FINANCE AND ADMINISTRATION CABINET

Department of Revenue

(Amendment)

103 KAR 41:040. Vending [~~Cigarette vending~~]machine operators.

RELATES TO: KRS 138.130, 138.195

STATUTORY AUTHORITY: KRS 131.130, 138.195

NECESSITY, FUNCTION, AND CONFORMITY: KRS 131.130(1) authorizes the Department of Revenue to promulgate administrative regulations for the administration and enforcement of Kentucky tax laws. KRS 138.195 requires the department to promulgate an administrative regulation to prescribe how the information shall be affixed to a vending machine. This administrative regulation[~~, under authority of KRS 138.195,~~] outlines license requirements for [~~cigarette~~]vending machine operators that sell cigarettes, tobacco products, vapor products, or a combination thereof.

Section 1. Definitions. (1) "Cigarettes" is defined by KRS 138.130(2).

(2) "Department" is defined by KRS 138.130(5).

(3) "Tobacco products" is defined by KRS 138.130(23).

(4) "Vapor products" is defined by KRS 138.130(29).

Section 2. Upon issuance of a [~~cigarette~~]vending machine operator's license by the department [~~Department of Revenue~~], the license shall be retained at the principal address of the vending machine operator. If a change of address occurs, written notification shall be given to the department. The license number along with the name and address of the operator shall be affixed to each machine in operation in such a manner as to be visible at the time of the purchase of cigarettes, tobacco products, vapor products, or a combination thereof.

103 KAR 41.040

APPROVED BY AGENCY:

Thomas B. Miller

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THOMAS B. MILLER, COMMISSIONER
Department of Revenue
Finance and Administration Cabinet

07/08/2026
Date

PUBLIC HEARING AND PUBLIC COMMENT PERIOD

A public comment on this administrative regulation shall be held on September 23, 2026, at 10:00 a.m. ET/9:00 a.m. CT in Room 11A, State Office Building, 501 High Street, Frankfort, Kentucky 40601. Individuals interested in being heard at this hearing shall notify this agency in writing at least five (5) workdays prior to the hearing, of their intent to attend. If no notification of intent to attend the hearing is received by that date, the hearing may be canceled. A transcript of the public hearing will not be made unless a written request for a transcript is made. If you do not wish to be heard at the public hearing, you may submit written comments on the proposed administrative regulation. Written comments shall be accepted through September 30, 2026. Send written notification of intent to be heard at the public hearing or written comments on the proposed administrative regulation to the contact person.

CONTACT PERSON: Gary Morris, Executive Director, Office of Tax Policy and Regulation, Department of Revenue, 501 High Street, Station 1, Frankfort, Kentucky 40601, (502) 564-0424 (telephone), (502) 564-3875 (fax), DORTAXPOLICY@ky.gov (email).

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

103 KAR 41:040
Contact Person: Gary Morris
Phone: (502) 564-0424
Email: DORTAXPOLICY@ky.gov

Subject Headings: Finance and Administration; Taxation; Tobacco

(1) Provide a brief summary of:

(a) What this administrative regulation does: This administrative regulation establishes license requirements for vending machine operators that sell cigarettes, tobacco products, vapor products, or a combination thereof.

(b) The necessity of this administrative regulation: This administrative regulation is necessary to provide guidance to taxpayers on license requirements for vending machine operators selling cigarettes, tobacco products, vapor products, or a combination thereof.

(c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 138.195 requires the Department to promulgate an administrative regulation regarding how information shall be affixed to a vending machine. KRS 131.130 authorizes the Department to promulgate administrative regulations for the administration of Kentucky's tax laws.

(d) How this administrative regulation currently assists or will assist in effective administration of the statutes: This administrative regulation establishes license requirements for vending machine operators that sell cigarettes, tobacco products, vapor products, or a combination thereof.

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change the existing administrative regulation: This amendment would add definitions and clarify that the licensing requirements for vending machine operators also applies to vending machines with tobacco products or vapor products.

(b) The necessity of the amendment to this administrative regulation: See 2(a).

(c) How the amendment conforms to the content of the authorizing statutes: See 1(c).

(d) How the amendment will assist in the effective administration of the statutes: See 1(d).

(3) Does this administrative regulation or amendment implement legislation from the previous five years? {If yes, provide the year of the legislation and either the bill number or Ky Acts chapter number being implemented.} 2026 HB 757 clarified that licensing requirements for vending machine operators applies to tobacco products and vapor products.

