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The return or exchange of products for which there is only a limited or seasonal demand, such as holiday decanters and certain distinctive bottles, does not constitute a return for "ordinary and usual commercial reasons."

# ABD Regulatory Focus for 2016 & 2017

## Site Inspections

### Class "E" Liquor Control Licensees

- New licensees
  - One year follow up
- Adjacent licenses
- Multiple locations
- With Class "C" Beer Permit Sub-license
  - Growlers

### Class "C" Liquor Licensees

- Brew Pub Sub-license

### Class "B" Beer Permittees

- Brew Pub Sub-license

### Class "C" Beer Permittees

- Growlers

### Waivers

- Vending machine
- Bathroom

### Smokefree Air Act

## Regulatory Compliance Examinations

Breweries

Micro-distilleries

Wholesalers

Wineries

## Complaint Investigations

## **Quad-City Times: Craft whiskey making a comeback in the Q-C**

By Amanda Hancock | March 29, 2016

If things had gone down differently, Davenport could have been the whiskey capitol of the world.

That's what Frank Hurtte thinks, anyway.

"If you think about our agriculture here and use a some imagination and some common sense, Iowa should be Kentucky in terms of whiskey," said Hurrte, a business consultant who has been researching Davenport and whiskey for more than a decade. "Davenport was the place for whiskey at one point, but it's not the mecca it could've been."

But it might be getting a second chance.

More than a century after Prohibition stunted the could-be boom, Davenport-style whiskey is making a comeback thanks to Artisan Grain Distillery, which is on 2nd Street.

Two years ago, Allen Jarosz started making rum, moonshine and unaged whiskey under the name Artisan Grain. Some products already are on the shelves at bars around the Quad-Cities and Hy-Vee stores, and you can sample the spirits most days if you walk in for a tour.

And it's only the beginning, Jarosz says.

"Davenport whiskey is unlike any other kind," he said. It's all about the locally grown corn and grain. And it's all about the natural Davenport yeast making its way into the open vats in each batch.

"There are shortcuts for whiskey, but I don't use them. This is the real thing," he said. "I'm thinking long-term, so I don't want to be really loud about what I'm doing. I want the anticipation to kind of build a little bit."

For more than 15 years, Jarosz and his wife, Sarah, have operated Davenport Tractor, which manufactures parts for the antique John Deere tractor line, out of their storefront on 2nd Street.

Jarosz, who owns more than 100 acres of land near Milan, used to think there was nothing more true to his Iowa roots than John Deere tractors. Until he found out about whiskey.

And as he watched restaurants open and craft breweries pop up and industrial buildings turn into lofts, he felt the itch to do more with his space.

“We had a great location, but you don’t just walk by my shop and want to look at tractor parts,” he said. “It doesn’t always grab attention, so I started to think about what would grab attention.”

His mind quickly went to his go-to drink of choice.

“In my down time, I want a really good whiskey,” he said. “So something inside me said to follow that passion and to see if I not just enjoy whiskey, but create it.”

He didn’t learn the ropes overnight. Jarosz took classes at Moonshine University in Louisville, Ky., read dozens of books, watched YouTube videos and made trips to distilleries around the country. But he didn’t realize how much local history was on his side until he teamed up with Hurtte.

“There were so many stories of how this area was tied to whiskey and bourbon and rum,” he said. “It was a lot, and I was kind of like, who else knows about this?”

He even found a tangible sample of those stories — he dug up a 100-year-old bottle buried under his property while renovating his space.

“This craft whiskey thing is really a movement that’s connecting to our past,” Hurtte said.

Now, Jarosz, who is in his 60s, spends most days with his chemist hat on — tinkering with the kettle, a water silo, the still and fermenters. From start to finish, the stilling process takes roughly two weeks and ends with about 50 gallons of finished product. He then lets the liquids age in wooden barrels for varying stretches of time. Moonshine could be ready in a few weeks or months, while some of his rums age for a year. His first batches of bourbon won’t be ready for another two years.

“I call the batches my kids, because every single day, I walk in and check on my kids,” Jarosz said. “You’re always checking on it to see how it’s coming along, but you know it takes time. You have to be patient.”

As far as the craft whiskey movement goes, it’s all about timing, according to Ryan Burchett, who opened Mississippi River Distilling Co. in LeClaire with his brother about five years ago. Back then, there were about 500 micro-distilleries around the country. Today, he says there’s probably more than 1,000, and there are nine listed in Iowa.

