AGENDA

IOWA ALCOHOLIC BEVERAGES COMMISSION
TELEPHONIC MEETING

Iowa Alcoholic Beverages Division
1918 SE Hulsizer Road, Ankeny IA
April 27, 2018 – 11:00 AM

Dial in Number: 1.866.685.1580
Conference Code Number: 0009991572

Call to Order..... Chairperson Nystrom

I. Introductions/Opening Remarks

II. Approval of Agenda – **ACTION ITEM**

III. Proposed amendments to 185 - 4, "Liquor Licenses-Beer Permits-Wine Permits," 185 - 5, "License and Permit Division," and 185 - 12, "Forms"……**Stephanie Strauss**

IV. Approval for ABD to move forward with rulemaking – **ACTION ITEM**

Next Meeting Date .....Chairperson Nystrom

- Wednesday, May 9, 2018 at 1:00 p.m.

Adjournment.....Chairperson Nystrom

NOTE: Committee and Board agendas may be amended any time up to 24 hours before the meetings. Agenda items may be considered out of order at the discretion of the chair. Meetings will not convene earlier than stated above.

If you require accommodations to participate in this public meeting, call 515.281.7407 or TTY at (toll-free) 866.IowaABD to make your request. Please notify ABD at least 48 hours in advance.

TERRY E. BRANSTAD
GOVERNOR

OFFICE OF THE GOVERNOR

KIM REYNOLDS
LT. GOVERNOR

May 9, 2017

The Honorable Paul Pate
Secretary of State of Iowa
State Capitol Building
LOCAL

Dear Mr. Secretary:

I hereby transmit:

House File 607, an Act relating to alcoholic beverage control and matters under the purview of the alcoholic beverages division of the department of commerce.

The above House File is hereby approved this date.

Sincerely,

Terry E. Branstad
Governor

cc: Secretary of the Senate
Clerk of the House

STATE CAPITOL DES MOINES, IOWA 50319 515.281.5211 FAX 515.725.3527 WWW.GOVERNOR.IOWA.GOV

House File 607

AN ACT

RELATING TO ALCOHOLIC BEVERAGE CONTROL AND MATTERS UNDER THE PURVIEW OF THE ALCOHOLIC BEVERAGES DIVISION OF THE DEPARTMENT OF COMMERCE.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

ALCOHOLIC BEVERAGE CONTROL

Section 1. Section 123.3, subsection 25, Code 2017, is amended to read as follows:

25. *"Licensed premises"* or *"premises"* means all rooms, enclosures, contiguous areas, or places susceptible of precise description satisfactory to the administrator where alcoholic beverages, wine, or beer is sold or consumed under authority of a liquor control license, wine permit, or beer permit. A single licensed premises may consist of multiple rooms, enclosures, areas, or places if they are wholly within the confines of a single building or contiguous grounds, or areas or places susceptible of precise description satisfactory to the administrator.

Sec. 2. Section 123.22, Code 2017, is amended to read as follows:

123.22 State monopoly.

1. The division has the exclusive right of importation into the state of all forms of alcoholic liquor, except as otherwise provided in this chapter, and a person shall not import alcoholic liquor, except that an individual of legal age

may import and have in the individual's possession an amount of alcoholic liquor not exceeding one liter or, in the case of alcoholic liquor personally obtained outside the United States, four liters for personal consumption only in a private home or other private accommodation. A distillery shall not sell alcoholic liquor within the state to any person but only to the division, except as otherwise provided in this chapter. This section vests in the division exclusive control within the state as purchaser of all alcoholic liquor sold by distilleries within the state or imported, except beer and wine, and except as otherwise provided in this chapter. The division shall receive alcoholic liquor on a bailment system for resale by the division in the manner set forth in this chapter. The division shall act as the sole wholesaler of alcoholic liquor to class "E" liquor control licensees.

2. No person, acting individually or through another acting for the person shall directly or indirectly, or upon any pretense, or by any device, manufacture, sell, exchange, barter, dispense, give in consideration of the purchase of any property or of any services or in evasion of this chapter, or keep for sale, or have possession of any intoxicating liquor, except as provided in this chapter; or own, keep, or be in any way concerned, engaged, or employed in owning or keeping, any intoxicating liquor with intent to violate any provision of this chapter, or authorize or permit the same to be done; or manufacture, own, sell, or have possession of any manufactured or compounded article, mixture or substance, not in a liquid form, and containing alcohol which may be converted into a beverage by a process of pressing or straining the alcohol therefrom, or any instrument intended for use and capable of being used in the manufacture of intoxicating liquor; or own or have possession of any material used exclusively in the manufacture of intoxicating liquor; or use or have possession of any material with intent to use it in the manufacture of intoxicating liquors; however, alcohol may be manufactured for industrial and nonbeverage purposes by persons who have qualified for that purpose as provided by the laws of the United States and the laws of this state. Such alcohol, so manufactured, may be denatured, transported, used, possessed,

sold, and bartered and dispensed, subject to the limitations, prohibitions and restrictions imposed by the laws of the United States and this state. Any person may manufacture, sell, or transport ingredients and devices other than alcohol for the making of homemade wine or beer.

Sec. 3. Section 123.23, subsection 2, Code 2017, is amended to read as follows:

2. At the time of applying for a certificate of compliance, each applicant shall submit to the division electronically, or in a manner prescribed by the administrator, the name and address of its authorized agent for service of process which shall remain effective until changed for another, and a list of names and addresses of all representatives, employees, or attorneys whom the applicant has appointed in the state of Iowa to represent it for any purpose. The listing shall be amended ~~from time to time~~ by the certificate holder as necessary to keep the listing current with the division.

Sec. 4. Section 123.28, Code 2017, is amended to read as follows:

123.28 Restrictions on transportation.

1. It is lawful to transport, carry, or convey alcoholic liquors from the place of purchase by the division to a state warehouse or depot established by the division or from one such place to another and, when so permitted by this chapter, it is lawful for the division, a common carrier, or other person to transport, carry, or convey alcoholic liquor sold from a state warehouse, depot, or point of purchase by the state to any place to which the liquor may be lawfully delivered under this chapter.

2. The division shall deliver alcoholic liquor purchased by class "E" liquor control licensees. Class "E" liquor control licensees may deliver alcoholic liquor purchased by class "A", "B", or "C" liquor control licensees, and class "A", "B", or "C" liquor control licensees may transport alcoholic liquor purchased from class "E" liquor control licensees.

3. A common carrier or other person shall not break or open or allow to be broken or opened a container or package containing alcoholic liquor or use or drink or allow to be used or drunk any alcoholic liquor while it is being transported or

conveyed~~, but this~~.

4. This section does not prohibit a private person from transporting individual bottles or containers of alcoholic liquor exempted pursuant to section 123.22 and individual bottles or containers bearing the identifying mark prescribed in section 123.26 which have been opened previous to the commencement of the transportation.

5. This section does not affect the right of a special permit or liquor control license holder to purchase, possess, or transport alcoholic liquors subject to this chapter.

Sec. 5. Section 123.30, subsection 1, paragraph c, Code 2017, is amended to read as follows:

c. As a further condition for the issuance of a class "E" liquor control license, the applicant shall post a bond in a sum of not less than five thousand nor more than fifteen thousand dollars as determined on a sliding scale established by the division; however, a bond shall not be required if all purchases of alcoholic liquor from the division by the licensee are made ~~by cash payment or~~ by means that ensure that the division will receive full payment in advance of delivery of the alcoholic liquor.

