

Section 3 imposes new fees on retailers selling kratom and hemp-derived cannabinoid products beginning July 1, 2027. Fees are based on the milligrams of active ingredients like mitragynine or THC. Retailers must file monthly reports and keep detailed records.

Section 4 would create a new Class A misdemeanor for violations of Sections 2 and 3.

Section 16 repeals and replaces KRS 243.075, which governs city and county regulatory license fees on alcohol sales. The new system:

- Allows cities and counties to impose a local fee on gross receipts from alcohol and cannabis-infused beverage sales to support local emergency services and administrative costs associated with enforcing the fee.
- Limits maximum rates depending on when the area became wet.
- Requires funds to be placed in a segregated account and used only for law enforcement, regulation, administration, and (in some cases) emergency services.
- Requires regular audits by the Auditor of Public Accounts.
- Establishes consequences for improper use of funds.

The fiscal impact of HB 612 on local government is indeterminable but likely positive and negative.

This bill allows local governments to charge fees on alcoholic beverages and cannabis infused beverages, which means localities may see new revenue streams from these products by the expansion of this legislation.

Cities and counties may continue to charge a regulatory license fee on gross receipts from alcoholic and cannabis infused beverages, but the bill sets new limits on how much they can collect and how those funds may be used. Local governments that were already imposing such a fee before the bill may charge up to 3%. Communities imposing the fee for the first time after the bill takes effect are limited to a maximum rate of 1%. Some jurisdictions may experience a revenue reduction if they previously charged more than allowed. Others may see new revenue if they had not imposed a fee before. The funds may be used to support local emergency services and to reimburse local governments for the estimated cost of policing, regulating, and administering the sale of alcoholic beverages or cannabis infused beverages in their jurisdictions.

Every local government that collects these fees must undergo an audit every three years and must pay for the audit using its segregated fund. If the audit finds misuse or noncompliance, localities may be forced to lower its fee to 1%, reimburse the segregated fund or lose the ability to impose the fee altogether. If a local government fails to file the annual report on time, all revenue from the previous year must be forfeited to the Auditor of Public Accounts, resulting in a potential loss of revenue if reporting deadlines are missed.

Section 4 would create a new Class A misdemeanor for violations of Sections 2 and 3 of HB 612. A person convicted of a Class A misdemeanor may be incarcerated for up to

twelve months. Misdemeanants are housed in one of Kentucky's 74 full-service jails or three life safety jails. While the expense of housing inmates varies by jail, this estimated impact will be based on an average cost to incarcerate of \$47.43 per day. While the majority of misdemeanor defendants are granted bail, those who do not will also cost local jails an average cost to incarcerate of \$47.43 per day.

Data Source(s): LRC Staff

Preparer: JB **Reviewer:** HT (MDA) **Date:** 3/9/26