“It’s just growing exponentially,” Burchett said. “It’s possible because the craft beer industry paved the way. You want quality in your own backyard, so you seek it out.”

While Burchett is a few years ahead of Jarosz in terms of aged products, he can tell there's wide potential for both of them.

"Whiskey is where our market is in Iowa above any other liquor," Burchett said. "There's nothing super interesting about vodka, and you don't think of Iowa when you think of wine."

But to make whiskey, you need good grain. And you need corn. Burchett makes sure to get his ingredients from places within 25 miles of the distillery.

"Those are our native crops, so it's almost obvious," he said. "We have the finest ingredients in our backyard, and it means something more because of that."

And the distillery is already starting to get recognition. It distributes to 26 states and three foreign countries. Cody Road Bourbon is one of the newest bourbons around, but it's already being talked about and cracking national lists.

But at both distilleries, there are challenges to overcome. Current state laws won't allow them to sell cocktails or samples of their products in house, so Burchett and Jarosz can't host regular tastings or events. Also, as the law stands, they can sell only two bottles per customer per day.

"That's something we've been fighting, and it seems like we've made a lot of headway," Burchett said, noting that there should be a decision in April from state Legislature. "We want to be a place where people can just hang out like a regular bar."

Burchett and Jarosz know it's a long road ahead. But to them, whiskey is something that already has stood the test of time.

"Whiskey is a waiting game," Jarosz said. "We've waited almost a century for this to come back, so I'll keep waiting. I think a big moment is on its way."

## **Iowa Public Radio: “Big Beer” vs. Spirits at the Statehouse**

By Joyce Russell | April 8, 2016

Beer manufacturers and wholesalers are trying to stop a bill in the legislature that would benefit Iowa’s burgeoning distillery industry.

The bill would put makers of spirits on a more even playing field with breweries and wineries.

Under the bill, distilleries could sell spirits by the glass in their tasting rooms and increase the daily sales limit. Wineries and brewers can sell by the glass and bottle with no sales or production limits.

“We feel like this is a fair bill that addresses legitimate issues for small Iowa businesses,” said Garrett Burchett, owner and distiller at Mississippi River Distilling Company in LeClaire, Iowa. “We aren’t asking for special treatment. We’re asking for equal treatment.”

Burchett says since his company opened five years ago, a winery and brewery have both opened with a block of the distillery.

“Our customers expect to enjoy a similar experience when they come to our business,” Burchett said.

The only groups registered against the bill are the Iowa Wholesale Beer Distributors and Anheuser Busch.

“The bill weakens the legitimacy of the system that regulates alcohol in Iowa,” the wholesalers group said in a statement.

The bill raises the limit on production of spirits for Iowa distilleries. The wholesalers group says that would put Iowa out of line with some surrounding states. But the distilleries say other nearby states have no production limits at all.

The bill is stalled in the Iowa House. It appeared on the House debate calendar earlier in the session, but was then removed from the debate list.

“Many of our members feel strongly on both sides of this issue so discussions are ongoing,” said House Speaker Linda Upmeyer.

Iowa grains are used in spirits. The Iowa Cornrowers Association supports the bill.

“We see this as an economic development bill,” said Jason Gordon, Vice President of Public Affairs for the Quad Cities Chamber of Commerce.

Iowa’s small craft brewers support the bill.

## **Brewbound: Craft-Friendly Amendment Could be Added to FAA Reauthorization Act**

By Chris Furnari | April 11, 2016

It's been 10 months since the U.S. Senate formally reviewed the Craft Beverage Modernization and Tax Reform Act (CBMTRA), but the proposed federal excise tax reductions could still hitch a ride through congress thanks to the Federal Aviation Administration (FAA) Reauthorization Act of 2016.

The Senate will continue its review of S.2658 — a “must-pass” bill that would reauthorize the FAA and specified FAA programs – this week. Sen. Ron Wyden (D-OR), the ranking Democratic member of the Finance Committee, first introduced the bipartisan CBMTRA last June. He has hinted that he is considering a beverage-friendly amendment as last-minute addition to the FAA bill.

“Obviously there are members with an interest in energy,” Wyden told reporters last week, according to Politico. “There have been interest in other issues. I’ve obviously cared deeply about a bill to modernize the rules with respect to wine and beer and cider.”