Sec. 6. Section 123.31, subsections 6 and 7, Code 2017, are amended by striking the subsections.

Sec. 7. Section 123.32, subsection 6, paragraph b, Code 2017, is amended to read as follows:

b. Upon receipt of an application having been approved by the local authority, the division shall make an investigation as the administrator deems necessary to determine that the applicant complies with all requirements for holding a license or permit, and may require the applicant to appear to be examined under oath to demonstrate that the applicant complies with all of the requirements to hold a license or permit. If the administrator requires the applicant to appear and to testify under oath, a record shall be made of all testimony or evidence and the record shall become a part of the application. The administrator may appoint a member of the division or may request an administrative law judge of the department of inspections and appeals to receive the testimony under oath and evidence, and to issue a proposed decision to approve

or disapprove the application for a license or permit. The administrator may affirm, reverse, or modify the proposed decision to approve or disapprove the application for the license or permit. If the application is approved by the administrator, the license or permit shall be issued. If the application is disapproved by the administrator, the applicant ~~and the appropriate local authority~~ shall be so notified by certified mail and the appropriate local authority shall be notified electronically, or in a manner prescribed by the administrator.

Sec. 8. Section 123.33, Code 2017, is amended to read as follows:

123.33 Records.

Every holder of a ~~liquor control~~ license ~~shall keep a daily record, in printed or electronic format, of the gross receipts of the holder's business~~ or permit under this chapter shall maintain records, in printed and electronic format, which include income statements, balance sheets, purchase and sales invoices, purchase and sales ledgers, and any other records as the administrator may require. The records required and the premises of the licensee or permittee shall be accessible and open to inspection pursuant to section 123.30, subsection 1, during normal business hours of the licensee or permittee.

Sec. 9. Section 123.34, subsection 1, Code 2017, is amended to read as follows:

1. Liquor control licenses, wine permits, and beer permits, unless sooner suspended or revoked, expire one year from date of issuance. The administrator shall give sixty days' written notice of the expiration to each licensee or permittee. However, the administrator may issue six-month or eight-month seasonal licenses, class "B" wine permits, or class "B" beer permits for a proportionate part of the license or permit fee or may issue fourteen-day liquor control licenses, native wine permits, or beer permits as provided in subsection 2. No refund shall be made for seasonal licenses or permits or for fourteen-day liquor control licenses, native wine permits, or beer permits. No seasonal license or permit shall be renewed ~~except~~. However, after a period of two months the applicant may apply for a new seasonal license or permit for the same

location.

Sec. 10. Section 123.49, subsection 2, paragraph b, Code 2017, is amended to read as follows:

b. Sell or dispense any alcoholic beverage ~~or beer~~ on the premises covered by the license or permit, or permit its consumption thereon between the hours of 2:00 a.m. and 6:00 a.m. on a weekday, and between the hours of 2:00 a.m. on Sunday and 6:00 a.m. on the following Monday, however, a holder of a liquor control license or retail wine or beer permit granted the privilege of selling alcoholic liquor, wine, or beer on Sunday may sell or dispense alcoholic liquor, wine, or beer between the hours of 8:00 a.m. on Sunday and 2:00 a.m. on the following Monday.

Sec. 11. Section 123.49, subsection 2, paragraph k, Code 2017, is amended by striking the paragraph.

Sec. 12. Section 123.51, subsection 1, Code 2017, is amended to read as follows:

1. No signs or other matter advertising any brand of alcoholic liquor, beer, or wine shall be erected or placed upon the outside of any premises occupied by a licensee or permittee authorized to sell alcoholic liquor, beer, or wine at retail. ~~This subsection does not prohibit the use of signs~~ However, signs or other advertising matter may be erected or placed inside the premises, inside a fence or similar enclosure which wholly or partially surrounds the ~~licensed~~ premises, or inside a window facing outward from the premises.

Sec. 13. Section 123.175, Code 2017, is amended by striking the section and inserting in lieu thereof the following:

123.175 Class "A" or retail wine permit application and issuance.

1. A person applying for a class "A" or retail wine permit shall submit an application electronically, or in a manner prescribed by the administrator, which shall set forth under oath the following:

a. The name and place of residence of the applicant.

b. The names and addresses of all persons or, in the case of a corporation, the officers, directors, and persons owning or controlling ten percent or more of the capital stock thereof, having a financial interest, by way of loan, ownership, or

otherwise, in the business.

c. The location of the premises where the applicant intends to operate.

d. The name of the owner of the premises and if the owner of the premises is not the applicant, whether the applicant is the actual lessee of the premises.

e. When required by the administrator, and in such form and containing such information as the administrator may require, a description of the premises where the applicant intends to use the permit, to include a sketch or drawing of the premises and, if applicable, the number of square feet of interior floor space which comprises the retail sales area of the premises.

f. Whether any person specified in paragraph "*b*" has ever been convicted of any offense against the laws of the United States, or any state or territory thereof, or any political subdivision of any such state or territory.

g. Any other information as required by the administrator.

2. The administrator shall issue a class "A" or retail wine permit to any applicant who establishes all of the following:

a. That the applicant has submitted a completed application as required by subsection 1.

b. That the applicant is a person of good moral character as provided in section 123.3, subsection 34.

c. That the applicant is a citizen of the state of Iowa or, if a corporation, that the applicant is authorized to do business in the state.

d. That the premises where the applicant intends to use the permit conforms to all applicable laws, health regulations, and fire regulations, and constitutes a safe and proper place or building.

e. That the applicant gives consent to a person, pursuant to section 123.30, subsection 1, to enter upon the premises without a warrant during the business hours of the applicant to inspect for violations of the provisions of this chapter or ordinances and regulations that local authorities may adopt.

f. That the applicant has submitted, in the case of a class "A" wine permit, a bond in the amount of five thousand dollars in a manner prescribed by the administrator with good and sufficient sureties to be approved by the division conditioned

upon compliance with this chapter.

Sec. 14. Section 123.177, Code 2017, is amended by adding the following new subsection:

NEW SUBSECTION. 3. A class "A" wine permit holder may sell wine to a person holding both a class "B" beer permit and a class "A" beer permit pursuant to section 123.131, subsection 4.

Sec. 15. Section 123.178B, subsection 4, Code 2017, is amended to read as follows:

4. A person holding a class "C" native wine permit and a class "A" wine permit whose primary purpose is manufacturing native wine may purchase beer from a wholesaler holding a class "A" beer permit for sale at retail for consumption on or off the premises covered by the class "C" native wine permit.

Sec. 16. Section 123.180, subsection 2, Code 2017, is amended to read as follows:

2. At the time of applying for a vintner's certificate of compliance, each applicant shall file with the division a list of all class "A" wine permittees with whom it intends to do business. The listing of class "A" wine permittees as filed with the division ~~may~~ shall be amended ~~from time to time~~ by the holder of the certificate of compliance as necessary to keep the listing current with the division.

Sec. 17. Section 123.183, subsection 2, paragraph a, Code 2017, is amended to read as follows:

a. Revenue collected from the wine gallonage tax on wine manufactured for sale and sold at wholesale in this state, and on wine subject to direct shipment as provided in section 123.187 by a wine manufacturer licensed or permitted pursuant to laws regulating alcoholic beverages in this state, shall be deposited in the wine gallonage tax fund as created in this section.

