of occupancy;
- 14 (7) "Board" means the State Alcoholic Beverage Control Board created by KRS
- 15 241.030;
- 16 (8) "Bottle" means any container which is used for holding alcoholic beverages for the
- 17 use and sale of alcoholic beverages at retail;
- 18 (9) "Brewer" means any person who manufactures malt beverages or owns, occupies,
- 19 carries on, works, or conducts any brewery, either alone or through an agent;
- 20 (10) "Brewery" means any place or premises where malt beverages are manufactured for
- 21 sale, and includes all offices, granaries, mash rooms, cooling rooms, vaults, yards,
- 22 and storerooms connected with the premises; or where any part of the process of the
- 23 manufacture of malt beverages is carried on; or where any apparatus connected with
- 24 manufacture is kept or used; or where any of the products of brewing or
- 25 fermentation are stored or kept;
- 26 (11) "Building containing licensed premises" means the licensed premises themselves
- 27 and includes the land, tract of land, or parking lot in which the premises are

1 contained, and any part of any building connected by direct access or by an
2 entrance which is under the ownership or control of the licensee by lease holdings
3 or ownership;

4 (12) "Cannabinoid" means a compound found in the hemp plant *Cannabis sativa* L. from
5 a United States Department of Agriculture-sanctioned domestic hemp production
6 program and does not include cannabinoids derived from any other substance;

7 (13) "Cannabis-infused beverage":

8 (a) Means a properly permitted adult-use cannabinoid liquid product intended for
9 human consumption that has intoxicating properties that change the function
10 of the nervous system and results in alterations of perception, cognition, or
11 behavior and shall not contain more than five (5) milligrams of intoxicating
12 adult-use cannabinoids per twelve (12) ounce serving; and

13 (b) Shall not include:

- 14 1. Medicinal cannabis regulated under KRS Chapter 218B;
- 15 2. Any type of hemp tincture; and
- 16 3. Any product containing solely nonintoxicating cannabinoids;

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

22 (15) "Charitable organization" means a nonprofit entity recognized as exempt from
23 federal taxation under Section 501(c) of the Internal Revenue Code, 26 U.S.C. sec.
24 501(c), or any organization having been established and continuously operating
25 within the Commonwealth of Kentucky for charitable purposes for three (3) years
26 and which expends at least sixty percent (60%) of its gross revenue exclusively for
27 religious, educational, literary, civic, fraternal, or patriotic purposes;

- 1 (16) "Cider" means any fermented fruit-based beverage containing seven percent (7%)
2 or more alcohol by volume and includes hard cider and perry cider;
- 3 (17) "City administrator" means city alcoholic beverage control administrator;
- 4 (18) "Commercial airport" means an airport through which more than five hundred
5 thousand (500,000) passengers arrive or depart annually;
- 6 (19) (a) "Commercial quadricycle" means a vehicle equipped with a minimum of ten
7 (10) pairs of fully operative pedals for propulsion by means of human
8 muscular power and which:
- 9 1. Has four (4) wheels;
 - 10 2. Is operated in a manner similar to that of a bicycle;
 - 11 3. Is equipped with a minimum of thirteen (13) seats for passengers;
 - 12 4. Has a unibody design;
 - 13 5. Is equipped with a minimum of four (4) hydraulically operated brakes;
 - 14 6. Is used for commercial tour purposes;
 - 15 7. Is operated by the vehicle owner or an employee of the owner; and
 - 16 8. Has an electrical assist system that shall only be used when traveling to
17 or from its storage location while not carrying passengers.
- 18 (b) A "commercial quadricycle" is not a motor vehicle as defined in KRS 186.010
19 or 189.010;
- 20 (20) "Commissioner" means the commissioner of the Department of Alcoholic Beverage
21 Control;
- 22 (21) "Consumer" means a person, persons, or business organization who purchases
23 alcoholic beverages and who:
- 24 (a) Does not hold a license or permit issued by the department;
 - 25 (b) Purchases the alcoholic beverages for personal consumption only and not for
26 resale;
 - 27 (c) Is of lawful drinking age; and

- 1 (d) Receives the alcoholic beverages in territory where the alcoholic beverages
2 may be lawfully sold or received;
- 3 (22) "Convention center" means any facility which, in its usual and customary business,
4 provides seating for a minimum of one thousand (1,000) people and offers
5 convention facilities and related services for seminars, training and educational
6 purposes, trade association meetings, conventions, or civic and community events
7 or for plays, theatrical productions, or cultural exhibitions;
- 8 (23) "Convicted" and "conviction" means a finding of guilt resulting from a plea of
9 guilty, the decision of a court, or the finding of a jury, irrespective of a
10 pronouncement of judgment or the suspension of the judgment;
- 11 (24) "County administrator" means county alcoholic beverage control administrator;
- 12 (25) "Department" means the Department of Alcoholic Beverage Control;
- 13 (26) "Dining car" means a railroad passenger car that serves meals to consumers on any
14 railroad or Pullman car company;
- 15 (27) "Discount in the usual course of business" means price reductions, rebates, refunds,
16 and discounts given by wholesalers to distilled spirits and wine retailers pursuant to
17 an agreement made at the time of the sale of the merchandise involved and are
18 considered a part of the sales transaction, constituting reductions in price pursuant
19 to the terms of the sale, irrespective of whether the quantity discount was:
- 20 (a) Prorated and allowed on each delivery;
- 21 (b) Given in a lump sum after the entire quantity of merchandise purchased had
22 been delivered; or
- 23 (c) Based on dollar volume or on the quantity of merchandise purchased;
- 24 (28) "Distilled spirits" or "spirits" means any product capable of being consumed by a
25 human being which contains alcohol obtained by distilling, mixed with water or
26 other substances in solution, except wine, hard cider, and malt beverages;
- 27 (29) "Distiller" means any person who is engaged in the business of manufacturing

- 1 distilled spirits at any distillery in the state and is registered in the Office of the
2 Collector of Internal Revenue for the United States at Louisville, Kentucky;
- 3 (30) "Distillery" means any place or premises where distilled spirits are manufactured
4 for sale, and which are registered in the office of any collector of internal revenue
5 for the United States. It includes any United States government bonded warehouse;
- 6 (31) "Distributor" means any person who distributes malt beverages for the purpose of
7 being sold at retail;
- 8 (32) "Dry" means a territory in which a majority of the electorate voted to prohibit all
9 forms of retail alcoholic beverage sales through a local option election held under
10 KRS Chapter 242;
- 11 (33) "Election" means:
- 12 (a) An election held for the purpose of taking the sense of the people as to the
13 application or discontinuance of alcoholic beverage sales under KRS Chapter
14 242; or
- 15 (b) Any other election not pertaining to alcoholic beverages;
- 16 (34) "Horse racetrack" means a facility licensed to conduct a horse race meeting under
17 KRS Chapter 230;
- 18 (35) "Hotel" means a hotel, motel, or inn for accommodation of the traveling public,
19 designed primarily to serve transient patrons;
- 20 (36) "Investigator" means any employee or agent of the department who is regularly
21 employed and whose primary function is to travel from place to place for the
22 purpose of visiting licensees, and any employee or agent of the department who is
23 assigned, temporarily or permanently, by the commissioner to duty outside the main
24 office of the department at Frankfort, in connection with the administration of
25 alcoholic beverage statutes;
- 26 (37) "License" means any license issued pursuant to KRS Chapters 241 to 244;
- 27 (38) "Licensee" means any person to whom a license has been issued, pursuant to KRS

1 Chapters 241 to 244;

2 (39) "Limited restaurant" means:

3 (a) A facility where the usual and customary business is the preparation and
4 serving of meals to consumers, which has a bona fide kitchen facility, which
5 receives at least seventy percent (70%) of its food and alcoholic beverage
6 receipts from the sale of food, which maintains a minimum seating capacity of
7 fifty (50) persons for dining, which has no open bar, which requires that
8 alcoholic beverages be sold in conjunction with the sale of a meal, and which
9 is located in a wet or moist territory under KRS 242.1244; or

10 (b) A facility where the usual and customary business is the preparation and
11 serving of meals to consumers, which has a bona fide kitchen facility, which
12 receives at least seventy percent (70%) of its food and alcoholic beverage
13 receipts from the sale of food, which maintains a minimum seating capacity of
14 one hundred (100) persons of dining, and which is located in a wet or moist
15 territory under KRS 242.1244;

16 (40) "Local administrator" means a city alcoholic beverage control administrator, county
17 alcoholic beverage control administrator, or urban-county alcoholic beverage
18 control administrator;

19 (41) "Malt beverage" means any fermented undistilled alcoholic beverage of any name
20 or description, manufactured from malt wholly or in part, or from any substitute for
21 malt, and includes weak cider;

22 (42) "Manufacture" means distill, rectify, brew, bottle, and operate a winery;

23 (43) "Manufacturer" means a winery, distiller, rectifier, or brewer, and any other person
24 engaged in the production or bottling of alcoholic beverages;

25 (44) "Marina" means a dock or basin providing moorings for boats and offering supply,
26 repair, or other services for remuneration;

27 (45) "Minor" means any person who is not twenty-one (21) years of age or older;

- 1 (46) "Moist" means a territory in which a majority of the electorate voted to permit
2 limited alcoholic beverage sales by any one (1) or a combination of special limited
3 local option elections authorized by KRS Chapter 242;
- 4 (47) "Population" means the population figures established by the federal decennial
5 census for a census year or the current yearly population estimates prepared by the
6 Kentucky State Data Center, Urban Studies Center of the University of Louisville,
7 Louisville, Kentucky, for all other years;
- 8 (48) "Premises" means the land and building in and upon which any business regulated
9 by alcoholic beverage statutes is operated or carried on. "Premises" shall not
10 include as a single unit two (2) or more separate businesses of one (1) owner on the
11 same lot or tract of land, in the same or in different buildings if physical and
12 permanent separation of the premises is maintained, excluding employee access by
13 keyed entry and emergency exits equipped with crash bars, and each has a separate
14 public entrance accessible directly from the sidewalk or parking lot. Any licensee
15 holding an alcoholic beverage license on July 15, 1998, shall not, by reason of this
16 subsection, be ineligible to continue to hold his or her license or obtain a renewal,
17 of the license;
- 18 (49) "Primary source of supply" or "supplier" means the distiller, winery, brewer,
19 producer, owner of the commodity at the time it becomes a marketable product,
20 bottler, or authorized agent of the brand owner. In the case of imported products,
21 the primary source of supply means either the foreign producer, owner, bottler, or
22 agent of the prime importer from, or the exclusive agent in, the United States of the
23 foreign distiller, producer, bottler, or owner;
- 24 (50) "Private club" means a nonprofit social, fraternal, military, or political organization,
25 club, or nonprofit or for-profit entity maintaining or operating a club room, club
26 rooms, or premises from which the general public is excluded;
- 27 (51) "Private selection event" means a private event with a licensed distiller during

1 which participating consumers, retail licensees, wholesalers, distributors, or a
2 distillery's own representatives select a single barrel or a blend of barrels of the
3 distiller's products to be specially packaged for the participants;

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

8 (53) "Public nuisance" means a condition that endangers safety or health, is offensive to
9 the senses, or obstructs the free use of property so as to interfere with the
10 comfortable enjoyment of life or property by a community or neighborhood or by
11 any considerable number of persons;

12 (54) "Qualified historic site" means:

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

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

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

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

23 (55) "Rectifier" means any person who rectifies, purifies, or refines distilled spirits,
24 malt, or wine by any process other than as provided for on distillery premises, and
25 every person who, without rectifying, purifying, or refining distilled spirits by
26 mixing alcoholic beverages with any materials, manufactures any imitations of or
27 compounds liquors for sale under the name of whiskey, brandy, gin, rum, wine,

- 1 spirits, cordials, bitters, or any other name;
- 2 (56) "Repackaging" means the placing of alcoholic beverages in any retail container
3 irrespective of the material from which the container is made;
- 4 (57) "Restaurant" means a facility where the usual and customary business is the
5 preparation and serving of meals to consumers, that has a bona fide kitchen facility,
6 and that receives at least fifty percent (50%) of its food and alcoholic beverage
7 receipts from the sale of food at the premises;
- 8 (58) "Retail container" means any bottle, can, barrel, or other container which, without a
9 separable intermediate container, holds alcoholic beverages and is suitable and
10 destined for sale to a retail outlet, whether it is suitable for delivery or shipment to
11 the consumer or not;
- 12 (59) "Retail sale" means any sale of alcoholic beverages to a consumer, including those
13 transactions taking place in person, electronically, online, by mail, or by telephone;
- 14 (60) "Retailer" means any licensee who sells and delivers any alcoholic beverage to
15 consumers, except for manufacturers with limited retail sale privileges and direct
16 shipper licensees;
- 17 (61) "Riverboat" means any boat or vessel with a regular place of mooring in this state
18 that is licensed by the United States Coast Guard to carry forty (40) or more
19 passengers for hire on navigable waters in or adjacent to this state;
- 20 (62) "Sale" means any transfer, exchange, or barter for consideration, and includes all
21 sales made by any person, whether principal, proprietor, agent, servant, or
22 employee, of any alcoholic beverage;
- 23 (63) "Service bar" means a bar, counter, shelving, or similar structure used for storing or
24 stocking supplies of alcoholic beverages that is a workstation where employees
25 prepare alcoholic beverage drinks to be delivered to customers away from the
26 service bar;
- 27 (64) "Sell" includes solicit or receive an order for, keep or expose for sale, keep with

1 intent to sell, and the delivery of any alcoholic beverage;

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

5 (66) "Souvenir package" means a special package of distilled spirits available from a
6 licensed retailer that is:

7 (a) Available for retail sale at a licensed Kentucky distillery where the distilled
8 spirits were produced or bottled; or

9 (b) Available for retail sale at a licensed Kentucky distillery but produced or
10 bottled at another of that distiller's licensed distilleries in Kentucky;

11 (67) "State administrator" or "administrator" means the distilled spirits administrator or
12 the malt beverages administrator, or both, as the context requires;

13 **(68) "State or national conference":**

14 **(a) Means a formal gathering for people from across the country or across**
15 **Kentucky intended for consultation, deliberation, discussion, or interchange**
16 **of opinions focusing on issues relevant to the economy, culture,**
17 **professional fields, or governance, which takes place in the Commonwealth**
18 **of Kentucky and is attended by no less than three hundred (300) attendees;**
19 **and**

20 **(b) Does not include a political campaign fundraiser;**

21 **(69)**~~(68)~~ "State park" means a state park that has a:

22 (a) Nine (9) or eighteen (18) hole golf course; or

23 (b) Full-service lodge and dining room;

24 **(70)**~~(69)~~ "Supplemental bar" means a bar, counter, shelving, or similar structure used
25 for serving and selling distilled spirits or wine by the drink for consumption on the
26 licensed premises to guests and patrons from additional locations other than the
27 main bar;

1 ~~(71)~~~~(70)~~ "Territory" means a county, city, district, or precinct;

2 ~~(72)~~~~(71)~~ "Urban-county administrator" means an urban-county alcoholic beverage
3 control administrator;

4 ~~(73)~~~~(72)~~ "Valid identification document" means an unexpired, government-issued form
5 of identification that contains the photograph and date of birth of the individual to
6 whom it is issued;

7 ~~(74)~~~~(73)~~ "Vehicle" means any device or animal used to carry, convey, transport, or
8 otherwise move alcoholic beverages or any products, equipment, or appurtenances
9 used to manufacture, bottle, or sell these beverages;

10 ~~(75)~~~~(74)~~ "Vintage distilled spirit" means:

11 (a) A private selection package; or

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

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

14 2. Are not owned by a distillery; and

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

17 ~~(76)~~~~(75)~~ (a) "Vintage distilled spirits seller" means a nonlicensed person at least
18 twenty-one (21) years of age who is:

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

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

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

27 4. Any other person not engaged in the business of selling alcoholic

1 beverages.

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

3 1. A person selling alcoholic beverages as part of an approved KRS
4 243.630 transfer; or

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

6 ~~(77)~~~~(76)~~ "Warehouse" means any place in which alcoholic beverages are housed or
7 stored;

8 ~~(78)~~~~(77)~~ "Weak cider" means any fermented fruit-based beverage containing more than
9 one percent (1%) but less than seven percent (7%) alcohol by volume;

10 ~~(79)~~~~(78)~~ "Wet" means a territory in which a majority of the electorate voted to permit
11 all forms of retail alcoholic beverage sales by a local option election under KRS
12 242.050 or 242.125 on the following question: "Are you in favor of the sale of
13 alcoholic beverages in (name of territory)?";

14 ~~(80)~~~~(79)~~ "Wholesale sale" means a sale to any person for the purpose of resale;

15 ~~(81)~~~~(80)~~ "Wholesaler" means any person who distributes alcoholic beverages for the
16 purpose of being sold at retail, but it shall not include a subsidiary of a
17 manufacturer or cooperative of a retail outlet;

18 ~~(82)~~~~(81)~~ "Wine":

19 (a) Means the product of the normal alcoholic fermentation of the juices of fruits,
20 with the usual processes of manufacture and normal additions, and includes
21 champagne and sparkling and fortified wine of an alcoholic content not to
22 exceed twenty-four percent (24%) by volume;~~[-]~~

23 (b) ~~It~~ Includes:

24 1. Sake, cider, hard cider, and perry cider; ~~and[- also includes]~~

25 2. Preparations or mixtures vended in retail containers if these preparations
26 or mixtures contain not more than fifteen percent (15%) of alcohol by
27 volume;~~[- It]~~

1 (c) Does not include weak cider; and

2 (83)~~(82)~~ "Winery" means any place or premises in which wine is manufactured from
3 any fruit, or brandies are distilled as a by-product of wine or other fruit, or cordials
4 are compounded, except a place or premises that manufactures wine for sacramental
5 purposes exclusively.

6 ➔Section 7. KRS 243.020 is amended to read as follows:

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

1 (6) *If a licensee holds two (2) or more licenses, only the specific license for which the*
2 *licensee has violated the terms shall be subject to suspension or revocation.*

3 (7) Notwithstanding subsections (3) and (4) of this section, with the written permission
4 of a licensed entertainment destination center:

5 (a) A retail drink licensee located wholly within a licensed entertainment
6 destination center or that has a storefront sharing a physical boundary with
7 that licensed entertainment destination center may allow persons on the
8 licensee's premises to possess and drink alcoholic beverages that were
9 purchased from another retail drink licensee located wholly within, or that has
10 a storefront sharing a physical boundary with, the licensed entertainment
11 destination center; and

12 (b) A nonlicensed place of business that is located wholly within a licensed
13 entertainment destination center or that has a storefront sharing a physical
14 boundary with that licensed entertainment destination center may allow
15 persons on its property to possess and drink alcoholic beverages that were
16 purchased from a retail drink licensee located wholly within, or that has a
17 storefront sharing a physical boundary with, the licensed entertainment
18 destination center.

19 ➔Section 8. KRS 243.030 is amended to read as follows:

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

- 25 (1) Distiller's license:
 - 26 (a) Class A, per annum**\$2,980.00**~~[\$3,090.00]~~
 - 27 (b) Class B (craft distillery), per annum.....**\$890.00**~~[\$1,000.00]~~

1	(c)	Off-premises retail sales outlet, per annum	\$300.00
2	(2)	Rectifier's license:	
3	(a)	Class A, per annum	\$2,580.00
4	(b)	Class B (craft rectifier), per annum	\$825.00
5	(3)	Winery license, per annum	\$1,030.00
6	(4)	Small farm winery license, per annum	\$110.00
7	(a)	Small farm winery off-premises retail license, per annum	\$30.00
8	(5)	Wholesaler's license, per annum	\$2,060.00
9	(6)	Quota retail package license, per annum	\$570.00
10	(7)	Quota retail drink license, per annum	\$620.00
11	(8)	Transporter's license, per annum	\$210.00
12	(9)	Special nonbeverage alcohol license, per annum	\$60.00
13	(10)	Special agent's or solicitor's license, per annum	\$30.00
14	(11)	Bottling house or bottling house storage license, per annum	\$1,030.00
15	(12)	Special temporary license, per event	\$100.00
16	(13)	Special Sunday retail drink license, per annum	\$520.00
17	(14)	Caterer's license, per annum	\$830.00
18	(15)	Special temporary alcoholic beverage auction license, per event	\$100.00
19	(16)	Extended hours supplemental license, per annum	\$2,060.00
20	(17)	Hotel in-room license, per annum	\$210.00
21	(18)	Air transporter license, per annum	\$520.00
22	(19)	Sampling license, per annum	\$110.00
23	(20)	Replacement or duplicate license	\$25.00
24	(21)	Entertainment destination center license:	
25	(a)	When the licensee is a city, county, urban-county government,	
26		consolidated local government, charter county government, or	
27		unified local government, per annum	\$2,577.00

1	(b) All other licensees, per annum	\$7,730.00
2	(22) Limited restaurant license, per annum	\$780.00
3	(23) Limited golf course license, per annum	\$720.00
4	(24) Small farm winery wholesaler's license, per annum	\$110.00
5	(25) Qualified historic site license, per annum	\$1,030.00
6	(26) Nonquota type 1 license, per annum	\$4,120.00
7	(27) Nonquota type 2 license, per annum	\$830.00
8	(28) Nonquota type 3 license, per annum	\$310.00
9	(29) Distilled spirits and wine storage license, per annum	\$620.00
10	(30) Out-of-state distilled spirits and wine supplier's license, per annum	\$1,550.00
11	(31) Limited out-of-state distilled spirits and wine supplier's	
12	license, per annum	\$260.00
13	(32) Authorized public consumption license, per annum	\$250.00
14	(33) Direct shipper Type A license, per annum	\$100.00
15	(34) Limited nonquota package license, per annum	\$300.00
16	(35) Vintage distilled spirits license, per annum	\$300.00
17	(36) Cannabis-infused beverage retail package license, per annum	\$2,000.00
18	(37) Cannabis-infused beverage distributor's license, per annum	\$1,000.00
19	(38) Cannabis-infused beverage distributor's license,	
20	supplemental, per annum	\$1,000.00
21	(39) Direct shipper Type B license, per annum	\$1,000.00
22	(40) <u>Souvenir package sales license, per annum.....</u>	<u>\$110.00</u>

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

25 **(42)**~~(41)~~ Other special licenses the board finds necessary for the proper regulation and
 26 control of the traffic in distilled spirits and wine and provides for by administrative
 27 regulation. In establishing the amount of license taxes that are required to be fixed

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

2 ~~(43)~~~~(42)~~ The fee for each of the first five (5) supplemental bar licenses shall be the
3 same as the fee for the primary retail drink license. There shall be no charge for
4 each supplemental license issued in excess of five (5) to the same licensee at the
5 same premises.

6 A nonrefundable application fee of fifty dollars (\$50) shall be charged to process each
7 new application under this section, except for subsections (4), (8), (9), (10), (12), (15),
8 (19), and (20) of this section. The application fee shall be applied to the licensing fee if
9 the license is issued; otherwise it shall be retained by the department.

10 ➔Section 9. KRS 243.0305 is amended to read as follows:

11 (1) Any licensed Kentucky distiller that is located in wet territory or in any precinct
12 that has authorized the limited sale of alcoholic beverages at distilleries under KRS
13 242.1243 and that has a gift shop or other retail outlet on its premises may conduct
14 the activities permitted under this section as a part of its distiller's license.

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

18 1. Be permitted to transfer its products from the distillery proper to the
19 location where those retail sales occur without having to transfer
20 physical possession of those distilled spirits to a licensed wholesaler;
21 and

22 2. Without otherwise reporting those distilled spirits to a licensed
23 wholesaler, report those retail sales and pay all taxes required to the
24 Department of Revenue at the time and in the manner required by the
25 Department of Revenue in accordance with its powers under KRS
26 131.130(3).

27 (b)~~(1)~~ A distiller selling distilled spirits in accordance with this

1 subsection shall pay all state regulatory license fees~~[wholesale sales~~
 2 ~~taxes]~~ due under Sections 1 and 2 of this Act~~[KRS 243.884]~~. For the
 3 purposes of this subsection, "selling"~~["wholesale sales"]~~ means a sale
 4 of distilled spirits made by a distiller under subsection (3)(b), (4), (7),
 5 (9), (10), (12), and (13) of this section, if required by Section 1 or 2 of
 6 this Act~~[KRS 243.884]~~, excluding sales made by a distiller under
 7 subsection (4)(a)3. and (b) of this section that utilize a licensed
 8 wholesaler~~[-~~

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

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

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

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

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

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

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

24 1. Shipping the private selection packages in accordance with KRS
 25 243.027 to 243.029 if the distiller holds a direct shipper license, but
 26 these sales and shipments shall be exempt from the quantity limitations
 27 established in KRS 243.028(1);

- 1 2. Selling the private selection packages to the participating consumers
2 directly from the distillery premises, but these sales shall be exempt
3 from the quantity limitations established in subsection (3)(b) of this
4 section; or
- 5 3. Selling the private selection packages through a wholesaler and to a
6 licensed retailer of the consumer's choice. The distillery and
7 wholesaler's cooperation in facilitating the sale of the private selection
8 packages to the retailer of the consumer's choice shall not be deemed a
9 violation of KRS 244.240.
- 10 (b) Except as provided in KRS 243.036, distillers may sell private selection
11 packages to retail licensees that participated in a private selection event only
12 through a licensed wholesaler.
- 13 (c) A distillery shall make available for purchase not less than seventy percent
14 (70%) of its annual private selection packages to licensed wholesalers and
15 shall maintain records of such transactions in accordance with KRS 244.150.
- 16 (d) Distillers may sell private selection packages to wine and distilled spirits
17 wholesalers, malt beverage distributors, and microbreweries that hold a quota
18 retail drink or quota retail package license that participated in a private
19 selection event if the private selection packages resulting from the event are
20 sold only through a licensed retailer.
- 21 (5) Hours of sale for souvenir packages sold at retail and private selection packages
22 sold at retail shall be in conformity with KRS 244.290(3).
- 23 (6) Except as provided in this section, souvenir package and private selection package
24 sales to distillery visitors shall be governed by all the statutes and administrative
25 regulations governing the retail sale of distilled spirits by the package.
- 26 (7) Souvenir packages sold to distillery visitors under subsection (3)(b) of this section,
27 which are not made available to wholesalers licensed in Kentucky or elsewhere,

1 shall be registered by the licensed distiller with the department and shall be sold
2 exclusively to in-person distillery visitors in quantities not to exceed three (3) liters
3 per person per day.

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

7 (a) Sampling shall be permitted only on the licensed premises during regular
8 business hours;

9 (b) A distillery shall not charge for the samples; and

10 (c) A distillery shall not provide more than one and three-fourths (1-3/4) ounces
11 of samples per visitor per day, except in connection with a private selection
12 event.