The craft-friendly legislation would lower excise taxes on all brewers, importers, distillers, cider producers and winemakers, and is jointly backed by the Beer Institute and the Brewers Association. As written, CMBTRA reduces the federal excise tax to \$3.50 per barrel on the first 60,000 barrels for domestic brewers producing fewer than 2 million barrels annually. It also reduces the federal excise tax to \$16 per barrel on the first 6 million barrels for all other brewers and all beer importers.

“There are some tax provisions in the FAA Act which make the craft beverage bill a potential add-on,” Beer Institute president Jim McGreevy told Brewbound. “We have a lot of support in the Senate and a lot of support in the House. There are a lot of members of Congress that think beer tax reform is a good idea, so I am hopeful.”

The CBMTRA currently has 33 co-sponsors in the Senate and 172 co-sponsors in the House.

It's unclear if an official amendment that includes the tax breaks for alcoholic beverage producers has been added to the FAA Act, or what form that amendment would be in, but it nevertheless could be tied to energy provisions that were accidentally left out of the \$1.1 trillion December tax extender package.

“We are working with our congressional supporters to have it added to the FAA act,” Brewers Association CEO Bob Pease told Brewbound. “We have great confidence in our congressional champions.”

Democratic and Republican Senators are hoping to finalize the FAA bill this week, according to Politico.

Senator Amy Klobuchar (D-MN), a co-sponsor of the CBMTRA who this morning addressed a crowd of about 400 beer distributors attending the National Beer Wholesalers Association’s legislative conference in Washington D.C., said there were some “positive signs” that beer tax reform would ride along with the FAA Act.

Even if a craft-friendly amendment doesn’t make it onto the FAA Act, the support CBMTRA has garnered still serves as a “great firewall to any kind of federal excise tax increases in the future,” according to Pease.

## **Venture Beat: Delivery.com acquires BrewDrop to boost alcohol orders in Texas**

By Harrison Weber | April 12, 2016

Food, drink, and laundry delivery site Delivery.com announced today that it's acquired BrewDrop, an Austin, Texas-based alcohol delivery app. Delivery.com declined to share how much it paid.

The acquisition arrives as like-minded startups moving alcohol around both expand — like Drizly — and consolidate — including Thirstie and Drinkfly and Minibar and Booze Carriage.

Following the deal, Delivery.com's second acquisition, BrewDrop will eventually shut down and redirect users to Delivery.com. In a press release, Delivery.com said the acquisition will "immediately increase its alcohol-ordering customer base by 10 percent." Just one BrewDrop team member, cofounder Andrew Bell, will join Delivery.com.

## **New York: Recommendations to update New York's alcohol laws include reorganizing statute, consolidating licenses and modernizing the State's Blue Laws**

April 13, 2016

Governor Cuomo today announced the final report and recommendations of the Alcoholic Beverage Control Law Working Group – a diverse group of alcoholic beverage industry experts assembled to review ways to modernize and simplify New York's 80-year old Alcoholic Beverage Control Law.

"Working collaboratively with all stakeholders, this administration has taken important steps to cut red tape, roll back burdensome recommendations and help this industry continue to grow, thrive and create jobs in New York," Governor Cuomo said. "I thank the members of this group for their work and their recommendations on how to continue this progress and look forward to reviewing its findings."

Following the third Wine, Beer, Spirits and Cider Summit, Governor Cuomo called for the modernization of the state's Alcoholic Beverage Control Law, noting that the statute, enacted in 1934 following the repeal of Prohibition, is outdated, confusing, and difficult for businesses to navigate. In November 2015, the Governor created this Working Group comprised of industry attorneys, craft manufacturers, retailers, wholesalers, a Community Board representative and other industry experts to review the law and make recommendations on how best to modernize it.

Over four public meetings, the Working Group agreed to over a dozen recommendations to revise, consolidate and modernize the law, including:

**Reorganizing the Alcoholic Beverage Control Law:** While a host of legislative improvements have been recently implemented, the Working Group found the overall statute remains a patchwork of laws organized by the beverage type, rather than by the type of license a business would need, leading to confusion and misinterpretation. The Working Group recommends a complete reorganization of the laws in a coherent, customer focused manner in order to better serve those regulated businesses. The report includes a proposed outline for reorganizing the statute.