Sec. 18. Section 123.187, subsection 2, paragraph c, Code 2017, is amended to read as follows:

c. An application submitted pursuant to paragraph *"a"* shall also be accompanied by a bond in the amount of five thousand dollars in the form prescribed and furnished by the division with good and sufficient sureties to be approved by the division conditioned upon compliance with this chapter.

However, a wine manufacturer that has submitted a bond pursuant to section 123.175, subsection ~~3~~ 2, paragraph "f", shall not be required to provide a bond as provided in this paragraph.

DIVISION II

BEER PERMITS

Sec. 19. Section 123.30, subsection 3, paragraph e, subparagraph (1), Code 2017, is amended to read as follows:

(1) A class "E" liquor control license may be issued and shall authorize the holder to purchase alcoholic liquor from the division only and high alcoholic content beer from a class ~~"AA"~~ "A" beer permittee only and to sell the alcoholic liquor and high alcoholic content beer to patrons for consumption off the licensed premises and to other liquor control licensees. A holder of a class "E" liquor control license may hold other retail liquor control licenses or retail wine or beer permits, but the premises licensed under a class "E" liquor control license shall be separate from other licensed premises, though the separate premises may have a common entrance. However, the holder of a class "E" liquor control license may also hold a class "B" wine or class "C" beer permit or both for the premises licensed under a class "E" liquor control license.

Sec. 20. Section 123.124, Code 2017, is amended by striking the section and inserting in lieu thereof the following:

123.124 Beer permits — classes.

Permits for the manufacture and sale, or sale, of beer shall be divided into four classes, known as class "A", special class "A", class "B", or class "C" beer permits. A holder of a class "A" or special class "A" beer permit shall have the authority as provided in section 123.130. A holder of a class "B" beer permit shall have the authority as provided in section 123.131, and a holder of a class "C" beer permit shall have the authority as provided in section 123.132.

Sec. 21. Section 123.125, Code 2017, is amended to read as follows:

123.125 Issuance of beer permits.

The administrator shall issue class "A", special class "A", ~~class "AA", special class "AA",~~ class "B", and class "C" beer permits and may suspend or revoke permits for cause as provided in this chapter.

Sec. 22. Section 123.127, Code 2017, is amended by striking the section and inserting in lieu thereof the following:

123.127 Class "A" and special class "A" beer permit application and issuance.

1. A person applying for a class "A" or special class "A" beer permit shall submit an application electronically, or in a manner prescribed by the administrator, which shall set forth under oath the following:

a. The name and place of residence of the applicant.

b. The names and addresses of all persons or, in the case of a corporation, the officers, directors, and persons owning or controlling ten percent or more of the capital stock thereof, having a financial interest, by way of loan, ownership, or otherwise, in the business.

c. The location of the premises where the applicant intends to operate.

d. The name of the owner of the premises and if the owner of the premises is not the applicant, whether the applicant is the actual lessee of the premises.

e. When required by the administrator, and in such form and containing such information as the administrator may require, a description of the premises where the applicant intends to use the permit, to include a sketch or drawing of the premises and, if applicable, the number of square feet of interior floor space which comprises the retail sales area of the premises.

f. Whether any person specified in paragraph "*b*" has ever been convicted of any offense against the laws of the United States, or any state or territory thereof, or any political subdivision of any such state or territory.

g. Any other information as required by the administrator.

2. The administrator shall issue a class "A" or special class "A" beer permit to any applicant who establishes all of the following:

a. That the applicant has submitted a completed application as required by subsection 1.

b. That the applicant is a person of good moral character as provided in section 123.3, subsection 34.

c. That the applicant is a citizen of the state of Iowa or, if a corporation, that the applicant is authorized to do

business in the state.

d. That the premises where the applicant intends to use the permit conforms to all applicable laws, health regulations, and fire regulations, and constitutes a safe and proper place or building.

e. That the applicant gives consent to a person, pursuant to section 123.30, subsection 1, to enter upon the premises without a warrant during the business hours of the applicant to inspect for violations of the provisions of this chapter or ordinances and regulations that local authorities may adopt.

f. That the applicant has submitted a bond in the amount of ten thousand dollars in a manner prescribed by the administrator with good and sufficient sureties to be approved by the division conditioned upon compliance with this chapter.

g. If the person is applying for a special class "A" beer permit, that the applicant holds or has applied for a class "C" liquor control license or class "B" beer permit.

Sec. 23. Section 123.128, subsection 1, paragraph a, Code 2017, is amended to read as follows:

a. All the information required of an applicant by section 123.127, subsection 1~~, paragraph "a"~~.

Sec. 24. Section 123.128, subsection 2, Code 2017, is amended to read as follows:

2. Fulfills the requirements of section 123.127, subsection ~~1~~ 2, ~~paragraph~~ paragraphs "*b*", "*c*", and "*d*".

Sec. 25. Section 123.129, subsection 2, paragraphs a and b, Code 2017, are amended to read as follows:

a. Submits an application electronically, or in a manner prescribed by the administrator, which shall state under oath all the information required of an applicant by section 123.127, subsection 1~~, paragraph "a"~~.

b. ~~Establishes that the person is of good moral character as defined by this chapter~~ Fulfills the requirements of section 123.127, subsection 2, paragraphs "*b*", "*c*", and "*d*".

Sec. 26. Section 123.129, subsection 2, paragraph d, Code 2017, is amended by striking the paragraph.

Sec. 27. Section 123.130, Code 2017, is amended to read as follows:

123.130 Authority under class "A"~~, class "AA",~~ and special

class "A"~~, and special class "AA"~~ beer permits.

1. Any person holding a class "A" ~~or class "AA"~~ beer permit issued by the division shall be authorized to manufacture and sell, or sell at wholesale, beer for consumption off the premises, such sales within the state to be made only to persons holding subsisting class "A", "B", or "C" beer permits, both a class "C" native wine permit and a class "A" wine permit pursuant to section 123.178B, subsection 4, or liquor control licenses issued in accordance with the provisions of this chapter. A class "A"~~, class "AA",~~ or special class "A"~~, or special class "AA"~~ beer permit does not grant authority to manufacture wine as defined in section 123.3, subsection 47.

2. All class "A" ~~and class "AA"~~ premises shall be located within the state. All beer received by the holder of a class "A" ~~or class "AA"~~ beer permit from the holder of a certificate of compliance before being resold must first come to rest on the licensed premises of the permit holder, must be inventoried, and is subject to the barrel tax when resold as provided in section 123.136. A class "A" ~~or class "AA"~~ beer permittee shall not store beer overnight except on premises licensed under a class "A" ~~or class "AA"~~ beer permit.

3. All special class "A" ~~and special class "AA"~~ premises shall be located within the state. A person who holds a special class "A" ~~or special class "AA"~~ beer permit for the same location at which the person holds a class "C" liquor control license or class "B" beer permit may manufacture and sell beer to be consumed on the premises, may sell at retail at the manufacturing premises for consumption off the premises beer that is transferred at the time of sale to another container subject to the requirements of section 123.131, subsection 2, may sell beer to a class "A" ~~or class "AA"~~ beer permittee for resale purposes, and may sell beer to distributors outside of the state that are authorized by the laws of that jurisdiction to sell beer at wholesale.