13 (9) Notwithstanding the provisions of KRS 243.110, in accordance with this section, a
14 distillery located in wet territory or in any territory that has authorized the limited
15 sale of alcoholic beverages under an election held pursuant to KRS 242.1243 may:

16 (a) Hold an NQ2 retail drink license for the sale of alcoholic beverages on the
17 distillery premises; and

18 (b) Employ persons to engage in the sale or service of alcohol under an NQ2
19 license, if each employee completes the department's Server Training in
20 Alcohol Regulations program within thirty (30) days of beginning
21 employment.

22 (10) A distiller may sell to consumers at fairs, festivals, and other similar types of events
23 located in wet territory. A distiller may:

24 (a) Sell alcoholic beverages by the drink, containing spirits distilled or bottled on
25 the premises of the distillery;

26 (b) Sell by the package in quantities not to exceed nine (9) liters per person, per
27 day; and

- 1 (c) Serve complimentary samples not to exceed one and three-fourths (1-3/4)
2 ounces per person, per day.
- 3 (11) A distiller may offer for sale in its gift shop products that were produced in
4 collaboration with a brewer or microbrewer, except that:
- 5 (a) These packages shall not be exclusive to the distiller's gift shop; and
6 (b) The distiller shall purchase the jointly branded souvenir package only from a
7 licensed malt beverage distributor or a microbrewery pursuant to KRS
8 243.157(1)(f). A microbrewery selling and delivering the jointly branded
9 souvenir package directly to a distiller under this subsection shall provide
10 notice to the distributor of any self-distribution delivery by electronic or other
11 means.
- 12 (12) (a) A distiller that holds a Class B distiller's license but does not hold a Class A
13 distiller's license under KRS 243.030 may sell and deliver to any licensed
14 retailer up to five thousand (5,000) gallons of distilled spirits annually, sold
15 under a brand name owned or exclusively licensed to the distillery, provided
16 the distilled spirits were:
- 17 1. Produced by the distillery;
18 2. Produced for the distillery under a written contract with another licensed
19 manufacturer; or
20 3. Bottled for or by the distillery.
- 21 (b) Any products sold and delivered under this subsection that are not otherwise
22 registered by a licensed wholesaler shall be registered by the distillery with
23 the department.
- 24 (c) Any products sold and delivered under this subsection shall be delivered by
25 the distillery in vehicles owned and operated by the distillery, displaying the
26 distillery's name and license number.
- 27 (d) The distillery is responsible for payment of all applicable taxes and reporting

1 of self-distributed distilled spirits.

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

5 (f) A distillery shall report self-distribution sales under this subsection as follows:

6 1. For a sale of in excess of nine (9) liters to any given retailer on any
7 given day, the distillery shall provide at least twenty-four (24) hours
8 advance written or electronic notice to wholesalers that have an existing
9 business relationship with the distillery and that distribute the products
10 the distillery is self-distributing. If advance notice is not practicable, the
11 distillery shall notify the wholesaler within one (1) business day of
12 delivery;

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

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

24 (13) A distiller that sells souvenir packages and serves complimentary samples in
25 accordance with this section at any of its licensed premises may, for each such
26 premises, maintain one (1) separately licensed off-premises retail sales outlet and
27 engage in the activities and hold the licenses authorized in subsections (3), (4), (8),

1 (9), (11), and (12) of this section if the off-premises retail sales outlet premises are
 2 located in wet territory or in a precinct that has authorized alcoholic beverage sales
 3 by the distillery under KRS 242.1243. The distiller shall pay the fee required under
 4 KRS 243.030 for each off-premises retail sales outlet it maintains.

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

7 (a) The provisions of KRS Chapters 241 to 244;

8 (b) The administrative regulations of the board;~~and~~

9 (c) Regulation by the board at all the distiller's licensed premises; **and**

10 **(d) The state regulatory license fees imposed by Sections 1 and 2 of this Act.**

11 **(15) A distiller shall only sell souvenir packages pursuant to this section if it also**
 12 **holds a souvenir package sales license.**

13 **(16)** Nothing in this section shall be construed to vitiate the policy of this
 14 Commonwealth supporting an orderly three (3) tier system for the production and
 15 sale of alcoholic beverages.

16 **(17) A distiller may permit leashed dogs on its premises, consistent with any applicable**
 17 **health or safety codes.**

18 ➔Section 10. KRS 243.033 is amended to read as follows:

19 (1) A caterer's license may be issued as a supplementary license to a caterer that holds a
 20 quota retail package license, a quota retail drink license, an NQ1 license, an NQ2
 21 license, or a limited restaurant license.

22 (2) The caterer's license may be issued as a primary license to a caterer in any wet
 23 territory or in any moist territory under KRS 242.1244 for the premises that serves
 24 as the caterer's commissary and designated banquet hall. ~~A~~~~No~~ primary caterer's
 25 license shall **not** authorize alcoholic beverage sales at a premises that operates as a
 26 restaurant. The alcoholic beverage stock of the caterer shall be kept under lock and
 27 key at the licensed premises during the time that the alcoholic beverages are not

1 being used in conjunction with a catered function.

2 (3) The caterer's license shall authorize the caterer to:

3 (a) Purchase and store alcoholic beverages in the manner prescribed in KRS
4 243.088, 243.250, and 244.260;

5 (b) Transport, sell, serve, and deliver alcoholic beverages by the drink at locations
6 away from the licensed premises or at the caterer's designated banquet hall in
7 conjunction with the catering of food and alcoholic beverages for a customer
8 and the customer's guests, in:

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

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

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

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

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

27 (d) Receive payment for alcoholic beverages served at a catered event on a by-

1 the-drink, cash bar, or by-the-event basis. The caterer may bill the customer
2 for by-the-function sales of alcoholic beverages in the usual course of the
3 caterer's business.

4 (4) A caterer licensee shall not cater alcoholic beverages at locations for which retail
5 alcoholic beverage licenses or special temporary licenses have been issued. A
6 caterer licensee may cater a charitable or nonprofit fundraising event or a state or
7 national conference for which a special temporary alcoholic beverage auction
8 license has been issued under KRS 243.036.

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

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

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

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

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

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

27 (a) The alcoholic beverages were lawfully purchased in a wet or moist territory:

- 1 1. By an individual; or
- 2 2. At the caterer's licensed premises in wet or moist territory; and
- 3 (b) The alcoholic beverages are not sold in dry territory to guests at the private
- 4 residence or private event regardless of whether the venue is a public place.

5 ➔Section 11. KRS 243.036 is amended to read as follows:

- 6 (1) A special temporary alcoholic beverage auction license may be issued to:
- 7 (a) An auctioneer licensed under KRS Chapter 330;~~[-or to-]~~
- 8 (b) A charitable ***organization***;~~[-or-]~~
- 9 (c) A nonprofit organization; *or*
- 10 (d) *The organizer or sponsor of a state or national conference.*
- 11 (2) A special temporary alcoholic beverage auction license issued to a charitable or
- 12 nonprofit organization *or to the organizer or sponsor of a state or national*
- 13 *conference* shall authorize the holder to:
- 14 (a) Purchase, transport, receive, possess, store, sell, and deliver alcoholic
- 15 beverages *by the package or by the drink* to be sold by auction or raffle *or*
- 16 *given away or served* or consumed at charity or nonprofit events *or at state or*
- 17 *national conferences*;
- 18 (b) Purchase, transport, receive, possess, store, sell, and deliver limited specially
- 19 labeled bottles of alcoholic beverages to be sold *or given away* at charity or
- 20 nonprofit events *or state or national conferences*;
- 21 (c) Obtain alcoholic beverages from distillers, rectifiers, wineries, small farm
- 22 wineries, brewers, microbreweries, wholesalers, distributors, retailers, or any
- 23 other person, by gift or donation, for the purpose of charity or nonprofit
- 24 events *or state or national conferences*; and
- 25 (d) Receive payment for alcoholic beverages sold at events.
- 26 (3) For a charitable or nonprofit *organization or a state or national conference-*
- 27 *sponsored* auction:

- 1 (a) Each alcoholic beverage auction or raffle~~conducted by a charitable~~
2 ~~organization~~ shall be subject to all restrictions and limitations contained in
3 KRS Chapters 241 to 244 and the administrative regulations issued under
4 those chapters and shall be authorized only on the days and only during the
5 hours that the sale of alcoholic beverages is otherwise authorized in the
6 county or municipality; and
- 7 (b) The location at which the alcoholic beverages are auctioned, raffled, or
8 consumed under this section shall not constitute a public place for the purpose
9 of KRS Chapter 222. Charitable,~~or~~ nonprofit, or state or national
10 conference-sponsored events may be conducted on licensed or unlicensed
11 premises. The~~charitable~~ organization possessing a special temporary
12 alcoholic beverage auction license shall post a copy of the license at the
13 location of the event.
- 14 (4) An auctioneer holding a special temporary alcoholic beverage auction license may:
- 15 (a) Transport, receive, possess, store, advertise, auction, sell, deliver, and ship
16 alcoholic beverages either sold or intended for sale at auction by the licensee;
- 17 (b) Sell only alcoholic beverages at auction that:
- 18 1. Were previously lawfully sold at retail; and
19 2. Are in their original manufacturer's unopened container;
- 20 (c) Deliver and ship any alcoholic beverages sold at an auction directly to the
21 consumer who purchased the alcoholic beverages. Any shipment to a
22 consumer outside of this state is subject to all applicable laws of the
23 jurisdiction in which that consumer is located. When shipping alcoholic
24 beverages directly to a consumer in this state, the auctioneer holder of the
25 license shall:
- 26 1. Ensure that the shipping label on each container containing the alcoholic
27 beverages conspicuously states the following: "CONTAINS

- 1 ALCOHOL: SIGNATURE OF PERSON AGE 21 OR OLDER
2 REQUIRED FOR DELIVERY";
- 3 2. Obtain the signature of a person who is at least twenty-one (21) years of
4 age at the delivery address prior to delivery, after requiring that person
5 to demonstrate that he or she is at least twenty-one (21) years of age by
6 providing a valid identification document; and
- 7 3. Not ship the alcoholic beverages to any address in this state located in
8 dry territory; and
- 9 (d) Conduct the auction on premises licensed by the department, unlicensed
10 premises, or online.
- 11 (5) A special temporary alcoholic beverage auction conducted by an auctioneer shall
12 be:
- 13 (a) Subject to all restrictions and limitations contained in KRS Chapters 241 to
14 244 and the administrative regulations issued under those chapters;
- 15 (b) Separate from any other type of alcoholic beverage auction authorized under
16 KRS Chapters 241 to 244, but may be combined with other types of auctions
17 authorized under KRS Chapter 330;
- 18 (c) Authorized for in-person live auctions and online auction closings only on the
19 days and only during the hours that the sale of alcoholic beverages is
20 otherwise authorized in the county or municipality where the live auction is
21 held or, for an online auction, the physical location of the alcoholic beverages
22 being sold; and
- 23 (d) Subject to the auction and auctioneer requirements of KRS Chapter 330.
- 24 (6) An auctioneer conducting a special temporary alcoholic beverage auction shall:
- 25 (a) Post a copy of its special temporary alcoholic beverage auction license and
26 auctioneer license at the location of the event for in-person auctions and on
27 the auction website for online auctions; and

- 1 (b) Not hold any other type of alcoholic beverage license.
- 2 (7) Alcoholic beverages shall only be sold by an auctioneer under a special temporary
3 alcoholic beverage auction license if the alcoholic beverages were not purchased or
4 attained for the purpose of resale at auction and in the following circumstances:
- 5 (a) As an "Estate Auction," or included in such auction where the alcoholic
6 beverages being offered at auction are the property belonging to the estate of
7 one (1) or more deceased persons and are being offered by:
- 8 1. The direction and authority of the authorized executor or administrator;
9 2. Court order; or
10 3. The direction or on behalf of a surviving spouse or direct heirs;
- 11 (b) As a "Living Estate Auction" or "Downsizing Auction" or included in such
12 auction where the alcoholic beverages being offered at auction are the
13 property belonging to a person or persons of a household that is in transition
14 due to one (1) of the following life-changing situations:
- 15 1. One (1) or more members of the household moving into a retirement
16 home, nursing home, assisted living home, or a smaller residence; or
17 2. Combining one (1) household with another; or
- 18 (c) As a partial or complete disbursement of an alcoholic beverage collection
19 consisting of more than one (1) package that has been collected by the same
20 individual or household. An individual or household shall not sell collections
21 at auction more than once every three (3) years.
- 22 (8) (a) A person shall not purchase alcoholic beverages from an auctioneer at a
23 special temporary alcoholic beverage auction unless that person may lawfully
24 receive or possess the alcoholic beverages.
- 25 (b) Nothing in this section shall prevent a vintage distilled spirits licensee from
26 purchasing alcoholic beverages at auction if the alcoholic beverages qualify as
27 vintage distilled spirits.