**Consolidating Licenses:** There are currently nine separate licenses authorizing the sale of alcohol for on-premises businesses (restaurants, bars, taverns, etc.) scattered throughout three articles of the Alcoholic Beverage Control Law. The Working Group finds the current structure causes confusion and recommends amending the law to reduce the number of licenses to three: one for beer; a second for wine and beer; and a third for establishments

that serve beer, wine and liquor. The proposed statutory change will clearly state the types of businesses eligible for a particular license, thereby simplifying the application process.

**Modernizing New York's Blue Laws:** The Alcoholic Beverage Control Law includes provisions strictly prohibiting the sale of alcoholic beverages at on-premises establishments (restaurants, bars, taverns) from 4 a.m. until 12 noon on Sunday. The Working Group recommends two options regarding sales on Sunday; (1) amending the statewide hours from 12 noon to 8 a.m., or (2) creating a permit to allow on-premises licenses to serve before noon on Sunday.

**Supporting Craft Manufacturers:** At the 2012 Wine, Beer and Spirits Summit, Governor Cuomo ended the State Liquor Authority's policy prohibiting multiple manufacturing licenses at the same location, recognizing the additional burdens this placed, for example, on a small winery that wanted to also make whiskey – including building a completely separate facility. However, businesses holding multiple licenses must still file paperwork and renewals for each separate license. The Working Group recommends combining craft manufacturing licenses into one application to reduce mandatory paperwork for these small businesses. In addition, the Working Group recommends authorizing wineries and farm wineries to allow customers to take home partially finished bottles of wine, reducing the fee and eliminating the mandatory bond for solicitor's permits for craft manufacturers, and allowing wineries to sell wine in refillable growlers.

The Working Group's complete report can be found [here](#).

New York State Liquor Authority Chairman Vincent Bradley said, "This report is the culmination of hours of discussions and debate in an effort to reach consensus on changes needed to continue moving this industry forward. Implementation of these recommendations will lead to immediate improvements to the laws regulating this vital industry and strengthen New York's position as a leader in the beverage industry."

New York State Agriculture and Markets Commissioner Richard A. Ball said, "Thanks to Governor Cuomo's commitment to the beverage industry, we're seeing much needed changes to the ABC Laws. A lot of careful thought and consideration went into these recommendations and employing them will help strengthen New York's already booming alcoholic beverage industry by eliminating barriers and opening doors for new business opportunities."

New York Wine & Grape Foundation President Jim Trezise said, "We applaud Governor Cuomo's proactive, common sense approach to having government and industry partner in reviewing an antiquated, economically counterproductive patchwork quilt of laws. Chairman Vincent Bradley and his colleagues at the New York State Liquor Authority did an excellent job coordinating a complicated process involving many different interests. It is 'entrepreneurial government' at its best."

Empire State Restaurant and Tavern Association Executive Director Scott Wexler said, "The report of the working group represents the progress that can be achieved when a group of

diverse interests works collaboratively to move the industry forward. The thousands of taverns and restaurants we represent thank Governor Cuomo and Chairman Bradley for convening the working group and look forward to turning these long-overdue recommendations into law."

Brooklyn Brewery founder Steve Hindy said, "I am grateful for the opportunity to serve on the ABCL Working Group. The Working Group brought together a diverse group of industry, legal and consumer experts to review laws written more than 80 years ago. The Working Group's recommendations remove unnecessary bureaucratic impediments to obtaining licenses and complying with the state's ABC laws. The recommendations bring the ABC laws into the 21st Century and recognize the important role the wine, cider, beer and spirits industries are playing in New York State's economy."

Danow, McMullan & Panoff Partner Keven Danow said, "Governor Cuomo has kept his promise to do everything in his power to make New York a friendly place for business. At his request, Chairman Bradley empaneled a working group of Beverage Alcohol Industry Members to review the Alcoholic Beverage Law and make recommendations as to ways to streamline and improve our laws without weakening the protections our citizens enjoy. The Governor and Chairman Bradley have earned the praise and respect of industry and consumers alike."

Robert Bookman, Counsel to the NYC Hospitality Alliance said, "The NYC Hospitality Alliance, representing thousands of the City's restaurants, bars nightclubs and hotels, was honored to be a part of the Working Group and we thank the Governor and the SLA for cooperative discussions that will lead to needed reforms to the ABC law, reforms that will benefit the industry, our employees and the millions of New Yorkers and visitors who frequent our establishments."