Sec. 28. Section 123.131, Code 2017, is amended to read as follows:

123.131 Authority under class "B" beer permit.

1. Subject to the provisions of this chapter, any person holding a class "B" beer permit shall be authorized to sell

beer for consumption on or off the premises. Sales of beer for consumption off the premises made pursuant to this section shall be made in original containers except as provided in subsection 2. However, unless otherwise provided in this chapter, no sale of beer shall be made for consumption on the premises unless the place where such service is made is equipped with tables and seats sufficient to accommodate not less than twenty-five persons at one time.

2. Subject to the rules of the division, sales of beer for consumption off the premises made pursuant to this section may be made in a container other than the original container only if all of the following requirements are met:

a. The beer is transferred from the original container to the container to be sold on the licensed premises at the time of sale.

b. The person transferring the beer from the original container to the container to be sold shall be eighteen years of age or more.

c. The container to be sold shall be no larger than seventy-two ounces.

d. The container to be sold shall be securely sealed by a method authorized by the division that is designed so that if the sealed container is reopened or the seal tampered with, it is visibly apparent that the seal on the container of beer has been tampered with or the sealed container has otherwise been reopened.

3. A container of beer other than the original container that is sold and sealed in compliance with the requirements of subsection 2 and the rules of the division shall not be deemed an open container subject to the requirements of sections 321.284 and 321.284A if the sealed container is unopened and the seal has not been tampered with, and the contents of the container have not been partially removed.

4. A person holding a class "B" beer permit and a class "A" beer permit whose primary purpose is manufacturing beer may purchase wine from a wholesaler holding a class "A" wine permit for sale at retail for consumption on the premises covered by the class "B" beer permit.

Sec. 29. Section 123.134, subsection 1, Code 2017, is

amended to read as follows:

1. The annual permit fee for a class "A" or special class "A" beer permit is ~~two~~ seven hundred fifty dollars.

Sec. 30. Section 123.134, subsection 2, Code 2017, is amended by striking the subsection.

Sec. 31. Section 123.135, Code 2017, is amended to read as follows:

123.135 Certificate of compliance — civil penalty.

1. A manufacturer, brewer, bottler, importer, or vendor of beer, or any agent thereof, desiring to ship or sell beer, or have beer brought into this state for resale by a class "A" ~~or class "AA"~~ beer permittee, shall first make application for and be issued a brewer's certificate of compliance by the administrator for that purpose. The certificate of compliance expires at the end of one year from the date of issuance and shall be renewed for a like period upon application to the administrator unless otherwise revoked for cause. Each application for a certificate of compliance or renewal of a certificate shall be submitted electronically, or in a manner prescribed by the administrator, and shall be accompanied by a fee of five hundred dollars payable to the division. Each holder of a certificate of compliance shall furnish the information in a manner the administrator requires.

2. At the time of applying for a certificate of compliance, each applicant shall file with the division a list of all class "A" ~~and class "AA"~~ beer permittees with whom it intends to do business and shall designate the geographic area in which its products are to be distributed by such permittee. The listing of class "A" ~~and class "AA"~~ beer permittees and geographic area as filed with the division ~~may~~ shall be amended ~~from time to time~~ by the holder of a certificate of compliance as necessary to keep the listing current with the division.

3. All class "A" ~~and class "AA"~~ beer permit holders shall sell only those brands of beer which are manufactured, brewed, bottled, shipped, or imported by a person holding a current certificate of compliance. Any employee or agent working for or representing the holder of a certificate of compliance within this state shall submit electronically, or in a manner prescribed by the administrator, the employee's or agent's name

and address with the division.

4. It shall be unlawful for any holder of a certificate of compliance or the holder's agent, or any class "A" ~~or class "AA"~~ beer permit holder or the beer permit holder's agent, to grant to any retail beer permit holder, directly or indirectly, any rebates, free goods, or quantity discounts on beer which are not uniformly offered to all retail permittees.

5. Notwithstanding any other penalties provided by this chapter, any holder of a certificate of compliance or any class "A" ~~or class "AA"~~ beer permit holder who violates this chapter or the rules adopted pursuant to this chapter is subject to a civil penalty not to exceed one thousand dollars or suspension of the holder's certificate or permit for a period not to exceed one year, or both such civil penalty and suspension. Civil penalties imposed under this section shall be collected and retained by the division.

Sec. 32. Section 123.136, subsection 1, Code 2017, is amended to read as follows:

1. In addition to the annual permit fee to be paid by all class "A" ~~and class "AA"~~ beer permittees under this chapter there shall be levied and collected from the permittees on all beer manufactured for sale or sold in this state at wholesale and on all beer imported into this state for sale at wholesale and sold in this state at wholesale, and from special class "A" ~~and special class "AA"~~ beer permittees on all beer manufactured for consumption on the premises <u>and on all beer sold at retail at the manufacturing premises for consumption off the premises pursuant to section 123.130, subsection 3</u>, a tax of five and eighty-nine hundredths dollars for every barrel containing thirty-one gallons, and at a like rate for any other quantity or for the fractional part of a barrel. However, no tax shall be levied or collected on beer shipped outside this state by a class "A" ~~or class "AA"~~ beer permittee or sold by one class "A" ~~or class "AA"~~ beer permittee to another class "A" ~~or class "AA"~~ beer permittee.

Sec. 33. Section 123.137, subsection 1, Code 2017, is amended to read as follows:

1. A person holding a class "A"~~, class "AA",~~ <u>or</u> special class "A"~~, or special class "AA"~~ beer permit shall, on or

before the tenth day of each calendar month commencing on the tenth day of the calendar month following the month in which the person is issued a beer permit, make a report under oath to the division electronically, or in a manner prescribed by the administrator, showing the exact number of barrels of beer, or fractional parts of barrels, sold by the beer permit holder during the preceding calendar month. The report shall also state information the administrator requires, and beer permit holders shall at the time of filing a report pay to the division the amount of tax due at the rate fixed in section 123.136.

Sec. 34. Section 123.138, subsection 1, Code 2017, is amended to read as follows:

1. Each class "A"~~, class "AA",~~ or special class "A"~~, or special class "AA"~~ beer permittee shall keep proper records showing the amount of beer sold by the permittee, and these records shall be at all times open to inspection by the administrator and to other persons pursuant to section 123.30, subsection 1. Each class "B" beer permittee, class "C" beer permittee, or retail liquor control licensee shall keep proper records showing each purchase of beer made by the permittee or licensee, and the date and the amount of each purchase and the name of the person from whom each purchase was made, which records shall be open to inspection pursuant to section 123.30, subsection 1, during normal business hours of the permittee or licensee.

Sec. 35. Section 123.139, Code 2017, is amended to read as follows:

123.139 Separate locations — class "A"~~, class "AA",~~ or special class "A"~~, or special class "AA"~~ beer permit.

A class "A"~~, class "AA",~~ or special class "A"~~, or special class "AA"~~ beer permittee having more than one place of business is required to have a separate beer permit for each separate place of business maintained by the permittee where beer is stored, warehoused, or sold.

Sec. 36. Section 123.142, Code 2017, is amended to read as follows:

123.142 Unlawful sale and importation.

1. It is unlawful for the holder of a class "B" or class

"C" beer permit issued under this chapter to sell beer, except beer brewed on the premises covered by a special class "A" ~~or special class "AA"~~ beer permit or beer purchased from a person holding a class "A" ~~or class "AA"~~ beer permit issued in accordance with this chapter, and on which the tax provided in section 123.136 has been paid. However, this section does not apply to class "D" liquor control licensees as provided in this chapter.