- 1 (9) All advertising for an auctioneer special temporary alcoholic beverage auction
2 shall:
- 3 (a) Show the name and license number for the special temporary alcoholic
4 beverage auction license and the auctioneer license; and
- 5 (b) Conform to all advertising requirements and restrictions for auctions
6 contained in KRS Chapter 330 and any administrative regulations
7 promulgated under that chapter.
- 8 (10) If a person ceases to be licensed as an auctioneer under KRS Chapter 330, the
9 person's special temporary alcoholic beverage auction license shall be automatically
10 suspended until the person reestablishes licensure as an auctioneer.
- 11 (11) An auctioneer holding a special temporary alcoholic beverage auction license shall
12 file a quarterly report with the department, which shall be established and
13 maintained by the department, utilizing a form prescribed by the department that
14 includes the following information:
- 15 (a) The number of alcoholic beverage packages auctioned in the preceding three
16 (3) months in total, with each purchase matched to the individuals who both
17 sold and purchased the alcoholic beverages;
- 18 (b) The date of each purchase;
- 19 (c) The name, address, and phone number of each individual who sold and
20 purchased the alcoholic beverages;
- 21 (d) A detailed description of the alcoholic beverages purchased, including the
22 brand name, number of packages, and the size of the packages; and
- 23 (e) Whether each alcoholic beverage package was purchased in-person, delivered
24 in-person, or shipped.
- 25 (12) A special temporary alcoholic beverage auction license shall not be issued for any
26 period longer than thirty (30) days.
- 27 (13) Notwithstanding any other provision of KRS Chapters 241 to 244, a distiller,

1 rectifier, winery, small farm winery, brewer, microbrewery, wholesaler, distributor,
 2 or retailer may donate, give away, or deliver any of its products to a charitable or
 3 nonprofit organization or the organizer or sponsor of a state or national
 4 conference possessing a special temporary alcoholic beverage auction license under
 5 this section.

6 (14) All restrictions and prohibitions applying to an alcoholic beverage retail package
 7 and alcoholic beverage by the drink license, not inconsistent with this section, shall
 8 apply to a special temporary alcoholic beverage auction license.

9 ➔Section 12. KRS 243.040 is amended to read as follows:

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

- 12 (1) Brewer's license, per annum\$2,580.00
- 13 (2) Microbrewery license, per annum\$520.00
- 14 (3) Distributor's license, per annum\$520.00
- 15 (4) Nonquota retail malt beverage package license, per annum.....~~(\$210.00)~~ **\$570.00**
- 16 (5) Out-of-state malt beverage supplier's license,
 17 per annum\$1,550.00
- 18 (6) Malt beverage storage license, per annum\$260.00
- 19 (7) Replacement or duplicate license, per annum\$25.00
- 20 (8) Limited out-of-state malt beverage supplier's license,
 21 per annum\$260.00
- 22 (9) Nonquota type 4 malt beverage drink license,
 23 per annum\$210.00
- 24 (10) Direct shipper Type A license, per annum.....\$100.00

25 (11) The holder of a nonquota retail malt beverage package license may obtain a
 26 Nonquota type 4 malt beverage drink license for a fee of fifty dollars (\$50). The
 27 holder of a Nonquota type 4 malt beverage drink license may obtain a nonquota

1 retail malt beverage package license for a fee of fifty dollars (\$50).

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

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

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

12 ➔SECTION 13. 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:**

16 **1. City, including a city recognized under KRS 67C.111;**

17 **2. County;**

18 **3. Urban-county government;**

19 **4. Consolidated local government;**

20 **5. Charter county government; or**

21 **6. Unified local government;**

22 **(b) "Gross receipts" has the same meaning as in Section 1 of this Act; and**

23 **(c) "Regulatory license fee" means a local fee imposed by a city or county**
24 **pursuant to this section.**

25 **(2) (a) The legislative body of a city or county may by ordinance impose a**
26 **regulatory license fee upon the gross receipts of the sale of alcoholic**
27 **beverages and cannabis-infused beverages of each establishment where**

1 alcoholic beverage sales or cannabis-infused beverage sales are lawful.

2 (b) The regulatory license fee may be levied at the beginning of each budget
3 period and expended in accordance with subsection (7) of this section.

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 and 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 July 1, 2027, any new fee
20 authorized by subsection (2) of this section shall be enacted by the city or
21 county no later than one (1) year from the date of the local option election
22 held pursuant to KRS Chapter 242.

23 (b) For any election held one (1) year or more prior to July 1, 2027, the city or
24 county may enact a regulatory license fee based on that election no later
25 than one (1) year after July 1, 2027.

26 (4) Subject to the restrictions in subsection (7) of this section, the Department of
27 Revenue shall promulgate administrative regulations in accordance with KRS

1 Chapter 13A that set forth the process by which a city or county, in the first year
2 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) The revenue received from the imposition of the regulatory license fee authorized
9 by subsection (2) of this section shall be:

10 (a) Deposited into a segregated fund of the city or county;

11 (b) Spent only in accordance with the requirements of subsection (7) of this
12 section; and

13 (c) 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 one (1) fiscal year prior to July 1, 2026, and every three (3) years thereafter.
19 The local government shall retain all documentation relating to the
20 segregated fund for the audited years and reimburse the Auditor of the
21 Public Accounts for the costs associated with any audit from the segregated
22 fund established in subsection (5) of this section.

23 (b) If the local government fails to substantially comply with the requirements
24 of this section, the local government shall:

25 1. For the first offense, if currently assessing a fee higher than one
26 percent (1%), reduce the regulatory license fee to one percent (1%);

27 2. For the first offense, if currently assessing a fee lower than one

1 percent (1%), reimburse the segregated fund established in subsection
2 (5) as determined noncompliant by the audit; and

3 3. For the second offense, be prohibited from imposing the regulatory
4 license fee.

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

9 (d) The cost of all audits conducted pursuant to this subsection shall be paid
10 from the segregated fund established in subsection (5) of this section.

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

13 (7) (a) Any city or county that was authorized to impose the regulatory license fee
14 by this section prior to July 1, 2027, shall:

15 1. Not impose the regulatory license fee at a rate greater than the rate it
16 imposed on January 1, 2026; and

17 2. a. Impose the fee at a rate of no more than five percent (5%) by
18 July 1, 2027, but shall only use the segregated funds to
19 reimburse the local government for the estimated costs of any
20 additional policing, regulatory, or administrative expenses
21 related to the sale of alcoholic beverages or cannabis-infused
22 beverages in the city or county; or

23 b. Impose the fee at a rate of no more than three percent (3%) by
24 July 1, 2027, but shall only use the segregated funds to support
25 local emergency services within the city's or county's jurisdiction
26 and to reimburse the local government for the estimated costs of
27 any additional policing, regulatory, or administrative expenses

1 related to the sale of alcoholic beverages or cannabis-infused
2 beverages in the city or county.

3 (b) Any city or county that initially begins to impose the regulatory license fee
4 on or after July 1, 2027, shall impose the fee at a rate of no more than one
5 percent (1%) and shall only use the segregated funds to support local
6 emergency services within the city's or county's jurisdiction and to
7 reimburse the local government for the estimated costs of any additional
8 policing, regulatory, or administrative expenses related to the sale of
9 alcoholic beverages or cannabis-infused beverages in the city or county.

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

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

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

24 (b) Department for Local Government an annual report on or before
25 September 30 of each year that shows the actual expenses incurred and paid
26 and the receipts taken in relating to the regulatory license fee. If the city or
27 county fails to file this report within fifteen (15) days after its due date, the

1 *city's or county's funds for the previous year taken in through the*
 2 *regulatory license fee shall be forfeited to the Auditor of Public Accounts.*

3 ➔Section 14. KRS 243.120 is amended to read as follows:

4 (1) A distiller's, rectifier's, or winery license shall authorize the licensee to engage in
 5 the business of distiller, rectifier, or winery at the premises specifically designated
 6 in the license, to maintain aging warehouses, *to bottle products manufactured for*
 7 *itself,* and to transport for *itself*~~[himself or herself]~~ only any alcoholic beverage
 8 which *the licensee*~~[he or she]~~ is authorized under the license to manufacture or sell.
 9 The licensee shall transport alcoholic beverages only by a vehicle operated by
 10 *itself*~~[himself or herself]~~, which has affixed to its sides at all times a sign of form
 11 and size prescribed by the state board, containing among other things the name and
 12 license number of the licensee.

13 (2) (a) 1. A licensee holding a distiller's license, Class A license, or Class B
 14 license shall distill no less than six hundred (600) gallons in one (1) year
 15 at the distillery's licensed premises. *Documentation of production shall*
 16 *be:*

17 *a. Provided by each licensee to the department upon the renewal of*
 18 *its distiller's license; and*

19 *b. Considered confidential tax information pursuant to KRS*
 20 *131.190 and excepted from public inspection pursuant to KRS*
 21 *61.878(1)(l), except as authorized by court order.*

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

27 (b) Distillers that produce more than fifty thousand (50,000) gallons of distilled

1 spirits per calendar year at the premises shall obtain a distiller's license, Class
2 A.

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

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

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

12 (4) (a) A distiller that is located in wet territory, or in any precinct that has authorized
13 the limited sale of alcoholic beverages at distilleries under KRS 242.1243,
14 may sell distilled spirits by the drink or by the package at retail to consumers
15 in accordance with KRS 243.0305.

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

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

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

22 (a) Vitate the policy of this Commonwealth supporting an orderly three (3) tier
23 system for the production and sale of alcoholic beverages; or

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

25 ➔Section 15. KRS 243.155 is amended to read as follows:

26 (1) A small farm winery may apply for a small farm winery license. In addition to all
27 other licensing requirements, an applicant for a small farm winery license shall

1 submit with its application a copy of the small farm winery's federal basic permit
2 and proof documenting its annual wine production. The board shall promulgate
3 administrative regulations establishing the form the documentation of proof of
4 production shall take.

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

9 (a) Engage in the business of a winery under the terms and conditions of KRS
10 243.120 and 243.130, except that a small farm winery may sell and deliver
11 wine produced by it to a retailer as authorized by this section. The
12 manufacture of wine at the small farm winery shall not be less than two
13 hundred fifty (250) gallons, and shall not exceed five hundred thousand
14 (500,000) gallons, in one (1) year;

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

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

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

27 1. Serve complimentary samples of wine produced by it in amounts not to

- 1 exceed six (6) ounces per patron per day; and
- 2 2. Sell by the drink for on-premises consumption or off-premises
- 3 consumption pursuant to KRS 243.081, or by the package wine
- 4 produced by it or by another licensed small farm winery, at retail to
- 5 consumers;
- 6 (e) Sell by the drink or by the package, at fairs, festivals, and other similar types
- 7 of events, wine produced by it or by another licensed small farm winery, at
- 8 retail to consumers if all sales occur in a wet territory;
- 9 (f) Sell and transport wine produced by it to consumers, licensed small farm
- 10 winery off-premises retail sites, wholesale license holders, and small farm
- 11 winery license holders, except that wine purchased between small farm
- 12 wineries shall not exceed five hundred (500) gallons per year per small farm
- 13 winery;
- 14 (g) Consume on the premises wine produced by the small farm winery or a
- 15 licensed small farm winery and purchased by the drink or by the package at
- 16 the licensed premises, if the small farm winery is located in wet territory;
- 17 (h) Sell wine at retail to consumers in accordance with KRS 243.027 to 243.029
- 18 if it holds a direct shipper license; and
- 19 (i) Sell and deliver, in accordance with KRS 243.120(1), up to twelve thousand
- 20 (12,000) gallons of wine produced by it annually to any retail license holder
- 21 as long as:
- 22 1. Any products sold and delivered under this paragraph that are not
- 23 otherwise registered by a licensed wholesaler shall be registered with the
- 24 department by the small farm winery;
- 25 2. The small farm winery is responsible for payment of wine state
- 26 wholesale regulatory license fees ~~[wholesale sales taxes]~~ and reporting
- 27 of self-distributed wines in accordance with Section 2 of this Act ~~[KRS~~

1 ~~243.884~~; and

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

5 This paragraph shall not apply to small farm winery wholesalers licensed
6 under KRS 243.154.

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

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

14 (a) The small farm winery is located in wet territory or in a precinct that has
15 authorized alcoholic beverage sales by the small farm winery under KRS
16 242.124; and

17 (b) The issuance of these licenses is in connection with the establishment and
18 operation of a restaurant, hotel, inn, bed and breakfast, conference center, or
19 any similar business enterprise designed to promote viticulture, enology, and
20 tourism.

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

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

27 (7) Upon the approval of the department, a small farm winery license may be renewed

1 after the licensee submits to the department the winery's federal basic permit and
2 proof of its annual wine production. Documentation of production shall be:

3 (a) Provided by each licensee to the department upon the renewal of its small
4 farm winery license; and

5 (b) Considered confidential tax information pursuant to KRS 131.190 and
6 excepted from public inspection pursuant to KRS 61.878(1)(l), except as
7 authorized by court order.

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

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

13 ➔Section 16. KRS 243.157 is amended to read as follows:

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

16 (a) Engage in the business of a brewer under the terms and conditions of KRS
17 243.150, provided that production of malt beverages at the microbrewery shall
18 not exceed fifty thousand (50,000) barrels in one (1) year;

19 (b) ~~Serve on the premises~~ complimentary samples of malt beverages produced
20 by the microbrewery in amounts not to exceed sixteen (16) ounces per patron,
21 provided the microbrewery is located in wet territory or a precinct that has
22 authorized the sale of alcoholic beverages at microbreweries under KRS
23 242.1239;

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

26 (d) Sell malt beverages produced on the premises of the microbrewery for on- and
27 off-premises purposes in accordance with subsection (3)(b) and (c) of this

1 section, pursuant to the following:

- 2 1. Without restriction on the amount of malt beverages sold by the drink
 3 for on-premises consumption provided the microbrewery is located in
 4 wet territory or a precinct that has authorized the sale of alcoholic
 5 beverages at microbreweries under KRS 242.1239; and
 6 2. With a restriction on the amount of malt beverages sold for off-premises
 7 consumption, in an aggregate amount not to exceed thirty-one (31)
 8 gallons per person per day that shall not include more than three (3)
 9 cases in case format;

10 (e) Sell:

- 11 1. Unlimited amounts of malt beverages by the drink; and
 12 2. Not more than one (1) case of packaged malt beverages;
 13 produced on the premises of the microbrewery to consumers at fairs, festivals,
 14 and other similar types of events located in wet territory, in accordance with
 15 subsection (3)(b)2. and (c)2. of this section; and

16 (f) Sell and deliver up to two thousand five hundred (2,500) barrels of malt
 17 beverages annually to any retail license holder, provided that ~~[-~~

18 ~~1.—]any products sold and delivered under this paragraph that are not~~
 19 ~~otherwise registered by a licensed distributor shall be registered with the~~
 20 ~~department by the microbrewery[-; and~~

21 ~~2.—The microbrewer notifies the distributor of any self-distribution delivery~~
 22 ~~by electronic or other means].~~

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

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

27 (a) Hold retail drink and package licenses both on and off the premises of the

1 microbrewery. The holder of a microbrewery license is exempt from the
2 provisions of KRS 244.570 and 244.590 as applied to any retail licenses held
3 by the microbrewery license holder, and from any other sections which would
4 restrict the co-ownership of the microbrewery license and any retail licenses
5 described in this section;

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

9 1. The microbrewery possesses a retail drink license for those premises;
10 and

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

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

19 1. The microbrewery possesses a retail package license for those premises;
20 and

21 2. The microbrewery reports and pays all taxes *and state regulatory*
22 *license fees* required by *Sections 1 and 2 of this Act*~~[subsection (5)(a)~~
23 ~~and (b) of this section]~~ to the Department of Revenue at the time and in
24 the manner required by the Department of Revenue in accordance with
25 its powers under KRS 131.130(3).