Tuthilltown Spirits Founder and Master Distiller Ralph Erenzo said, "Thanks to the Governor and Chairman Bradley for an opportunity to work with the other stakeholders in New York's emerging artisan beverage industry on the Law Revision Working Group. The report will help New York spirits, wine, beer and cider to flourish by suggesting revisions that provide clear language text and remove unnecessary barriers to entry for new producers. Changes also include expanding access to markets for beverage sales."

New York State Liquor Store Association President Tom Edwards said, "What a truly gratifying experience to have industry leaders come together and find common ground. On behalf of the New York State Liquor Store Association and its membership, a big thank you to Governor Cuomo and Chairman Bradley!"

New York State Beer Wholesalers Association President Steve Harris said, "We thank Governor Cuomo and Chairman Bradley for convening this diverse group of representatives, from New York's large established manufacturers to the newest small craft producers, to examine and make recommendations for modernizing the 80 year old ABC law. These recommendations will build on the progress made over the past five years and

help further strengthen and grow this vital industry while recognizing and preserving the validity of our State's three tier system."

Food Industry Alliance of New York State President & CEO Michael Rosen said, "We want to thank Governor Cuomo and Chairman Bradley for taking the initiative on modernizing the alcohol laws and to eliminate many antiquated provisions that burdened the trade without protecting the public in a meaningful way. Food store operators across New York appreciate the time, effort and leadership it took to forge a consensus on this well drafted proposal. Cheers!"

Buchman Law Firm Managing Partner Mark Koslowe said, "Much thanks to the Governor, Chairman Bradley and his distinguished colleagues and staff for their hard work in assembling the initial agenda and subsequent amendments and comments which enabled the Working Group to reach consensus on issues for New York's alcoholic beverage industry and especially the emerging artisan beverage arena. The report will be a useful aid in providing current and future guidance for the Industry by suggesting revisions that provide clear language text and remove unnecessary barriers for the trade. Efforts by all participants should be lauded."

North American Breweries Senior Counsel Kelly Diggins said, "New York State is poised to simplify its alcoholic beverage control laws and help our beer, wine, spirit and cider industry continue to thrive. Congratulations to our Governor and Chairman Bradley for creating such a participatory and common-sense approach that allowed industry members to weigh in and make recommendations."

## **KCRG: Iowa distilleries fight to move legislation through state capitol**

By Brea Love | April 13, 2016

SWISHER, Iowa (KCRG-TV9) -- Heading to small, locally owned breweries, wineries, and distilleries are popular outing among Iowans. But distilleries can't operate under the same rules according to Iowa law.

Currently distilleries cannot serve their own whiskey in a glass, they must sell by the bottle. Also customers are only allowed to purchase two.

Cedar Ridge Distillery Owner Jeff Quint said with a growing industry, the rules should be changed.

"We have thousands of visitors a month that come here, and they can't partake of our spirits while they're here. They can go across the border to any state surrounding us and they can visit the distillery and they can have a cocktail," Quint said.

He said the distillery business could be good for the economic growth of Iowa.

"We import about 300 million dollars a year worth of distilled spirits in Iowa, I think we should be exporters of distilled spirits not importers," Quint said. "It could change the dynamic economically and it's sad to see that we have a disadvantage from all the states around here, so we're just trying to get our laws here in Iowa updated so they're more progressive."

That's why House File 2431 was introduced and received 90% of support as it went through two committees. It was placed on the house calendar, but shortly fell off with no explanation.

"The corn growers are supporting it, the brewers are supporting it, the Association of Business and Industry is supporting it, the local chambers are supporting it, there's really only one opponent," Quint said. "That's what I would describe as big beer."

Distilleries believe Iowa Beer Wholesalers and other distributors are stopping the bill from moving through the house. Officials from Fleck Sales say consumer selection in the alcoholic beverage industry is expanding, making it more complex than ever before.

The company's Vice President of Marketing and Sales Mike Schulte released this statement in response to the opposition.

“Collaboration and team work across the beer, spirits, and wine industries, I believe, is the solution to adapt and evolve the Iowa Code to find proper balance for all stakeholders. The 3 industries (beer wine and spirits) need to improve their communication at all levels starting with the state associations.”