2. It shall be unlawful for any person not holding a class "A" ~~or class "AA"~~ beer permit to import beer into this state for the purpose of sale or resale.

Sec. 37. Section 123.143, subsection 3, Code 2017, is amended to read as follows:

3. Barrel tax revenues collected on beer manufactured in this state from a class "A" ~~or class "AA"~~ beer permittee which owns and operates a brewery located in Iowa shall be credited to the barrel tax fund hereby created in the office of the treasurer of state. Moneys deposited in the barrel tax fund shall not revert to the general fund of the state without a specific appropriation by the general assembly. Moneys in the barrel tax fund are appropriated to the economic development authority for purposes of section 15E.117.

Sec. 38. Section 123.144, subsection 1, Code 2017, is amended to read as follows:

1. No person shall bottle beer within the state of Iowa, except class "A"~~,~~ and special class "A"~~, class "AA", and special class "AA"~~ beer permittees who have complete equipment for bottling beer and who have received the approval of the local board of health as to sanitation. It shall be the duty of local boards of health to inspect the premises and equipment of class "A"~~,~~ and special class "A"~~, class "AA", and special class "AA"~~ beer permittees who desire to bottle beer.

DIVISION III

NATIVE DISTILLED SPIRITS

Sec. 39. Section 123.3, subsections 28 and 29, Code 2017, are amended to read as follows:

28. ~~*"Micro-distilled*~~ *"Native distilled spirits"* means ~~distilled~~ spirits fermented, distilled, or, for a period of two years, barrel matured on the licensed premises of the

~~micro-distillery~~ native distillery where fermented, distilled, or matured. ~~*"Micro-distilled spirits"*~~ *"Native distilled spirits"* also includes blended or mixed spirits comprised solely of spirits fermented, distilled, or, for a period of two years, barrel matured at a ~~micro-distillery~~ native distillery.

29. ~~*"Micro-distillery"*~~ *"Native distillery"* means a business with an ~~operational~~ operating still which~~, combining all production facilities of the business,~~ produces and manufactures ~~less than fifty thousand proof gallons of~~ native distilled spirits ~~on an annual basis~~.

Sec. 40. Section 123.30, subsection 3, paragraph c, Code 2017, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (3) A class "C" native distilled spirits liquor control license may be issued to a native distillery but shall be issued in the name of the individuals who actually own the business and shall only be issued to a native distillery which, combining all production facilities of the business, produces and manufactures not more than one hundred thousand proof gallons of distilled spirits on an annual basis. The license shall authorize the holder to sell native distilled spirits manufactured on the premises of the native distillery to patrons by the individual drink for consumption on the premises. All native distilled spirits sold by a native distillery for on-premises consumption shall be purchased from a class "E" liquor control licensee.

Sec. 41. Section 123.32, subsection 1, Code 2017, is amended to read as follows:

1. *Filing of application.* An application for a class "A", class "B", class "C", or class "E" liquor control license, for a class "A" ~~micro-distilled~~ native distilled spirits ~~permit~~ license, for a retail beer permit as provided in sections 123.128 and 123.129, or for a class "B", class "B" native, or class "C" native retail wine permit as provided in section 123.178, 123.178A, or 123.178B, accompanied by the necessary fee and bond, if required, shall be filed with the appropriate city council if the premises for which the license or permit is sought are located within the corporate limits of a city, or with the board of supervisors if the premises for which the license or permit is sought are located outside the corporate

limits of a city. An application for a class "D" liquor control license and for a class "A" beer or class "A" wine permit, accompanied by the necessary fee and bond, if required, shall be submitted to the division electronically, or in a manner prescribed by the administrator, which shall proceed in the same manner as in the case of an application approved by local authorities.

Sec. 42. Section 123.36, Code 2017, is amended by adding the following new subsection:

NEW SUBSECTION. 3A. Class "C" native distilled spirits liquor control license, the sum of two hundred fifty dollars.

Sec. 43. Section 123.36, subsection 5, Code 2017, is amended to read as follows:

5. Any club, hotel, motel, native distillery, or commercial establishment holding a liquor control license, subject to section 123.49, subsection 2, paragraph *"b"*, may apply for and receive permission to sell and dispense alcoholic liquor and wine to patrons on Sunday for consumption on the premises only, and beer for consumption on or off the premises between the hours of 8:00 a.m. on Sunday and 2:00 a.m. on the following Monday. A class "D" liquor control licensee may apply for and receive permission to sell and dispense alcoholic beverages to patrons for consumption on the premises only between the hours of 8:00 a.m. on Sunday and 2:00 a.m. on the following Monday. For the privilege of selling beer, wine, and alcoholic liquor on the premises on Sunday the liquor control license fee of the applicant shall be increased by twenty percent of the regular fee prescribed for the license pursuant to this section, and the privilege shall be noted on the liquor control license.

Sec. 44. NEW SECTION. **123.43 Class "A" native distilled spirits license — application and issuance — fees.**

1. A person applying for a class "A" native distilled spirits license shall submit an application electronically, or in a manner prescribed by the administrator, which shall set forth under oath the following:

a. The name and place of residence of the applicant.

b. The names and addresses of all persons or, in the case of a corporation, the officers, directors, and persons owning or controlling ten percent or more of the capital stock thereof,

having a financial interest, by way of loan, ownership, or otherwise, in the business.

c. The location of the premises where the applicant intends to operate.

d. The name of the owner of the premises and if the owner of the premises is not the applicant, whether the applicant is the actual lessee of the premises.

e. When required by the administrator, and in such form and containing such information as the administrator may require, a description of the premises where the applicant intends to use the license, to include a sketch or drawing of the premises and, if applicable, the number of square feet of interior floor space which comprises the retail sales area of the premises.

f. Whether any person specified in paragraph "*b*" has ever been convicted of any offense against the laws of the United States, or any state or territory thereof, or any political subdivision of any such state or territory.

g. Any other information as required by the administrator.

2. Except as otherwise provided in this chapter, the administrator shall issue a class "A" native distilled spirits license to any applicant who establishes all of the following:

a. That the applicant has submitted a completed application as required by subsection 1.

b. That the applicant is a person of good moral character as provided in section 123.3, subsection 34.

c. That the applicant is a citizen of the state of Iowa or, if a corporation, that the applicant is authorized to do business in the state.

d. That the applicant is a bona fide manufacturer of alcoholic liquors, and that the applicant will faithfully observe and comply with all laws, rules, and regulations governing the manufacture and sale of alcoholic liquor.

e. That the premises where the applicant intends to use the license conforms to all applicable laws, health regulations, and fire regulations, and constitutes a safe and proper place or building.

f. That the applicant gives consent to a person, pursuant to section 123.30, subsection 1, to enter upon the premises without a warrant during the business hours of the applicant

to inspect for violations of the provisions of this chapter or ordinances and regulations that local authorities may adopt.

3. A class "A" native distilled spirits license for a native distillery shall be issued and renewed annually upon payment of a fee of five hundred dollars.

4. A violation of the requirements of this chapter shall subject the licensee to the general penalties provided in this chapter and shall constitute grounds for imposition of a civil penalty or suspension or revocation of the license after notice and opportunity for a hearing pursuant to section 123.39 and chapter 17A.