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

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

5 All other malt beverages produced by the microbrewery which are offered for retail
6 sale shall be sold and physically transferred to a licensed distributor in compliance
7 with all other relevant provisions of KRS Chapters 241 to 244, and a licensed
8 microbrewery shall not otherwise affect sales of malt beverages directly to retail
9 customers except as provided in subsection (3)(b) and (c) of this section under KRS
10 243.027 to 243.029 if the microbrewery holds a direct shipper license.

11 (5) (a) A microbrewery selling malt beverages in accordance with subsection (1)(d),
12 (e), or (f) ~~or (3)(b) and (c)~~ of this section shall pay all ~~wholesale sales~~
13 taxes and state regulatory license fees due under Sections 1 and 2 of this
14 Act~~[KRS 243.884]~~. For the purposes of this subsection, "selling"~~["wholesale~~
15 ~~sales"]~~ means a sale of malt beverages made by a microbrewery under
16 subsection (1)(d), (e), or (f) ~~or (3)(b) and (c)~~ of this section, as applicable.

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

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

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

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

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

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

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

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

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

12 ➔Section 17. KRS 243.160 is amended to read as follows:

13 (1) A licensed wholesaler may purchase, receive, store, or possess distilled spirits and
 14 wine to sell at wholesale, from the licensed premises only, and to transport to and
 15 from the licensed premises only alcoholic beverages that the wholesaler's license
 16 authorizes the licensee to sell. The wholesaler may transport:

17 (a) Beverages in the manner provided for manufacturers in KRS 243.120; and

18 (b) Distilled spirits and wine from a manufacturer's warehouse or from another
 19 licensed wholesaler's premises to the licensed wholesaler premises.

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

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

23 **(a) Have exclusive control over the licensed premises and its contents; and**

24 **(b) Ensure distilled spirits, wine, and business records stored on the premises**
 25 **are adequately secured.**

26 ➔Section 18. KRS 243.340 is amended to read as follows:

27 (1) A special agent's or solicitor's license may be issued to a duly authorized

1 representative, employee, or agent of, or solicitor for a distiller, rectifier, winery, or
 2 wholesaler licensed in Kentucky or by the state of his or her residence and by the
 3 United States if a resident therein. The license shall authorize the licensee to offer
 4 for sale and to solicit orders for the sale of any alcoholic beverage sold by a
 5 distiller, rectifier, winery, or wholesaler who is licensed in Kentucky or who is a
 6 nonresident. **The licensee shall only offer for sale or solicit orders from those**
 7 **wholesale or retail licensees legally authorized to buy and receive the alcoholic**
 8 **beverages of the distiller, rectifier, winery, or wholesaler licensed in Kentucky.**

9 The license shall set forth the name, address, and, unless the vendor is a
 10 nonresident, the license numbers of the vendors the agent or solicitor represents, as
 11 well as the name, address, and license number of the agent or solicitor. An agent or
 12 solicitor shall not represent any vendor or licensee whose name does not appear
 13 upon the license or the application for the license.

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

22 ➔Section 19. KRS 243.360 is amended to read as follows:

- 23 (1) (a) **For each application for any new or transitional license issued by the**
 24 **department, the department shall provide public notice by listing the**
 25 **application on a dedicated public website space controlled by the department**
 26 **for fourteen (14) days, beginning on the day the application is submitted.**~~All~~
 27 ~~persons shall, before applying for a license, advertise by publication their~~

1 intention to apply for a license in the newspaper for legal notices for the
 2 county or city whose local administrator has jurisdiction over the proposed
 3 premises].

4 (b) *For each application for any new or transitional license that also requires a*
 5 *license issued by a local administrator, the local administrator may publish*
 6 *a public notice by listing the application in the same manner that public*
 7 *meeting notices are published on a dedicated public website space*
 8 *controlled by the local administrator or the legislative body of the affiliated*
 9 *city or county for fourteen (14) days, beginning on the day the application is*
 10 *submitted to the department*[An advertisement under this subsection may be
 11 made online or in print].

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

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

- 19 (a) Out-of-state malt beverage supplier's license;
- 20 (b) Limited out-of-state malt beverage supplier's license;
- 21 (c) Out-of-state distilled spirits and wine supplier's license;
- 22 (d) Limited out-of-state distilled spirits and wine supplier's license;
- 23 (e) Supplemental bar license;
- 24 (f) Extended hours supplemental license;
- 25 (g) Special agent or solicitor's license;
- 26 (h) Special nonbeverage alcohol license;
- 27 (i) Transporter's license;

- 1 (j) Special Sunday drink license;
 2 (k) Hotel in-room license;
 3 (l) Sampling license;
 4 (m) Direct shipper license;
 5 (n) Special temporary drink license; or
 6 (o) Vintage distilled spirits license.

7 (3) The department's or local administrator's application listing under subsection (1)
 8 of this section~~[notice]~~ shall state~~[contain]~~ the following~~[information]~~:

- 9 (a) The~~[notice shall state: the]~~ name and address of the applicant and the name~~[~~
 10 ~~and address]~~ of each principal owner, partner, member, officer, and director if
 11 the applicant is a partnership, limited partnership, limited liability company,
 12 corporation, governmental agency, or other business entity recognized by law;
 13 (b) The~~[notice shall specifically state the]~~ location of the premises for which the
 14 license is sought, the type of business, and the type of license being requested;
 15 and
 16 (c) The~~[notice shall state the]~~ date the application was~~[will be]~~ filed and shall
 17 contain the following statement:

- 18 1. For a listing published by the department: "Any person may protest the
 19 approval of the license by writing the Department of Alcoholic
 20 Beverage Control within fourteen (14)~~[thirty (30)]~~ days of the date the
 21 application was submitted to the department~~[of legal publication]~~."; or
 22 2. For a listing published by a local administrator: "Any person may
 23 protest the approval of the license by writing to the local administrator
 24 within fourteen (14) days of the date the application was submitted to
 25 the department."

- 26 (4) Any protest received after the fourteen (14)~~[thirty (30)]~~ day period has expired
 27 shall not be considered a valid legal protest by the local administrator or the board.

1 (5) Substantial compliance with the information listed in subsection (3) of this section
2 shall be sufficient to comply with this section.

3 ➔Section 20. KRS 243.630 is amended to read as follows:

- 4 (1) For purpose of this section, "transfer" means:
- 5 (a) The transfer to a new person or entity of ten percent (10%) or more ownership
6 interest in any licensed business or license;
 - 7 (b) The transfer in bulk, and not in the ordinary course of business, of a major
8 part of the fixtures, materials, supplies, merchandise, or other inventory of a
9 licensee's business; or
 - 10 (c) The transfer of a business or license to a different premises.
- 11 (2) Any license issued to any person for any licensed premises shall not be transferable
12 or assignable to any other person or to any other premises or to any other part of the
13 building containing the licensed premises, unless a transfer or assignment is
14 authorized by the state administrator in the exercise of sound discretion.
- 15 (3) A licensee shall not acquire or otherwise dispose of any interest in a licensed
16 premises or any license issued by the department, by sale of assets, stock,
17 inventory, control or right of control, or activities on the licensed premises without
18 prior approval of the state administrator. The state administrator shall treat a
19 transfer applicant as a new applicant for qualification and discretion purposes.
- 20 (4) Any acquisition of interest in a license without prior authorization shall be void.
- 21 (5) All applications for approval of a transfer shall be made in writing to the state
22 administrator having jurisdiction over the license.
- 23 (6) Applications for approval of a transfer shall be made under oath or affirmation,
24 shall be signed by both the transferor and the transferee, and shall contain any other
25 information prescribed by the department.
- 26 (7) The appropriate state administrator shall deny or approve the application when, in
27 the sound discretion of the administrator, all of the necessary information has been

1 obtained or the applicant has refused to provide requested information, but it shall
2 not be acted upon before the end of the public protest period outlined in KRS
3 243.360.

4 (8) ~~A~~~~Not~~ licensee or other person seeking to acquire an interest in an existing license
5 shall ***not*** transfer control or assume control of any licensed premises by agreement
6 or otherwise without the written consent of the state administrator of malt beverages
7 or the state administrator of distilled spirits or both.

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

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

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

18 ***(c) If a licensee owes debt on the inventory to a wholesaler and the licensee***
19 ***surrenders its license, or its license otherwise becomes inactive, a new***
20 ***license shall not be issued on the same premises unless the new license***
21 ***applicant signs an affidavit swearing that a transfer is not taking place***~~[KRS~~
22 ~~243.884]~~.

23 (11) A licensee shall not transfer its license or any interest in the license if the licensee
24 owes the Commonwealth of Kentucky for taxes as defined in KRS 243.500(4). A
25 transfer shall not take place until the department is notified by the Kentucky
26 Department of Revenue that the licensee's indebtedness has been paid or resolved to
27 the satisfaction of the Department of Revenue. This section shall not prohibit a

1 transfer of a license or an interest in a license by a trustee in bankruptcy if all other
2 requirements of this section are met.

3 ➔Section 21. KRS 243.710 is amended to read as follows:

4 (1) Each wholesaler or self-distributing distiller shall pay to the Department of
5 Revenue five cents (\$0.05) per case on each case of distilled spirits sold by the
6 wholesaler or self-distributing distiller in the state. This tax shall be computed each
7 month according to the report required to be filed by KRS 243.850 and shall be paid
8 on or before the date in each succeeding month when reports are required to be
9 filed.

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

11 ➔Section 22. KRS 243.720 is amended to read as follows:

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

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

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

27 (3) (a) There is levied upon the sale or distribution by sale or gift of malt beverages

1 an excise tax of two dollars and fifty cents (\$2.50) on each barrel of thirty-one
 2 (31) gallons and a proportional rate per gallon on malt beverages sold or
 3 distributed in any container of more or less than thirty-one (31) gallons;

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

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

12 (5) This section shall not apply to:

13 (a) Wine manufactured, sold, given away, or distributed and used solely for
 14 sacramental purposes; or

15 (b) Distilled spirits and wine purchased by holders of special licenses provided
 16 for in KRS 243.320 and purchased and used in the manner authorized by
 17 those licenses.

18 **(6) This section shall expire on July 1, 2027.**

19 ➔Section 23. KRS 243.730 is amended to read as follows:

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

27 (b) 1. Distributors or retailers of malt beverages, who purchase malt beverages

1 directly from a brewer, shall pay and report the tax and fees levied by
2 Sections 1 and 2 of this Act~~[KRS 243.720(3)]~~ on or before the twentieth
3 day of the calendar month next succeeding the month in which the
4 brewer sells, transfers, or passes title of the malt beverage to the
5 distributor or retailer, in accordance with administrative regulations
6 promulgated under KRS Chapter 13A designed reasonably to protect the
7 revenues of the Commonwealth.

8 ~~2. [The credit allowed brewers in this state, under the provisions of KRS~~
9 ~~243.720(3)(b), shall flow through to the distributor or retailer who~~
10 ~~purchases malt beverages directly from the brewer.~~

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

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

24 (d) 1. Every brewer selling, transferring, or passing title to malt beverages to
25 any person in this state other than a distributor or retailer;
26 2. Every manufacturer of cannabis-infused beverages permitted by the
27 Department for Public Health selling, transferring, or passing title to

1 cannabis-infused beverages to any person in this state other than a
2 distributor or retailer; and

3 3. Every other person selling, transferring, or passing title of distilled
4 spirits, wine, malt beverages, or cannabis-infused beverages to
5 distributors, retailers, cannabis-infused beverage licensees, or
6 consumers;

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

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

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

27 (2) Every wholesaler of distilled spirits or wine before using, selling, or distributing by

1 sale or gift distilled spirits and wine shall register with the Department of Revenue.

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

5 (4) Every manufacturer of cannabis-infused beverages before selling or distributing by
6 sale or gift cannabis-infused beverages, or before importing cannabis-infused
7 beverages into the state, shall:

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

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

12 ➔Section 24. KRS 243.884 is amended to read as follows:

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

23 (b) Prior to July 1, 2015, the tax shall be imposed at the rate of eleven percent
24 (11%) of the gross receipts of any wholesaler or distributor derived from
25 "sales at wholesale" or "wholesale sales" made within the Commonwealth,
26 except as provided in subsection (3) of this section. For the purposes of this
27 section, the gross receipts of a microbrewery making "wholesale sales" shall

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

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

5 1. For distilled spirits and cannabis-infused beverages, eleven percent
6 (11%); and

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

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

9 1. For distilled spirits and cannabis-infused beverages shipments, eleven
10 percent (11%) for wholesale sales or sales at wholesale; and

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

13 (e) For direct shipper sales or sales made pursuant to KRS 243.0305, if a
14 wholesale price is not readily available, the direct shipper licensee or distillery
15 shall calculate the wholesale price to be seventy percent (70%) of the retail
16 price of the alcoholic beverages.