Quint said he believes the large beer companies don't want to give strength to distilleries, but he hopes bringing awareness will allow the legislation to keep moving.

## **Newton Daily News: Alcohol is a drug — period**

By Jason Brooks | April 13, 2016

It's a beautiful, warm weekend evening, and booze is flowing. Good times are about to roll for adults all across Iowa.

I'm hoping many of the adults on those fun evenings plan well and make arrangements to get home safely.

I know alcohol is a huge part of both the economy and many a fun time, and we have made huge strides as a society over the last 30 years in education and law enforcement to cut down on serious accidents. However, there are a few more safety adjustments needed in the years ahead.

Half measures won't change the concerns police and family members have about late-night travel, and how many alcohol-related mishaps tend to happen at night. There is no such thing as making too big a deal out of alcohol responsibility and safety.

While many of us are quick to judge those who get involved with dangerous, illegal narcotics, we sometimes forget about the liquid that reminds us all the time it is also a lethal drug.

None of us can moralize on vehicle safety in terms of being mistake-free. I'm sure I have some bad habits that need work. I've learned many bad driving situations — from rolling stops to driving buzzed or falling asleep at the wheel — have to do with lack of preparation. If you think you might be drinking and then have to get somewhere else, plan ahead.

Law enforcement does its part by trying to be consistent. It's one thing for a buzzed driver to make it home safely without being pulled over, even 10 million Iowa State Patrol troopers would still miss a few people. But among drivers who are stopped, especially at night, it would help greatly to have even more consistency from agency to agency.

Most of us have heard at least one or two stories about family or friends who have been charged in different ways than someone who seemed to have many of the same circumstances. Even taking the uniqueness of each case into account, it would aid greatly to have more evenly interpreted laws on arrests, charges and procedures — both in terms of police-driver interaction and in terms of police being seen as referees who are an obstacle to be outsmarted.

There are also likely some inconsistencies within each department that should be addressed. I know agencies do their best to minimize this and get everyone on the same page, and I salute any efforts to have a police enforcing laws in the same ways.

Hopefully, police know they can take suggestions and needs for policy improvement as coming from the same citizens who honor them in ceremonies and who call upon them for help in tough times.

Ultimately, however, policy consistency is not as important as adults being responsible for planning well. Driving drunk or stoned is not really like cheating akin to an illegal hold. It's more like swinging at other drivers with a 3,000-pound (or more) baseball bat.

As the literature of the highly successful 12-step program, Narcotics Anonymous, reminds us, alcohol is the legal drug that requires the most delicate care.

"Thinking of alcohol as different from other drugs has caused a great many addicts to relapse," NA's pamphlet "How it Works" reads. "We cannot afford to be confused about this. Alcohol is a drug."

## **Des Moines Register: Legislature unlikely to approve drinks by the glass for distillers**

By Brianne Pfannenstiel | April 14, 2016

A bill that would allow Iowa distilleries to sell cocktails and pour drinks by the glass is unlikely to advance out of the House of Representatives this session.

Currently, liquor distilleries face a number of restrictions that breweries and wineries do not. House File 2431 would lift some of those limitations, including a ban on serving their product to patrons. They currently can only pour a small sample, and they cannot charge for those samples.

Garrett Burchett, owner of Mississippi River Distilling Co. in Le Claire, has been lobbying the Legislature for the change for years. He said the bill appears “dead as a doornail” this session.

“To me, it puts the distilleries on par with the wineries and the microbreweries and the brewpubs and all those people that we have already allowed to serve their products by the drink in their facilities,” said Rep. Guy Vander Linden, a Republican from Oskaloosa who has championed the legislation in the House.

The measure, which had bipartisan support in the House State Government Committee and the House Ways and Means Committee, has not advanced to the House floor for a vote. House Majority Leader Chris Hagenow, R-Windsor Heights, would not specify why it has not advanced.

It has been opposed primarily by the Iowa Wholesale Beer Distributors Association.

“We're willing to consider new proposals over the interim,” Nathan Cooper, executive director of the wholesale association, said in a statement. “But we remain opposed to the proposed legislation.”

His organization argues it's a violation of a three-tier system, a framework used by states to regulate the alcohol industry.