Sec. 45. Section 123.43A, Code 2017, is amended to read as follows:

123.43A ~~Micro-distilled spirits — permit~~ Native distilleries.

1. Subject to rules of the division, a ~~micro-distillery~~ native distillery holding a class "A" ~~micro-distilled~~ native distilled spirits ~~permit pursuant to this section~~ license issued pursuant to section 123.43 may sell or offer for sale ~~micro-distilled~~ native distilled spirits. As provided in this section, sales of native distilled spirits manufactured on the premises may be made at retail for off-premises consumption when sold on the premises of the ~~micro-distillery~~ native distillery that manufactures ~~micro-distilled~~ native distilled spirits. All sales intended for resale in this state shall be made through the state's wholesale distribution system.

2. A ~~micro-distillery~~ native distillery shall not sell more than one and one-half liters per person per day, of ~~micro-distilled~~ native distilled spirits on the premises of the ~~micro-distillery~~ native distillery. However, a native distillery which, combining all production facilities of the business, produces and manufactures not more than one hundred thousand proof gallons of native distilled spirits on an annual basis, may sell not more than nine liters per person per day, of native distilled spirits. In addition, a ~~micro-distillery~~ native distillery shall not directly ship ~~micro-distilled~~ native distilled spirits for sale at retail. The ~~micro-distillery~~ native distillery shall maintain records of individual purchases of ~~micro-distilled~~ native distilled

spirits at the ~~micro-distillery~~ native distillery for three years.

3. A ~~micro-distillery~~ native distillery shall not sell ~~micro-distilled~~ native distilled spirits other than as permitted in this chapter and shall not allow ~~micro-distilled~~ native distilled spirits sold for consumption off the premises to be consumed upon the premises of the ~~micro-distillery~~ native distillery. However, ~~as a part of a micro-distillery tour, micro-distilled~~ native distilled spirits may be tasted pursuant to the rules of the division on the premises where fermented, distilled, or matured, when no charge is made for the tasting.

4. ~~A class "A" micro-distilled spirits permit for a micro-distillery shall be issued and renewed annually upon payment of a fee of five hundred dollars.~~

~~5.~~ The sale of ~~micro-distilled~~ native distilled spirits to the division for wholesale disposition and sale by the division shall be subject to the requirements of this chapter regarding such disposition and sale.

~~6.~~ 5. The division shall issue no more than three ~~permits under this section~~ class "A" native distilled spirits licenses to a person. In addition, a ~~micro-distillery~~ native distillery issued a ~~permit under this section~~ class "A" native distilled spirits license shall file with the division, on or before the fifteenth day of each calendar month, all documents filed by the ~~micro-distillery~~ native distillery with the alcohol and tobacco tax and trade bureau of the United States department of the treasury, including all production, storage, and processing reports.

~~7. Micro-distilled spirits purchased at a micro-distillery shall not be consumed on any property owned, operated, or controlled by a micro-distillery.~~

6. Notwithstanding any provision of this chapter to the contrary or the fact that a person is the holder of a class "A" native distilled spirits license, a native distillery which, combining all production facilities of the business, produces and manufactures not more than one hundred thousand proof gallons of native distilled spirits on an annual basis may sell those native distilled spirits manufactured on the premises of the native distillery for consumption on the

premises by applying for a class "C" native distilled spirits liquor control license as provided in section 123.30. A native distillery may be granted not more than one class "C" native distilled spirits liquor control license. All native distilled spirits sold by a native distillery for on-premises consumption shall be purchased from a class "E" liquor control licensee. A manufacturer of native distilled spirits may be issued a class "C" native distilled spirits liquor control license regardless of whether the manufacturer is also a manufacturer of native wine pursuant to a class "A" wine permit. A native distillery engaged in the business of manufacturing beer shall not be issued a class "C" native distilled spirits liquor control license.

7. A native distillery may sell the native distilled spirits it manufactures to customers outside the state.

Sec. 46. Section 123.56, subsection 5, Code 2017, is amended to read as follows:

5. Notwithstanding any other provision of this chapter, a person engaged in the business of manufacturing native wine may sell native wine at retail for consumption on the premises of the manufacturing facility by applying for a class "C" native wine permit as provided in section 123.178B. A manufacturer of native wine may be granted not more than one class "C" native wine permit. A manufacturer of native wine may be issued a class "C" native wine permit regardless of whether the manufacturer is also a manufacturer of native distilled spirits pursuant to a class "A" native distilled spirits license.

Sec. 47. Section 123.173A, subsections 4 and 7, Code 2017, are amended to read as follows:

4. The authorized nonprofit entity conducting the charity beer, spirits, and wine auction shall obtain the beer, spirits, and wine to be auctioned at the charity beer, spirits, and wine auction from an Iowa retail beer permittee, an Iowa retail liquor control licensee, or an Iowa retail wine permittee, or may receive donations of beer, spirits, or wine to be auctioned at the charity beer, spirits, and wine auction from persons who purchased the donated beer, spirits, or wine from an Iowa retail beer permittee, an Iowa retail liquor control licensee, an Iowa ~~micro-distilled~~ class "A" native distilled spirits

~~permittee~~ licensee, or an Iowa retail wine permittee and who present a receipt documenting the purchase at the time the beer, spirits, or wine is donated. The authorized nonprofit entity conducting the charity beer, spirits, and wine auction shall retain a copy of the receipt for a period of one year from the date of the charity beer, spirits, and wine auction.

7. A liquor control licensee, beer permittee, ~~micro-distilled~~ class "A" native distilled spirits ~~permittee~~ licensee, or wine permittee shall not purchase beer, spirits, or wine at a charity beer, spirits, and wine auction. The charity beer, spirits, and wine auction may be conducted on a premises for which a class "B" liquor control license or class "C" liquor control license has been issued, provided that the liquor control licensee does not participate in the charity beer, spirits, and wine auction, supply beer, spirits, or wine to be auctioned at the charity beer, spirits, and wine auction, or receive any of the proceeds of the charity beer, spirits, and wine auction.

Linda Upmeyer
LINDA UPMEYER
Speaker of the House

Jack Whitver
JACK WHITVER
President of the Senate

I hereby certify that this bill originated in the House and is known as House File 607, Eighty-seventh General Assembly.

Carmine Boal
CARMINE BOAL
Chief Clerk of the House

Approved May 9, 2017

Terry E. Branstad
TERRY E. BRANSTAD
Governor

ITEM 1. Amend rule 185—4.1(123) as follows:

185—4.1 (123) Definitions.

4.1(1) No change.

4.1(2) No change.

~~**4.1(3)** *"Growler"* means any fillable and sealable glass, ceramic, plastic, aluminum or stainless steel container designed to hold only beer or high alcoholic content beer.~~

~~**4.1(4)** *"Original container"* means a vessel containing an alcoholic beverage that has been lawfully obtained, bears a label approved by the Alcohol and Tobacco Tax and Trade Bureau, and has been securely capped, sealed or corked at the location of manufacture.~~

4.1(5) No change.

4.1(6) No change.

4.1(7) *"Beverages"* as used in Iowa Code section ~~123.129~~ 123.3(18) does not include alcoholic liquor, wine, or beer as defined in Iowa Code sections 123.3(4), 123.3(5), 123.3(7), 123.3(19), 123.3(28), 123.3(30), 123.3(43) and ~~123.3(37)~~ 123.3(47).