(4) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: Vending machine operators that sell cigarettes, tobacco products, vapor products, or a combination thereof.

(5) Provide an analysis of how the entities identified in question (4) will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including:

(a) List the actions that each of regulated entities identified in question (4) will have to take to comply with this administrative regulation or amendment: This amendment clarifies that vending machine operators will have the same licensing requirements as cigarettes for vending machines selling tobacco products, vapor products, or any combination.

(b) In complying with this administrative regulation or amendment, how much will it cost each of the entities identified in question (4): The Department does not anticipate additional costs to be incurred.

(c) As a result of compliance, what benefits will accrue to the entities identified in question (4): The vending machine operators will benefit by having clarification on the licensing requirements.

(6) Provide an estimate of how much it will cost the administrative body to implement this administrative regulation: There are no costs associated with this amendment.

(a) Initially:

(b) On a continuing basis:

(7) What is the source of funding to be used for the implementation and enforcement of this administrative regulation: Any costs would be absorbed in the current budget.

(8) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment: No fees are included in this administrative regulation.

(9) State whether or not this administrative regulation establishes any fees or directly or indirectly increases any fees: No fees are included in this administrative regulation.

(10) TIERING: Is tiering applied? {Explain why or why not} Tiering is not applied because the licensing requirements apply to all vending machine operators selling cigarettes, tobacco products, vapor products, or a combination thereof.

FISCAL IMPACT STATEMENT

103 KAR 41:040
Contact Person: Gary Morris
Phone: (502) 564-0424
Email: DORTAXPOLICY@ky.gov

(1) Identify each state statute, federal statute, or federal regulation that requires or authorizes the action taken by the administrative regulation: KRS 131.130 and 138.195

(2) State whether this administrative regulation is expressly authorized by an act of the General Assembly, and if so, identify the act: KRS 131.130 permits the Department to promulgate administrative regulations for the administration of all tax laws. KRS 138.195 requires the Department to promulgate an administrative regulation regarding how information shall be affixed to a vending machine.

(3)(a) Identify the promulgating agency and any other affected state units, parts, or divisions: This amendment does not impact other state agencies.

(b) Estimate the following for each affected state unit, part, or division identified in (3)(a):

1. Expenditures: No additional expenditures are anticipated.
   For the first year:
   For subsequent years:
2. Revenues: No additional revenues are anticipated.
   For the first year:
   For subsequent years:
3. Cost Savings: No cost savings are anticipated.
   For the first year:
   For subsequent years:

(4)(a) Identify affected local entities (for example: cities, counties, fire departments, school districts): The amendment to this administrative regulation should not impact local agencies.

(b) Estimate the following for each affected local entity identified in (4)(a):

1. Expenditures: No additional expenditures are anticipated.
   For the first year:
   For subsequent years:
2. Revenues: No additional revenues are anticipated.
   For the first year:
   For subsequent years:
3. Cost Savings: No cost savings are anticipated.
   For the first year:
   For subsequent years:

(5)(a) Identify any affected regulated entities not listed in (3)(a) or (4)(a): Vending machine operators selling cigarettes, tobacco products, vapor products, or a combination thereof.

(b) Estimate the following for each regulated entity identified in (5)(a):

1. Expenditures: No additional expenditures are anticipated.

    For the first year:

    For subsequent years:

2. Revenues: No additional revenues are anticipated.

    For the first year:

    For subsequent years:

3. Cost Savings: No cost savings are anticipated.

    For the first year:

    For subsequent years:

(6) Provide a narrative to explain the following for each entity identified in (3)(a), (4)(a), and (5)(a):

(a) Fiscal impact of this administrative regulation: There is no fiscal impact anticipated.

(b) Methodology and resources used to reach this conclusion: This amendment adds definitions and clarifies that vending machine licensing requirements are the same as cigarettes for tobacco products, vapor products, or any combination of products.

(7) Explain, as it relates to the entities identified in (3)(a), (4)(a), and (5)(a):

(a) Whether this administrative regulation will have a "major economic impact", as defined by KRS 13A.010(14): There is no major economic impact anticipated with this amendment.

(b) The methodology and resources used to reach this conclusion: This amendment adds definitions and clarifies that vending machine licensing requirements are the same as cigarettes for tobacco products, vapor products, or any combination of products.