Manufacturers, distributors and retailers make up those three tiers, and each tier must retain some degree of separation. The structure was put in place following the repeal of Prohibition in an effort to prevent the overselling of alcohol and other issues that had previously ravaged the country.

Currently, distillers produce their liquor and sell it back to the state, which acts as the wholesaler. The state marks up the price of the product by 150 percent and sells it back to distillers, who then can sell it to customers by the bottle. They are limited to selling two bottles of liquor per person per day.

The bill would still require them to sell their liquor to the state, and it would be purchased by a company such as Hy-Vee. The distiller could then purchase its own liquor from Hy-Vee and pour it to patrons by the glass.

It's still a convoluted process, but distillers say they want to try to abide by the three-tier system. They say it's worth it if it means they can open up tasting rooms, such as those allowed at breweries and wineries. He said that presents a valuable source of revenue for distillers.

Other states, including Illinois, already allow distillers to sell their product by the glass. Burchett said he's considered relocating.

"I don't have to fight anything if I move to Illinois," he said.

Vander Linden said the bill will definitely be revived next session. He said a compromise with the Senate is still being sought.

## **Quad-City Times: Editorial: Iowa clings to anti-business liquor laws**

By Quad-City Times Editorial Board | April 15, 2016

Iowa's puritanical liquor laws are best left in the mid-20th century. The anti-choice booze mandates should go the way of polio.

Yet again, reasonable, pro-business legislation is stalled in the House because it involves liquor. It's legislation that would promote competition while providing a level playing field for in-state distilleries, including LeClaire-based Mississippi River Distilling Company.

But, per usual, Iowa lawmakers opt to sip when a gulp is required.

Most of the state's liquor laws were direct responses to the end of Prohibition. The eight-decade-old anachronisms intentionally offer preference to low-alcohol content beverages, wine and beer. It intentionally hamstring liquor production. It intentionally gives the state huge control over the sale and consumption of booze.

It all sprang from fear -- fear of wild, gambling-rife saloons and the prostitutes that worked them. Times have changed.

Casinos are a significant part of the Quad-Cities economy. The bar scene is integral to the region's quest to brand itself "hip." Microbreweries and craft beers, bolstered by friendly state law, are thriving.

And yet, Mississippi Distilling Company owner Garrett Burchett has to fight every step of the way for his business' survival.

The bill now dying the slow death of legislative inaction would boost the amount of whiskey Burchett can annually churn out. It would increase the ridiculous two-bottle limit on individual sales. And, perhaps of greatest import, it would permit distilleries to sell a glass of liquor on site.

Wine and beer tastings are big business now. Customers are right to be confused by Burchett's inability to offer something similar.

Confusion is the ultimate outcome of nonsensical, disproportionate regulation.

But the legislation would neuter "the legitimacy of the system that regulates alcohol in Iowa," Iowa Wholesale Beer Distributors griped last week to Iowa Public Radio. Only the distribution association and beer giant Anheuser Busch -- the very groups that enjoy special treatment -- openly oppose the bill.

The "legitimacy" argument is bunk. This is about maintaining a market advantage, plain and simple. The state's three-tier liquor laws, segregating on-site consumption from wholesale distribution, are products of a bygone age filled with bygone fear mongering.

Republicans love to talk about "choice" and "freedom." Personal responsibility is a conservative buzz phrase. But, yet again, the GOP-controlled House proves that "freedom" is only accessible to those who conform to a very specific set of dated principles.

Craft beverages are in. They go hand-in-hand with record players, incredibly tight trousers, obscure bands and farmer's markets. An entire subculture of educated professionals has embraced local products and post-industrial production methods.

This is the movement that Quad-Cities officials have worked tirelessly to tap. It's the energy that's rejuvenated downtowns throughout the region.

But the no-fun patrol in Des Moines could this year only diminish the long-term damage a public intoxication ticket does to someone's record. The absurd "gotcha" law should have died off years ago.

The 1930s are gone. Prohibition failed. And yet, the temperance movement's debunked dogma continues to run roughshod over free-market competition.

## **Cedar Rapids Gazette: Iowa distillers frustrated with state regulations**

By Erin Murphy | April 17, 2016

DES MOINES — When Bettendorf brothers Mike and Matt Braum decided in 2013 to open a whiskey distillery, they chose Galena, Ill., in part because they found Illinois state regulations more favorable than Iowa's.