ITEM 2. Amend rule 185—4.4(123) as follows:

185—4.4(123) Licensed premises. The following criteria must be met before a "place" (as used in Iowa Code section ~~123.3(20))~~ 123.3(25)) may be licensed as a "place susceptible of precise description satisfactory to the administrator."

4.4(1) The "place" must be owned by or under the control of the prospective licensee.

4.4(2) The "place" must be solely within the jurisdiction of one local approving authority.

4.4(3) The "place" must be described by a sketch of the ~~"premise"~~ "premises" as defined in Iowa Code section ~~123.3(20)~~ 123.3(25) and showing the boundaries of the proposed "place";

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showing the locations of selling/serving areas within the confines of the "place"; all entrances and exits; and indicating the measurements of the "place," and distances between selling/serving areas.

4.4(4) The "place" must satisfy the health, safety, fire and seating requirements of the division, local authorities and ~~Iowa department of agriculture and land stewardship~~ Iowa department of inspections and appeals.

4.4(5) Any other criteria as required by the administrator.

This rule is intended to implement Iowa Code sections ~~123.3(20)~~ 123.3(25) and 123.4.

ITEM 3. Amend rule 185—4.6(123) as follows:

185—4.6(123) Filling and selling of beer in a container other than the original container ~~by class "C" beer permit holders~~. ~~Class~~ Liquor control license holders, class "B" and class "C" beer permit holders, and their employees may fill, refill and sell beer in a container other than the original container, otherwise known as a growler ~~as defined in subrule 4.1(3)~~, subject to the requirements and restrictions provided in Iowa Code ~~section~~ sections 123.131 and 123.132 and in this rule.

4.6(1) ~~Definition~~ Definitions.

a. "Beer," for the purpose of this rule, means "beer" as defined in Iowa Code section 123.3(7) and "high alcoholic content beer" as defined in Iowa Code section 123.3(19).

b. "Growler," for the purpose of this rule, means any fillable and sealable glass, ceramic, plastic, aluminum, or stainless steel container designed to hold only beer or high alcoholic content beer.

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c. "Original container," for the purpose of this rule, means a vessel containing beer that has been lawfully obtained and has been securely capped, sealed, or corked at the location of manufacture. For special class "A" beer permit holders, an "original container" includes a tank used for storing and serving beer.

4.6(2) No change.

4.6(3) Filling and refilling requirements.

a. No change.

b. A growler shall be filled or refilled only by the licensee or permittee or the licensee's or permittee's employees who are 18 years of age or older.

c. No change.

d. A growler shall be filled or refilled only with beer from the original container procured from a duly licensed wholesaler unless the beer being used to fill or refill a growler on the premises of a special class "A" beer permit holder was manufactured by that special class "A" beer permit holder on the permitted premises.

e. No change.

f. No change.

4.6(4) *Sealing requirements.* A filled or refilled growler shall be securely sealed at the time of the sale by the licensee or permittee or the licensee's or permittee's employees in the following manner:

a. A growler shall bear a ~~twist-type~~ cap, ~~screw-on cap, flip-top~~ lid, ~~swing-top lid,~~ stopper, or plug.

b. A plastic heat shrink wrap band, strip, or sleeve shall extend around the ~~twist-type~~ cap, ~~screw-on cap, flip-top lid,~~ or ~~swing-top~~ lid or over the stopper or plug to form a seal that

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must be broken upon the opening of the growler. A lid permanently affixed with a can seamer shall not require a plastic heat shrink wrap band, strip, or sleeve.

c. No change.

d. No change.

4.6(5) Restrictions.

a. No change.

b. No change.

c. No change.

d. No change.

e. A licensee or permittee or a licensee's or permittee's employees shall not allow a consumer to fill or refill a growler.

f. No change.

g. No change.

h. An original container shall only be opened on the ~~licensed~~ premises of a class "C" beer permit holder for the limited purposes of filling or refilling a growler as provided in this rule, or for a tasting in accordance with rule 185—16.7(123).

4.6(6) *Violations.* Failure to comply with the requirements and restrictions of this rule shall subject the licensee or permittee to the penalty provisions provided in Iowa Code chapter 123.

This rule is intended to implement Iowa Code ~~section~~ sections 123.123, 123.131, and 123.132.

[**ARC 2382C**, IAB 2/3/16, effective 3/9/16; **ARC 2777C**, IAB 10/12/16, effective 11/16/16]

ITEM 4. Rescind and reserve rule **185—4.24(123)**.

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~~**185—4.24(123) Alcoholic liquor and wine on beer permit premises.** Alcoholic liquor and wine may not be kept, consumed, or dispensed for any purpose by any entity or individual on the premises of a Class "B" beer permit holder.~~

~~This rule is intended to implement Iowa Code section 123.141.~~

ITEM 5. Adopt the following **new** rule 185—5.2(123):

185---5.2(123) Annual production of a native distillery. A native distillery is a business with an operating still which produces and manufactures native distilled spirits and holds a class "A" native distilled spirits license. The total amount of native distilled spirits produced and manufactured by a native distillery on an annual basis shall be used to determine the amount of native distilled spirits that may be sold per person per day from the native distillery's licensed premises for off-premises consumption and to determine eligibility to obtain a class "C" native distilled spirits license.

5.2(1) *Definitions.*

a. "Annual basis," for the purpose of this rule, means a year as defined in Iowa Code section 4.1(40) beginning January 1 and ending December 31.

b. "Native distilled spirits" means an alcoholic beverage as defined in Iowa Code section 123.3(28).

c. "Operating still," for the purpose of this rule, means a still that is registered with the Alcohol and Tobacco Tax and Trade Bureau pursuant to 27 Code of Federal Regulations section 19.75(b) and is actively used to manufacture spirits.

5.2(2) In calculating a native distillery's production on an annual basis, the Division shall aggregate total production from all production facilities of the business as reported by the native

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distillery on all documents, including all production, storage, and processing reports, filed monthly by the native distillery with the Division, pursuant to Iowa Code subsection 123.43A(5).

This rule is intended to implement Iowa Code sections 123.3(29), 123.30(3) *"c" "3"*, and 123.43A.

ITEM 6. Amend rule 185—5.9(123) as follows:

185—5.9(123) Surety bond requirements. A $5,000 ~~penal~~ surety bond ~~must~~ shall be filed with the division with each application for a ~~Class~~ class "A" wine permit~~, Class "A" beer permit, special Class "A" beer permit and manufacturer's license~~ and with each application for a wine direct shipper license unless the applicant for the wine direct shipper license posted a surety bond as part of obtaining a class "A" wine permit. A $10,000 surety bond shall be filed with the division for each application for a class "A" beer permit or special class "A" beer permit. A ~~$5,000, $10,000 or $15,000 penal~~ surety bond ~~must~~ in an amount of at least $5,000 but not more than $15,000 shall be filed with the division with each application for a ~~Class~~ class "E" liquor control license. ~~A Class "E" liquor control licensee may determine the amount of the bond to be posted with the division, and may increase or decrease the face amount of the bond in increments of $5,000 on one occasion during the licensee's first year of business. Thereafter, a licensee may increase or decrease the face amount of the bond in increments of $5,000 only when the liquor control license is renewed.~~ Each ~~penal~~ surety bond ~~must~~ shall meet the following requirements.