17 (2) Wholesalers of distilled spirits and wine, distributors of malt beverages or cannabis-
18 infused beverages, microbreweries, distillers, manufacturers of cannabis-infused
19 beverages permitted by the Department for Public Health, and direct shipper
20 licensees shall pay and report the tax levied by this section on or before the
21 twentieth day of the calendar month next succeeding the month in which possession
22 or title of the distilled spirits, wine, malt beverages, or cannabis-infused beverages
23 is transferred from the wholesaler or distributor to retailers, or by microbreweries,
24 distillers, manufacturers of cannabis-infused beverages permitted by the
25 Department for Public Health, or direct shipper licensees to consumers in this state,
26 in accordance with administrative regulations promulgated under KRS Chapter 13A
27 designed reasonably to protect the revenues of the Commonwealth.

- 1 (3) Gross receipts from sales at wholesale or wholesale sales shall not include the
2 following sales:
- 3 (a) Sales made between wholesalers, between distributors, or between
4 manufacturers of cannabis-infused beverages permitted by the Department for
5 Public Health;
- 6 (b) Sales from the first fifty thousand (50,000) gallons of wine produced by a
7 small farm winery in a calendar year made by:
- 8 1. The small farm winery; or
9 2. A wholesaler of that wine produced by the small farm winery; and
- 10 (c) Sales made between a direct shipper licensee and a consumer located outside
11 of Kentucky.

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

13 ➔Section 25. KRS 243.886 is amended to read as follows:

14 **(1)** To reimburse himself or herself for the cost of collecting and reporting the tax, each
15 person required to pay and report the tax levied by KRS 243.884, other than a
16 microbrewery or a distiller, shall deduct on each report one percent (1%) of the tax
17 due, provided the amount due is not delinquent at the time of payment. A
18 microbrewery or distiller that reports and pays the wholesale sales tax levied by
19 KRS 243.884, in accordance with KRS 243.0305 or 243.157 as applicable, shall not
20 be entitled to deduct one percent (1%) of the tax due.

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

22 ➔Section 26. KRS 243.890 is amended to read as follows:

23 Except as provided in KRS 211.285, receipts derived from taxes **and fees** assessed and
24 collected under the provisions of this chapter **and Sections 1, 2, and 3 of this Act** shall be
25 appropriated for general fund purposes.

26 ➔Section 27. KRS 244.050 is amended to read as follows:

27 A retail licensee shall not sell, give away, or deliver any alcoholic beverage at retail in

1 any quantity for less than paid or current wholesale cost, except upon written request and
 2 approval by the administrators, pursuant to a bona fide "close out" sale, or as provided by
 3 KRS 243.0305, 243.0307, 243.155, and 243.157 **and Section 11 of this Act.**

4 ➔Section 28. KRS 244.080 is amended to read as follows:

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

9 ~~**(a)(1)**~~ A minor, except that in any prosecution for selling alcoholic beverages
 10 or cannabis-infused beverages to a minor it shall be an affirmative defense
 11 that the sale was induced by the use of false, fraudulent, or altered
 12 identification papers or other documents and that the appearance and character
 13 of the purchaser were such that the purchaser's age could not have been
 14 ascertained by any other means and that the purchaser's appearance and
 15 character indicated strongly that the purchaser was of legal age to purchase
 16 alcoholic beverages or cannabis-infused beverages. This evidence may be
 17 introduced either in mitigation of the charge or as a defense to the charge
 18 itself; or

19 ~~**(b)(2)**~~ A person who appears to a reasonable person to be actually or
 20 apparently under the influence of alcoholic beverages, cannabis-infused
 21 beverages, controlled substances, other intoxicating substances, or any of
 22 these substances in combination, to the degree that the person may endanger
 23 any person or property, or unreasonably annoy persons in the vicinity.

24 **(2) If a retail licensee violates subsection (1)(a) of this section three (3) or more times**
 25 **under the same retail license at the same licensed premises within a twenty-four**
 26 **(24) month period, that retail licensee shall be permanently prohibited from**
 27 **holding that type of retail license issued by the department at that licensed**

1 premises.

2 ➔Section 29. KRS 244.585 is amended to read as follows:

- 3 (1) It shall be unlawful for any distributor to sell any brand or product name of malt
4 beverage in the Commonwealth of Kentucky, except in the territory described in a
5 written agreement between the supplier or brewer and distributor, authorizing sale
6 by the distributor of that brand and product name within a designated area, and
7 within that designated area the distributor shall not refuse to sell or offer reasonable
8 service to licensed retailers during the normal business hours of the distributor.
9 Where a supplier or brewer sells several brands and named products, the agreement
10 need not apply to all brands and named products sold by the supplier or brewer and
11 may apply to only one (1) brand and product name. ~~A [No]~~ supplier or brewer shall
12 not provide by the written agreement for the distribution of a brand or named
13 product of malt beverages to more than one (1) distributor for all or any part of the
14 designated territory. Upon request, all territorial agreements shall be filed with the
15 department.
- 16 (2) Each distributor shall comply with current, written quality control standards as
17 determined by the owner of the trademark of the brand of malt beverage, provided
18 those controls are:
- 19 (a) Normal industry practice;
 - 20 (b) Reasonably related to the maintenance of quality control;
 - 21 (c) Consistent with the provisions of this chapter and all administrative
22 regulations promulgated under this chapter; and
 - 23 (d) Communicated to the distributor through written notice of them from the
24 owner.
- 25 (3) A distributor may sell to only those licensed retailers, religious, charitable, or
26 fraternal organizations located within its designated geographical territory as
27 provided in this section and to the distributor's employees and to other distributors

1 of the same brand. ~~A~~~~No~~ brand or product name of malt beverage may **not** be sold
2 in the Commonwealth of Kentucky without prior written approval of the brewer and
3 supplier filed with the department.

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

16 (5) ~~The~~~~No~~ provisions of any agreement shall **not** expressly or impliedly establish or
17 maintain the resale price of any brand or product name of malt beverage by the
18 distributor, **and a brewer or microbrewery shall not:**

19 **(a) Adjust the price at which the brewer or microbrewery sells malt beverages to**
20 **a distributor based on the price at which a distributor resells malt beverages**
21 **to a retailer; or**

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

25 **(6) It shall be unlawful for any brewer or microbrewery to require any distributor to**
26 **accept delivery of any malt beverages or any other item or commodity that was**
27 **not ordered by the distributor or included in sales projections to the brewer or**

1 microbrewery that were agreed upon by the distributor.

2 (7) Each brewer or microbrewery contracting with a distributor shall submit an
 3 affidavit to the distributor verifying that it will not, by any means, induce a
 4 distributor to, or cause a distributor to, waive or forego any rights granted or
 5 protected by this chapter with respect to the distributor's franchise.

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

8 ➔Section 30. KRS 131.250 is amended to read as follows:

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

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

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

- 16 1. Compatible computer hardware;
- 17 2. Internet access; or
- 18 3. Other technological capabilities determined relevant by the department.

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

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

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

24 ~~1. Wholesale sales tax under KRS 243.884; and~~

25 ~~2. Excise tax on malt beverages under KRS 243.720(3)];~~

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

1 ➔Section 31. KRS 139.010 is amended to read as follows:

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

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

4 1. The right of entrance to a display, program, sporting event, music
5 concert, performance, play, show, movie, exhibit, fair, or other
6 entertainment or amusement event or venue; and

7 2. The privilege of using facilities or participating in an event or activity,
8 including but not limited to:

9 a. Bowling centers;

10 b. Skating rinks;

11 c. Health spas;

12 d. Swimming pools;

13 e. Tennis courts;

14 f. Weight training facilities;

15 g. Fitness and recreational sports centers; and

16 h. Golf courses, both public and private;

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

20 (b) "Admissions" does not include:

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

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

24 (2) "Advertising and promotional direct mail" means direct mail the primary purpose of
25 which is to attract public attention to a product, person, business, or organization, or
26 to attempt to sell, popularize, or secure financial support for a product, person,
27 business, or organization. As used in this definition, "product" means tangible

- 1 personal property, an item transferred electronically, or a service;
- 2 (3) "Business" includes any activity engaged in by any person or caused to be engaged
3 in by that person with the object of gain, benefit, or advantage, either direct or
4 indirect;
- 5 (4) "Commonwealth" means the Commonwealth of Kentucky;
- 6 (5) (a) "Cosmetic surgery services" means modifications to all areas of the head,
7 neck, and body to enhance appearance through surgical and medical
8 techniques.
- 9 (b) "Cosmetic surgery services" does not include surgery services that are
10 medically necessary to reconstruct or correct dysfunctional areas of the face
11 and body due to birth disorders, trauma, burns, or disease;
- 12 (6) "Department" means the Department of Revenue;
- 13 (7) (a) "Digital audio-visual works" means a series of related images which, when
14 shown in succession, impart an impression of motion, with accompanying
15 sounds, if any.
- 16 (b) "Digital audio-visual works" includes movies, motion pictures, musical
17 videos, news and entertainment programs, and live events.
- 18 (c) "Digital audio-visual works" shall not include video greeting cards, video
19 games, and electronic games;
- 20 (8) (a) "Digital audio works" means works that result from the fixation of a series of
21 musical, spoken, or other sounds.
- 22 (b) "Digital audio works" includes ringtones, recorded or live songs, music,
23 readings of books or other written materials, speeches, or other sound
24 recordings.
- 25 (c) "Digital audio works" shall not include audio greeting cards sent by electronic
26 mail;
- 27 (9) (a) "Digital books" means works that are generally recognized in the ordinary and

1 usual sense as books, including any literary work expressed in words,
2 numbers, or other verbal or numerical symbols or indicia if the literary work
3 is generally recognized in the ordinary or usual sense as a book.

4 (b) "Digital books" shall not include digital audio-visual works, digital audio
5 works, periodicals, magazines, newspapers, or other news or information
6 products, chat rooms, or weblogs;

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

11 (b) "Digital code" shall not include a code that represents:

- 12 1. A stored monetary value that is deducted from a total as it is used by the
13 purchaser; or
- 14 2. A redeemable card, gift card, or gift certificate that entitles the holder to
15 select specific types of digital property;

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

- 18 1. Digital audio works;
- 19 2. Digital books;
- 20 3. Finished artwork;
- 21 4. Digital photographs;
- 22 5. Periodicals;
- 23 6. Newspapers;
- 24 7. Magazines;
- 25 8. Video greeting cards;
- 26 9. Audio greeting cards;
- 27 10. Video games;

1 11. Electronic games; or

2 12. Any digital code related to this property.

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

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

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

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

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

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

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

25 (15) (a) "Extended warranty services" means services provided through a service
26 contract agreement between the contract provider and the purchaser where the
27 purchaser agrees to pay compensation for the contract and the provider agrees

1 to repair, replace, support, or maintain tangible personal property, digital
2 property, real property, or prewritten computer software access services
3 according to the terms of the contract.

4 (b) "Extended warranty services" does not include the sale of a service contract
5 agreement for tangible personal property to be used by a small telephone
6 utility as defined in KRS 278.516 or a Tier III CMRS provider as defined in
7 KRS 65.7621 to deliver communications services as defined in KRS 136.602
8 or broadband;

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

11 (b) "Finished artwork" includes:

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

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

- 27 1. The retailer's cost of the tangible personal property, digital property, or

- 1 services sold;
- 2 2. The cost of the materials used, labor or service cost, interest, losses, all
- 3 costs of transportation to the retailer, all taxes imposed on the retailer, or
- 4 any other expense of the retailer;
- 5 3. Charges by the retailer for any services necessary to complete the sale;
- 6 4. Delivery charges, which are defined as charges by the retailer for the
- 7 preparation and delivery to a location designated by the purchaser
- 8 including transportation, shipping, postage, handling, crating, and
- 9 packing;
- 10 5. Any amount for which credit is given to the purchaser by the retailer,
- 11 other than credit for tangible personal property or digital property traded
- 12 when the tangible personal property or digital property traded is of like
- 13 kind and character to the property purchased and the property traded is
- 14 held by the retailer for resale; and
- 15 6. The amount charged for labor or services rendered in installing or
- 16 applying the tangible personal property, digital property, or service sold.
- 17 (b) "Gross receipts" and "sales price" shall include consideration received by the
- 18 retailer from a third party if:
- 19 1. The retailer actually receives consideration from a third party and the
- 20 consideration is directly related to a price reduction or discount on the
- 21 sale to the purchaser;
- 22 2. The retailer has an obligation to pass the price reduction or discount
- 23 through to the purchaser;
- 24 3. The amount of consideration attributable to the sale is fixed and
- 25 determinable by the retailer at the time of the sale of the item to the
- 26 purchaser; and
- 27 4. One (1) of the following criteria is met:

- 1 a. The purchaser presents a coupon, certificate, or other
2 documentation to the retailer to claim a price reduction or discount
3 where the coupon, certificate, or documentation is authorized,
4 distributed, or granted by a third party with the understanding that
5 the third party will reimburse any seller to whom the coupon,
6 certificate, or documentation is presented;
- 7 b. The price reduction or discount is identified as a third-party price
8 reduction or discount on the invoice received by the purchaser or
9 on a coupon, certificate, or other documentation presented by the
10 purchaser; or
- 11 c. The purchaser identifies himself or herself to the retailer as a
12 member of a group or organization entitled to a price reduction or
13 discount. A "preferred customer" card that is available to any
14 patron does not constitute membership in such a group.
- 15 (c) "Gross receipts" and "sales price" shall not include:
- 16 1. Discounts, including cash, term, or coupons that are not reimbursed by a
17 third party and that are allowed by a retailer and taken by a purchaser on
18 a sale;
- 19 2. Interest, financing, and carrying charges from credit extended on the
20 sale of tangible personal property, digital property, or services, if the
21 amount is separately stated on the invoice, bill of sale, or similar
22 document given to the purchaser;
- 23 3. Any taxes legally imposed directly on the purchaser that are separately
24 stated on the invoice, bill of sale, or similar document given to the
25 purchaser;~~or~~
- 26 4. Local alcohol regulatory license fees authorized under KRS 243.075 that
27 are separately stated on the invoice, bill of sale, or similar document

1 given to the purchaser; or

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

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

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

10 (19) "Industrial processing" includes:

11 (a) Refining;

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

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

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

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

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

20 1. Purchase the property; or

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

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

26 1. A transfer of possession or control of property under a security
27 agreement or deferred payment plan that requires the transfer of title

- 1 upon completion of the required payments;
- 2 2. A transfer of possession or control of property under an agreement that
- 3 requires the transfer of title upon completion of the required payments
- 4 and payment of an option price that does not exceed the greater of one
- 5 hundred dollars (\$100) or one percent (1%) of the total required
- 6 payments; or
- 7 3. Providing tangible personal property and an operator for the tangible
- 8 personal property for a fixed or indeterminate period of time. To qualify
- 9 for this exclusion, the operator must be necessary for the equipment to
- 10 perform as designed, and the operator must do more than maintain,
- 11 inspect, or setup the tangible personal property.
- 12 (c) This definition shall apply regardless of the classification of a transaction
- 13 under generally accepted accounting principles, the Internal Revenue Code, or
- 14 other provisions of federal, state, or local law;
- 15 (21) (a) "Lobbying services" means the act of promoting or securing passage of
- 16 legislation or an attempt to influence or sway a public official or other public
- 17 servant toward a desired action, including but not limited to the support of or
- 18 opposition to a project or the passage, amendment, defeat, approval, or veto of
- 19 any legislation, regulation, rule, or ordinance.~~[;]~~
- 20 (b) "Lobbying services" includes but is not limited to the performance of
- 21 activities described as executive agency lobbying activities as defined in KRS
- 22 11A.201, activities described under the definition of lobby in KRS 6.611, and
- 23 any similar activities performed at the local, state, or federal levels;
- 24 (22) (a) "Machinery for new and expanded industry" means machinery:
- 25 1. Directly used in the manufacturing or industrial processing process of:
- 26 a. Tangible personal property at a plant facility;
- 27 b. Distilled spirits or wine at a plant facility or on the premises of a

- 1 distiller, rectifier, winery, or small farm winery licensed under
2 KRS 243.030 that includes a retail establishment on the premises;
3 or
4 c. Malt beverages at a plant facility or on the premises of a brewer or
5 microbrewery licensed under KRS 243.040 that includes a retail
6 establishment;
- 7 2. Which is incorporated for the first time into:
8 a. A plant facility established in this state; or
9 b. Licensed premises located in this state; and
- 10 3. Which does not replace machinery in the plant facility or licensed
11 premises unless that machinery purchased to replace existing machinery:
12 a. Increases the consumption of recycled materials at the plant
13 facility by not less than ten percent (10%);
14 b. Performs different functions;
15 c. Is used to manufacture a different product; or
16 d. Has a greater productive capacity, as measured in units of
17 production, than the machinery being replaced.
- 18 (b) "Machinery for new and expanded industry" does not include repair,
19 replacement, or spare parts of any kind, regardless of whether the purchase of
20 repair, replacement, or spare parts is required by the manufacturer or seller as
21 a condition of sale or as a condition of warranty;
- 22 (23) "Manufacturing" means any process through which material having little or no
23 commercial value for its intended use before processing has appreciable
24 commercial value for its intended use after processing by the machinery;
- 25 (24) "Marketplace" means any physical or electronic means through which one (1) or
26 more retailers may advertise and sell tangible personal property, digital property, or
27 services, or lease tangible personal property or digital property, such as a catalog,

1 Internet website, or television or radio broadcast, regardless of whether the tangible
2 personal property, digital property, or retailer is physically present in this state;

3 (25) (a) "Marketplace provider" means a person, including any affiliate of the person,
4 that facilitates a retail sale by satisfying subparagraphs 1. and 2. of this
5 paragraph as follows:

- 6 1. The person directly or indirectly:
 - 7 a. Lists, makes available, or advertises tangible personal property,
8 digital property, or services for sale by a marketplace retailer in a
9 marketplace owned, operated, or controlled by the person;
 - 10 b. Facilitates the sale of a marketplace retailer's product through a
11 marketplace by transmitting or otherwise communicating an offer
12 or acceptance of a retail sale of tangible personal property, digital
13 property, or services between a marketplace retailer and a
14 purchaser in a forum including a shop, store, booth, catalog,
15 Internet site, or similar forum;
 - 16 c. Owns, rents, licenses, makes available, or operates any electronic
17 or physical infrastructure or any property, process, method,
18 copyright, trademark, or patent that connects marketplace retailers
19 to purchasers for the purpose of making retail sales of tangible
20 personal property, digital property, or services;
 - 21 d. Provides a marketplace for making retail sales of tangible personal
22 property, digital property, or services, or otherwise facilitates retail
23 sales of tangible personal property, digital property, or services,
24 regardless of ownership or control of the tangible personal
25 property, digital property, or services, that are the subject of the
26 retail sale;
 - 27 e. Provides software development or research and development

- 1 activities related to any activity described in this subparagraph, if
2 the software development or research and development activities
3 are directly related to the physical or electronic marketplace
4 provided by a marketplace provider;
- 5 f. Provides or offers fulfillment or storage services for a marketplace
6 retailer;
- 7 g. Sets prices for a marketplace retailer's sale of tangible personal
8 property, digital property, or services;
- 9 h. Provides or offers customer service to a marketplace retailer or a
10 marketplace retailer's customers, or accepts or assists with taking
11 orders, returns, or exchanges of tangible personal property, digital
12 property, or services sold by a marketplace retailer; or
- 13 i. Brands or otherwise identifies sales as those of the marketplace
14 provider; and
- 15 2. The person directly or indirectly:
- 16 a. Collects the sales price or purchase price of a retail sale of tangible
17 personal property, digital property, or services;
- 18 b. Provides payment processing services for a retail sale of tangible
19 personal property, digital property, or services;
- 20 c. Through terms and conditions, agreements, or arrangements with a
21 third party, collects payment in connection with a retail sale of
22 tangible personal property, digital property, or services from a
23 purchaser and transmits that payment to the marketplace retailer,
24 regardless of whether the person collecting and transmitting the
25 payment receives compensation or other consideration in exchange
26 for the service; or
- 27 d. Provides a virtual currency that purchasers are allowed or required

1 to use to purchase tangible personal property, digital property, or
2 services.

3 (b) "Marketplace provider" includes but is not limited to a person that satisfies the
4 requirements of this subsection through the ownership, operation, or control
5 of a digital distribution service, digital distribution platform, online portal, or
6 application store;

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

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

10 1. A sale of tangible personal property or digital property not held or used
11 by a seller in the course of an activity for which he or she is required to
12 hold a seller's permit, provided such sale is not one (1) of a series of
13 sales sufficient in number, scope, and character to constitute an activity
14 requiring the holding of a seller's permit. In the case of the sale of the
15 entire, or a substantial portion of the nonretail assets of the seller, the
16 number of previous sales of similar assets shall be disregarded in
17 determining whether or not the current sale or sales shall qualify as an
18 occasional sale; or

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

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

27 (28) (a) "Other direct mail" means any direct mail that is not advertising and

1 promotional direct mail, regardless of whether advertising and promotional
2 direct mail is included in the same mailing.

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

- 4 1. Transactional direct mail that contains personal information specific to
5 the addressee, including but not limited to invoices, bills, statements of
6 account, and payroll advices;
- 7 2. Any legally required mailings, including but not limited to privacy
8 notices, tax reports, and stockholder reports; and
- 9 3. Other nonpromotional direct mail delivered to existing or former
10 shareholders, customers, employees, or agents, including but not limited
11 to newsletters and informational pieces.

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

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

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

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

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

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

3 (32) "Plant facility" means a single location that is exclusively dedicated to
4 manufacturing or industrial processing activities. A location shall be deemed to be
5 exclusively dedicated to manufacturing or industrial processing activities even if
6 retail sales are made there, provided that the retail sales are incidental to the
7 manufacturing or industrial processing activities occurring at the location. The term
8 "plant facility" shall not include any restaurant, grocery store, shopping center, or
9 other retail establishment;

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

11 1. Computer software, including prewritten upgrades, that are not designed
12 and developed by the author or other creator to the specifications of a
13 specific purchaser;

14 2. Software designed and developed by the author or other creator to the
15 specifications of a specific purchaser when it is sold to a person other
16 than the original purchaser; or

17 3. Any portion of prewritten computer software that is modified or
18 enhanced in any manner, where the modification or enhancement is
19 designed and developed to the specifications of a specific purchaser,
20 unless there is a reasonable, separately stated charge on an invoice or
21 other statement of the price to the purchaser for the modification or
22 enhancement.

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

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

1 computer software;

2 (34) "Prewritten computer software access services" means the right of access to
3 prewritten computer software where the object of the transaction is to use the
4 prewritten computer software while possession of the prewritten computer software
5 is maintained by the seller or a third party, wherever located, regardless of whether
6 the charge for the access or use is on a per use, per user, per license, subscription, or
7 some other basis;

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

- 11 1. Tangible personal property;
 - 12 2. An extended warranty service;
 - 13 3. Digital property transferred electronically; or
 - 14 4. Services included in KRS 139.200;
- 15 for a consideration.

16 (b) "Purchase" includes:

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

1 publication;

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

5 (37) "Recycling purposes" means those activities undertaken in which materials that
6 would otherwise become solid waste are collected, separated, or processed in order
7 to be reused or returned to use in the form of raw materials or products;

8 (38) "Remote retailer" means a retailer with no physical presence in this state;

9 (39) (a) "Repair, replacement, or spare parts" means any tangible personal property
10 used to maintain, restore, mend, or repair machinery or equipment.

11 (b) "Repair, replacement, or spare parts" does not include machine oils, grease, or
12 industrial tools;

13 (40) (a) "Retailer" means:

14 1. Every person engaged in the business of making retail sales of tangible
15 personal property, digital property, or furnishing any services in a retail
16 sale included in KRS 139.200;

17 2. Every person engaged in the business of making sales at auction of
18 tangible personal property or digital property owned by the person or
19 others for storage, use or other consumption, except as provided in
20 paragraph (c) of this subsection;

21 3. Every person making more than two (2) retail sales of tangible personal
22 property, digital property, or services included in KRS 139.200 during
23 any twelve (12) month period, including sales made in the capacity of
24 assignee for the benefit of creditors, or receiver or trustee in bankruptcy;

25 4. Any person conducting a race meeting under the provision of KRS
26 Chapter 230, with respect to horses which are claimed during the
27 meeting.

- 1 (b) When the department determines that it is necessary for the efficient
2 administration of this chapter to regard any salesmen, representatives,
3 peddlers, or canvassers as the agents of the dealers, distributors, supervisors or
4 employers under whom they operate or from whom they obtain the tangible
5 personal property, digital property, or services sold by them, irrespective of
6 whether they are making sales on their own behalf or on behalf of the dealers,
7 distributors, supervisors or employers, the department may so regard them and
8 may regard the dealers, distributors, supervisors or employers as retailers for
9 purposes of this chapter.
- 10 (c) 1. Any person making sales at a charitable auction for a qualifying entity
11 shall not be a retailer for purposes of the sales made at the charitable
12 auction if:
- 13 a. The qualifying entity, not the person making sales at the auction, is
14 sponsoring the auction;
- 15 b. The purchaser of tangible personal property at the auction directly
16 pays the qualifying entity sponsoring the auction for the property
17 and not the person making the sales at the auction; and
- 18 c. The qualifying entity, not the person making sales at the auction, is
19 responsible for the collection, control, and disbursement of the
20 auction proceeds.
- 21 2. If the conditions set forth in subparagraph 1. of this paragraph are met,
22 the qualifying entity sponsoring the auction shall be the retailer for
23 purposes of the sales made at the charitable auction.
- 24 3. For purposes of this paragraph, "qualifying entity" means a resident:
- 25 a. Church;
- 26 b. School;
- 27 c. Civic club; or

1 d. Any other nonprofit charitable, religious, or educational
2 organization;

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

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

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

9 (43) (a) "Sale" means:

- 10 1. The furnishing of any services included in KRS 139.200; or
11 2. Any transfer of title or possession, exchange, barter, lease, or rental,
12 conditional or otherwise, in any manner or by any means whatsoever,
13 of:
14 a. Tangible personal property; or
15 b. Digital property transferred electronically;
16 for a consideration.