Three years later, small Iowa distilleries continue to fight for what they say would be more equitable state laws.

"Really it's a fairness issue," said Garrett Burchett, owner of Mississippi River Distilling Co. in LeClaire, Iowa.

Iowa's alcohol laws are grounded in a so-called three-tier system in which an independent distributor must operate between the manufacture and sale of alcohol. The system goes back to the 1930s and the repeal of Prohibition.

The state has carved out some exceptions along the way, allowing small wineries and craft breweries to sell their product on-site.

Distilleries that produce hard liquor seek a similar exception but have failed over the past four years to convince state lawmakers.

"We've seen tremendous growth in the Iowa wine and beer industry, and what we're asking for is the same thing, the same privileges you've extended to the beer and wine producers in the state, extend those to the distillers," Burchett said.

The Braums, who grew up in Bettendorf, decided to open their distillery in Illinois instead of Iowa in part because of that disparity in Iowa's regulations. Illinois, like all six states that border Iowa and 36 total, allows distilleries to sell spirits by the glass, according to the Iowa Alcoholic Beverages Division.

"Yeah, it was definitely a consideration," Matt Braum said. "We were looking at Iowa and Illinois at the time, and the Illinois laws seemed to be a bit better. That was one of the reasons we ended up in Galena."

There is legislation in the Iowa House that would allow distilleries to sell spirits in glasses — they currently can provide only free samples — and raise to nine liters the amount of spirits a distillery may sell to visitors.

The bill passed a subcommittee in early March but has not received any legislative action since.

Distillery owners say the legislation has been thwarted by big beer companies and wholesalers, and they point to political donations made by the groups.

The only groups registered in opposition to the current legislation are the Iowa Wholesale Beer Distributors Association and Anheuser-Busch.

The wholesale distributors association donated \$181,000 to state legislators from both political parties between 2013 and 2015, according to state campaign finance records.

“It’s real straightforward: It’s big beer,” said Jeff Quint, owner of Cedar Ridge Winery and Distillery in Swisher. “It’s just big beer that’s fighting it, and this bill doesn’t have the word beer in it once.”

Distillers said they think large beer companies and wholesale distributors view the legislation as an avenue to increased competition.

“It’s my opinion, of course, that distributors and the major (companies) are looking at what happened to the microbrewery industry and how it blossomed and became around (12 percent) of total beer sales, and how they just ignored it too long,” said Gregory Brunelle, owner of Werner Distilling in Holstein. “I think they saw that, and they don’t want that to happen (again).”

When asked whether his group is responsible for legislative leaders not moving the bill, Iowa Wholesale Beer Distributors Association executive director Nathan Cooper said state lawmakers always have supported the three-tier system and the proposed legislation would weaken that system.

Cooper said beer distributors support current state regulations.

“This bill weakens the legitimacy of the system that Iowa has chosen to regulate alcohol,” Cooper said. “The three-tier system has helped provide a safe environment for consumers, and many Iowans are successfully employed because of it. It works for Iowa.”

Iowa House Speaker Linda Upmeyer, R-Clear Lake, said the bill has not moved because support among lawmakers is divided.

"There are people all over the map. It's one of those things where there are many different opinions about how this should be done," Upmeyer said. "We're trying to work across the rotunda as well (with Senate Democrats) to make sure we're all moving forward together. If we're going to be able to get something done, we need to work on it together."

But Rep. Guy Vander Linden, R-Oskaloosa, who chairs the House's state government committee that introduced the bill, thinks there is enough support to pass it.

"I'm convinced it would pass the House if it came to the floor," Vander Linden said.

Vander Linden said he supports the bill and thinks it would provide an economic boon to the state.

Burchett agreed, saying he could double his workforce, and he and Quint said the growth of distilleries would benefit Iowa's agricultural economy.

"This is an industry we think, in terms of Iowa and agriculture, that really lends itself to the industry," Burchett said. "Whiskey is made primarily from corn, and certainly we have a lot of that sitting around."

It all comes down to fairness, distillers said, which is why Quint said he is frustrated and saddened that it appears once again lawmakers will not act on the issue.

"Every state around us has figured out how to do this. Wineries and breweries have figured out how to do this. Yet here in Iowa, we can't figure out a way to do this," Quint said.

"I think that's an excuse for inaction, and that's looking like what we're going to get."