
Taxable and Non-taxable Sales Transactions by Native Wineries

INTRODUCTION

The purpose of this bulletin is to provide clarification to Iowa native wineries on the types of sales transactions that are, and are not, subject to the state's wine gallonage tax.

BACKGROUND

The Iowa Alcoholic Beverages Division (ABD) has received inquiries from Iowa native wineries seeking more information about which types of sales transactions made by native wineries are subject to the state's wine gallonage tax and which are not.

DISCUSSION

What is the state's wine gallonage tax?

The state's wine gallonage tax rate is \$1.75 per wine gallon sold in the state in the following manner:

- Sold at wholesale by a class "A" wine permittee (native winery (WAN) or wine wholesaler (WA)) to a person holding a retail license.
- Sold at retail and directly shipped to Iowa customers for personal use by a wine direct shipper permittee (DS).

What types of sales transactions are subject to the state's wine gallonage tax?

The state's wine gallonage tax is owed by a native winery when the following sales transactions occur:

1. When a native winery sells native wine at wholesale to a person holding a retail license.
 - Example: A native winery sells the native wine it manufactures at wholesale to a grocery store, liquor store, or restaurant.
2. When a native winery sells native wine at wholesale to its own retail license for sale to customers for consumption on or off the retail licensed premises.
 - Example: A native winery sells the native wine it manufactures to its retail license. It then sells the native wine through its retail license to customers by the drink for consumption at the native winery, or by the unopened bottle for the customer to take home and consume.
3. When a native winery sells and ships native wine directly to Iowa customers for personal use through its wine direct shipper permit.
 - Example: A native winery holding a wine direct shipper permit sells and ships unopened bottles of the native wine it manufactures directly to an Iowa customer's home.

What types of sales transactions are *not* subject to the state’s wine gallonage tax?

The state’s wine gallonage tax is *not* owed by a native winery when the following sales transactions occur:

1. When a native winery sells the native wine it manufactures by the bottle for off-premises consumption from its manufacturing premises under its class “A” wine permit.
 - Example: A native winery sells its native wine by the unopened bottle to a customer visiting the native winery for consumption at home. The sale of the native wine is made through the native winery’s class “A” wine permit and is not first sold to the native winery’s retail license.
2. When a native winery sells the native wine it manufactures by the bottle for off-premises consumption from an additional location established under the native winery’s class “A” wine permit and registered with ABD.
 - Example: A native winery sells unopened bottles of native wine it manufactures to customers from the native winery’s temporary additional location at a local farmer’s market.
3. When a native winery sells the native wine it manufactures to another class “A” wine permittee or to a wine distributor outside the state of Iowa.
 - Examples:
 - A native winery sells the native wine it manufactures to an in-state wine wholesaler, who then sells the native wine to grocery stores, liquor stores, and restaurants. The in-state wine wholesaler is responsible for paying the wine gallonage tax.
 - A native winery sells the native wine it manufactures to an out-of-state wine wholesaler, who then sells the native wine to retailers in the other state.

What should a native winery consider for state wine gallonage tax auditing purposes?

ABD recommends that a native winery keep clear and accurate records showing when sales of native wine are made under a class “A” wine permit, a retail license, and a wine direct shipper permit so it is easy to distinguish between taxable and non-taxable sales.

VIOLATIONS

A native winery found to be in violation of any of the provisions of Iowa Code chapter 123 may be subject to administrative sanctions, including, but not limited to, civil penalty, license/permit suspension, or license/permit revocation.

Additionally, failure to report and remit state wine gallonage tax due by the required due date will result in a 10 percent penalty of the amount of tax due.

References and useful information:

State Law: Iowa Code sections [123.176](#), [123.183](#), [123.184](#), and [123.187](#)

State Rules: 185 Iowa Administrative Code [rule 5.1](#)

Website Links: <https://abd.iowa.gov/education/bulletins>

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