17 (b) "Sale" includes but is not limited to:

- 18 1. The producing, fabricating, processing, printing, or imprinting of
19 tangible personal property or digital property for a consideration for
20 purchasers who furnish, either directly or indirectly, the materials used
21 in the producing, fabricating, processing, printing, or imprinting;
22 2. A transaction whereby the possession of tangible personal property or
23 digital property is transferred, but the seller retains the title as security
24 for the payment of the price; and
25 3. A transfer for a consideration of the title or possession of tangible
26 personal property or digital property which has been produced,
27 fabricated, or printed to the special order of the purchaser.

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

4 (44) "Seller" includes every person engaged in the business of selling tangible personal
5 property, digital property, or services of a kind, the gross receipts from the retail
6 sale of which are required to be included in the measure of the sales tax, and every
7 person engaged in making sales for resale;

8 (45) (a) "Storage" includes any keeping or retention in this state for any purpose
9 except sale in the regular course of business or subsequent use solely outside
10 this state of tangible personal property, digital property, or prewritten
11 computer software access services purchased from a retailer.

12 (b) "Storage" does not include the keeping, retaining, or exercising any right or
13 power over tangible personal property for the purpose of subsequently
14 transporting it outside the state for use thereafter solely outside the state, or
15 for the purpose of being processed, fabricated, or manufactured into, attached
16 to, or incorporated into, other tangible personal property to be transported
17 outside the state and thereafter used solely outside the state;

18 (46) "Tangible personal property" means personal property which may be seen,
19 weighed, measured, felt, or touched, or which is in any other manner perceptible to
20 the senses and includes natural, artificial, and mixed gas, electricity, water, steam,
21 and prewritten computer software;

22 (47) "Taxpayer" means any person liable for tax under this chapter;

23 (48) "Telemarketing services" means services provided via telephone, facsimile,
24 electronic mail, text messages, or other modes of communications to another
25 person, which are unsolicited by that person, for the purposes of:

26 (a) 1. Promoting products or services;

27 2. Taking orders; or

- 1 3. Providing information or assistance regarding the products or services;
2 or
3 (b) Soliciting contributions;
- 4 (49) "Transferred electronically" means accessed or obtained by the purchaser by means
5 other than tangible storage media; and
- 6 (50) (a) "Use" includes the exercise of:
- 7 1. Any right or power over tangible personal property or digital property
8 incident to the ownership of that property, or by any transaction in
9 which possession is given, or by any transaction involving digital
10 property or tangible personal property where the right of access is
11 granted; or
- 12 2. Any right or power to benefit from any services subject to tax under
13 KRS 139.200(2)(p) to (ax).
- 14 (b) "Use" does not include the keeping, retaining, or exercising any right or
15 power over:
- 16 1. Tangible personal property or digital property for the purpose of:
- 17 a. Selling tangible personal property or digital property in the regular
18 course of business; or
- 19 b. Subsequently transporting tangible personal property outside the
20 state for use thereafter solely outside the state, or for the purpose
21 of being processed, fabricated, or manufactured into, attached to,
22 or incorporated into, other tangible personal property to be
23 transported outside the state and thereafter used solely outside the
24 state; or
- 25 2. Prewritten computer software access services purchased for use outside
26 the state and transferred electronically outside the state for use thereafter
27 solely outside the state.

1 ➔Section 32. KRS 243.045 is amended to read as follows:

- 2 (1) A transitional license may be issued by the state administrator or administrators
 3 during the time a transfer of an ongoing business is being processed under the
 4 following conditions:
- 5 (a) The purchaser shall file an application for a permanent license with the
 6 appropriate local alcoholic beverage authority and with the department;
- 7 (b) The purchaser shall submit its license application to the department for
 8 placement on the department's online listing~~advertise its intention to apply~~
 9 ~~for a license~~ pursuant to KRS 243.360; and
- 10 (c) The purchaser shall pay all application fees for the permanent license.
- 11 (2) If the above requirements are met, the state administrator or administrators, as
 12 appropriate, may issue a transitional license with a term of up to sixty (60) days,
 13 plus one (1) thirty (30) day renewal license, to the purchaser for a processing fee set
 14 forth in KRS 243.030 to 243.040. All transitional licenses immediately expire upon
 15 the issuance to the purchaser of one (1) or more permanent licenses.
- 16 (3) Upon completion of the sale of the business, the purchaser shall not operate the
 17 business on the seller's license.
- 18 (4) The transitional license shall not be transferable or used for an application to move
 19 a business from one (1) location to another location.
- 20 (5) The transitional license shall entitle the holder to the same privileges and
 21 restrictions of the permanent license or licenses for which the holder applied under
 22 subsection (1)(a) of this section.

23 ➔Section 33. KRS 243.430 is amended to read as follows:

- 24 (1) The state administrator may deny any application for a license if the application is
 25 incomplete or the correct fee has not been remitted with the application.
- 26 (2) A license shall not be approved or issued until the fourteen (14)~~thirty (30)~~ day
 27 period in which a protest is permissible has expired. Any license for which

1 ~~department listing~~~~[public notice]~~ under KRS 243.360 is required may conditionally
 2 be issued in less than fourteen (14)~~[thirty (30)]~~ days from the date the application is
 3 received if the premises has previously operated under the same type of license
 4 within the last twelve (12) months.

5 (3) The state administrator shall deny, approve, or issue licenses when, in the sound
 6 discretion of the administrator, all of the information necessary has been obtained
 7 or the applicant has refused to provide requested information.

8 ➔Section 34. KRS 243.790 is amended to read as follows:

9 The sale or distribution of alcoholic beverages or cannabis-infused beverages
 10 manufactured in or imported into this state for shipment permanently out of the state to
 11 be sold without the state and consumed without the state shall not be subject to the state
 12 regulatory license fees imposed by Sections 1, 2, and 3 of this Act or the tax imposed by
 13 KRS 243.720. Provided, however, the Department of Revenue may, when necessary for
 14 the purpose of control enforcement or protection of revenue, prescribe the conditions
 15 under which containers of the alcoholic beverages or cannabis-infused beverages for
 16 shipment permanently out of the state to be sold without the state and consumed without
 17 the state may be kept and trafficked in without payment of the tax.

18 ➔Section 35. KRS 243.850 is amended to read as follows:

19 (1) For the purpose of assisting in the enforcement of Sections 1, 2, and 3 of this Act
 20 and KRS 243.720, 243.730, 243.790, and 243.884, every licensee~~[, except~~
 21 ~~retailers]~~, whether subject to the payment of state regulatory license fees imposed
 22 by Sections 1, 2, and 3 of this Act or the taxes imposed by KRS 243.720, 243.730,
 23 243.790, and 243.884, shall, on or before the twentieth day of each month, render to
 24 the Department of Revenue a statement, in writing, of all trafficking in alcoholic
 25 beverages or cannabis-infused beverages during the preceding month.

26 (2) The statement shall:

27 (a) Be taken directly from the records of the reporting licensee or manufacturer of

1 cannabis-infused beverages permitted by the Department for Public Health,
2 and shall set forth on forms furnished by the Department of Revenue the
3 required information; and

4 (b) Include alcoholic beverages or cannabis-infused beverages destined for sale
5 outside the state, as well as alcoholic beverages or cannabis-infused beverages
6 subject to the state regulatory license fees imposed by Sections 1, 2, and 3 of
7 this Act or the tax imposed by KRS 243.720, 243.730, 243.790, and 243.884.

8 (3) The Department of Revenue shall have authority to require from retail licensees,
9 other licensees, and manufacturers of cannabis-infused beverages other reports and
10 statements at the necessary times for the enforcement of Sections 1, 2, and 3 of this
11 Act and KRS 243.720, 243.730, 243.790, and 243.884.

12 ➔Section 36. KRS 243.990 is amended to read as follows:

13 (1) Any person who, by himself or herself or acting through another, directly or
14 indirectly, violates any of the provisions of KRS 243.020 to 243.670, for which no
15 other penalty is provided, shall, for the first offense, be guilty of a Class B
16 misdemeanor; and for the second and each subsequent violation, he or she shall be
17 guilty of a Class A misdemeanor. The penalties provided for in this subsection shall
18 be in addition to the revocation of the offender's license.

19 (2) Any person who, by himself or herself or through another, directly or indirectly,
20 violates subsection (1) of KRS 243.020 shall, for the first offense, be guilty of a
21 Class B misdemeanor; for the second offense, he or she shall be guilty of a Class A
22 misdemeanor; and for the third and each subsequent offense, he or she shall be
23 guilty of a Class D felony.

24 (3) Any person who violates subsection (3) of KRS 243.020 shall be guilty of a
25 violation.

26 (4) Any person who violates KRS 243.620 with respect to a license issued under KRS
27 243.050 or 243.082 shall be guilty of a violation.

- 1 (5) Any person who violates any of the provisions of Section 2 of this Act~~[KRS~~
 2 ~~243.720 or 243.730]~~ or any administrative regulation issued thereunder shall be
 3 guilty of a Class A misdemeanor.
- 4 (6) Any person who violates any provision of Section 2 of this Act~~[KRS 243.710 to~~
 5 ~~243.850]~~ shall be subject to the uniform civil penalties imposed pursuant to KRS
 6 131.180.
- 7 (7) In every case, any state wholesale regulatory license fee~~[tax]~~ imposed by Section 2
 8 of this Act~~[KRS 243.710 to 243.720]~~ which is not paid on or before the due date
 9 shall bear interest at the tax interest rate as defined in KRS 131.010(6) from the due
 10 date until the date of payment.
- 11 (8) Any person who, by himself or herself or acting through another, directly or
 12 indirectly, violates KRS 243.502(1) shall, for the first offense, be guilty of a Class
 13 B misdemeanor, and for the second and each subsequent violation, he or she shall
 14 be guilty of a Class A misdemeanor. The penalties provided for in this subsection
 15 shall be in addition to the suspension or revocation of the offender's license.
- 16 (9) Any person who violates the provisions of KRS 243.897 shall be subject to a fine
 17 not to exceed one thousand dollars (\$1,000).
- 18 (10) Any vintage distilled spirits seller who, by himself or herself or acting through
 19 another, directly or indirectly, violates any of the provisions of KRS 243.232(6)
 20 shall:
- 21 (a) For the first offense, pay a five hundred dollar (\$500) fine;
- 22 (b) For the second offense, pay a two thousand five hundred dollar (\$2,500) fine;
- 23 and
- 24 (c) For the third and each subsequent offense, pay a five thousand dollar (\$5,000)
 25 fine.
- 26 ➔Section 37. KRS 243.100 is amended to read as follows:
- 27 (1) An individual shall not become a licensee if the individual:

- 1 ~~{(1)}~~(a) Has been convicted of any felony until five (5) years have passed from the
2 date of conviction, release from custody or incarceration, parole, or
3 termination of probation, whichever is later;
- 4 (b) Has been convicted of any misdemeanor involving a controlled substance that
5 is described in or classified pursuant to KRS Chapter 218A in the two (2)
6 years immediately preceding the application;
- 7 (c) Has been convicted of any misdemeanor directly or indirectly attributable to
8 the use of alcoholic beverages or cannabis-infused beverages in the two (2)
9 years immediately preceding the application;
- 10 (d) Is under the age of twenty-one (21) years; or
- 11 (e) Has had any license relating to the regulation of the manufacture, sale, and
12 transportation of alcoholic beverages or the regulation of the sale, distribution,
13 or transportation of cannabis-infused beverages revoked for cause or has been
14 convicted of a violation of any statute within KRS Chapters 241 to 244, until
15 the expiration of two (2) years from the date of the revocation or conviction.
- 16 (2) A partnership, limited partnership, limited liability company, corporation,
17 governmental agency, or other business entity recognized by law shall not be
18 licensed if:
- 19 (a) Each principal owner, partner, member, officer, and director does not qualify
20 under subsection (1)(a), (b), (c), (d), and (e) of this section;
- 21 (b) It has had any license relating to the regulation of the manufacture, sale, and
22 transportation of alcoholic beverages or the regulation of the sale, distribution,
23 or transportation of cannabis-infused beverages revoked for cause or has been
24 convicted of a violation of any statute within KRS Chapters 241 to 244, until
25 the expiration of two (2) years from the date of the revocation or conviction;
26 or
- 27 (c) Any principal owner, partner, member, officer, or director, or any business

1 entity in which they were directly or indirectly interested, has had any license
2 revoked for cause or has been convicted of a violation of any statute within
3 KRS Chapters 241 to 244, until the expiration of the later of two (2) years
4 from the date of the revocation or two (2) years from the date of conviction.

5 (3) The provisions of subsection (1)(a) and (b) shall apply to anyone applying for a new
6 license under this chapter after July 15, 1998, but shall not apply to those who
7 renew a license that was originally issued prior to July 15, 1998, or an application
8 for a supplemental license where the original license was issued prior to July 15,
9 1998.

10 (4) A person shall not evade license disqualification by applying for a license through
11 or under the name of a different person. The state administrators shall examine the
12 ownership, membership, and management of all license applicants, and shall deny
13 the application if a disqualified person has a direct or indirect interest in the
14 applicant's business. The department may issue administrative subpoenas and
15 summonses to determine ownership of an applicant or to investigate alleged
16 violations by a licensee.

17 (5) A direct shipper license applicant shall be exempt from the requirements of this
18 section, and shall instead follow the requirements set forth in KRS 243.027.

19 ➔Section 38. Sections 1 to 4, 9, 13, 15, 16, 20 to 26, 30, 31, and 34 to 36 of this
20 Act take effect July 1, 2027.

21 ➔Section 39. Whereas alcoholic beverages require prompt regulation and
22 enforcement, an emergency is declared to exist, and Sections 6, 10, 11, 19, 27, 32, and 33
23 of this Act take effect upon its passage and approval by the Governor or upon its
24 otherwise becoming a law.