5.9(1) *Certificate of authority.* It ~~must~~ shall be issued by a company holding a current certificate of authority from the commissioner of insurance authorizing the company to issue bonds in Iowa.

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5.9(2) *Forfeiture of bond.* It ~~must~~ shall contain a provision for the principal and surety to consent to the forfeiture of principal sum of the bond in the event of revocation of the license or permit by the violation of any Iowa Code provision which requires forfeiture of the bond.

5.9(3) *Cancellation.* A surety company or a principal may cancel a bond by giving a minimum of 30 days' written notice to this division of the party's intent to cancel the bond. The 30-day period shall commence on the date that this division receives the notice of cancellation. The party seeking to cancel a bond shall ~~mail~~ submit written notice of such cancellation to the division in Ankeny, Iowa, ~~by certified mail,~~ and further shall ~~mail~~ submit a copy of the notice of cancellation to the other party~~, at that party's post office address~~. The notice of cancellation shall contain: the name of the party to whom the copy of the notice of cancellation was ~~mailed~~ submitted, ~~the address to which the copy of the notice of cancellation was sent,~~ the date on which the notice of cancellation was ~~mailed~~ submitted, the date the bond is being canceled, and the license or permit number of the licensee or permittee to be affected by such cancellation.

The cancellation or notice thereof shall have no force or effect in the event that the principal's license or permit has been revoked during the period of the bond or when an administrative hearing complaint has been filed, and charges are currently pending against the licensee or permittee which could result in revocation of the license or permit after an administrative hearing on the complaint.

5.9(4) *Proof of bond.* A licensee or permittee shall be deemed to have furnished a surety bond when the licensee or permittee has filed with the division ~~at its offices in Ankeny, Iowa, a form described by 185—subrule 12.2(7)~~ a form prescribed by the division containing the following: the name of the bond provider; the city and state where the bond provider is located; the bond number, the names of the principal, the city and/or county where the principal is

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located; the amount of the bond; the type of license or permit guaranteed by the bond; the effective date of the bond; signatures of the principal and the bond provider; and any other information the administrator of the division may require.

5.9(5) No change.

5.9(6) No change.

5.9(7) No change.

This rule is intended to implement Iowa Code sections ~~123.21~~ 123.10, 123.30, ~~123.128 and 123.129~~ 123.127, 123.175, and 123.187.

ITEM 7. Rescind and reserve **185—Chapter 12**.

~~CHAPTER 12~~

~~FORMS~~

~~[Prior to 10/8/86, Beer and Liquor Control Department[150]]~~

~~**185—12.1(123,17A) Purpose and scope.** These rules shall govern all forms prescribed by the alcoholic beverages commission for use in proceedings before the division. The division may allow different forms to be utilized in a specific case as necessary.~~

~~**12.1(1)** *Forms compliance.* All papers filed with the division shall substantially comply with the requirements set forth in this chapter.~~

~~**12.1(2)** *General requirements.* All papers, except exhibits, shall be cut or folded so as not to exceed 8½ inches by 11 inches in size with inside margins not less than 1 inch in width. Whenever practical, all exhibits of a documentary character should conform to the foregoing requirements of size and margin.~~

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~~This rule is intended to implement Iowa Code section 123.21.~~

~~185—12.2(123,17A) Specific forms.~~

~~12.2(1)~~ ~~*Petition for rule making.* Rescinded IAB 5/19/99, effective 6/23/99.~~

~~12.2(2)~~ ~~*Statement of position.* Rescinded IAB 5/19/99, effective 6/23/99.~~

~~12.2(3)~~ ~~*Counterstatement of position.* Rescinded IAB 5/19/99, effective 6/23/99.~~

~~12.2(4)~~ ~~*Request for rule-making oral presentation.* Rescinded IAB 5/19/99, effective 6/23/99.~~

~~12.2(5)~~ ~~*Request for rule-making statement.* Rescinded IAB 5/19/99, effective 6/23/99.~~

~~12.2(6)~~ ~~*Petition for declaratory ruling.* Rescinded IAB 5/19/99, effective 6/23/99.~~

~~12.2(7)~~ ~~Retail bond.~~

~~ALCOHOLIC BEVERAGES DIVISION~~

~~1918 S.E. Hulsizer, Ankeny, Iowa 50021~~

~~BOND FOR RETAIL: LIQUOR LICENSES, BEER PERMITS, OR WINE PERMITS~~

~~Bond No. _____~~

~~KNOW ALL BY THESE PRESENTS THAT _____~~

~~(Principal)~~

~~of, _____ County,~~

~~(City and/or County)~~

~~State of Iowa, as Principal and _____~~

~~(Surety)~~

~~of _____,~~

~~(City and State)~~

~~as Surety, are held firmly bound unto the State of Iowa in the penal sum of $ _____~~

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~~lawful money of the United States, for the payment of which, in Des Moines, Polk County, Iowa, we bind ourselves, our successors and our legal representatives jointly and severally firmly by these presents.~~

~~THE CONDITION OF THIS OBLIGATION IS SUCH, That whereas, the Principal has made application for:~~

~~<fo:wrapper font-size="12pt">□</fo:wrapper> Class ____ Liquor License;~~	~~<fo:wrapper font-size="12pt">□</fo:wrapper> Class ____ Wine Permit;~~
~~<fo:wrapper font-size="12pt">□</fo:wrapper> Class ____ Beer Permit;~~	~~<fo:wrapper font-size="12pt">□</fo:wrapper> Special Class C Liquor License (Beer and Wine only);~~

~~to be issued by the Alcoholic Beverages Division.~~

~~NOW THEREFORE, if the Principal shall pay the amount Principal owes the division for writing the division insufficient funds checks for alcoholic beverages and wine as allowed by Iowa Code section 123.24, and shall faithfully observe and obey all other provisions of Iowa Code chapter 123, any amendments thereto, and the division's administrative rules, then this obligation to be void, otherwise to be and remain in full force and effect.~~

~~THIS BOND shall be effective on _____, 20_____, and shall remain effective continuously without cumulative liability until canceled. This bond may be canceled by the principal or the surety by giving written notice to the other party and the~~

~~Alcoholic Beverages Division at its office in Ankeny, Iowa, stating the date of cancellation, which in no event shall be less than thirty days after actual receipt of notice; however, no cancellation shall be effective as to forfeiture in the event proceedings for the revocation of the principal's liquor control license or beer permit have been or are commenced prior to the effective date of cancellation.~~

~~□ The Alcoholic Beverages Division by acceptance of this replacement bond gives notice to the Surety canceling prior bond(s) No.(s) _____, termination to be effective as of the time this bond becomes effective.~~

~~Signed this _____ day of _____, 20_____.~~

~~Countersigned _____~~

~~(Iowa Resident Agent)~~

~~(Principal)~~

~~(Principal)~~

~~(Surety)~~

~~By: _~~

~~(Attorney-in-Fact)~~

~~**12.2(8)** Bond for three wholesalers' permits.~~

~~ALCOHOLIC BEVERAGES DIVISION~~

~~1918 S.E. Hulsizer, Ankeny, Iowa 50021~~

~~Bond No._____~~

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~~The bond being issued is a:~~

~~□ Class "A" beer permit (beer wholesale only)~~

~~□ Class "A" wine permit (wine wholesale only)~~

~~□ Class "F" beer permit (beer and wine wholesale)~~

~~KNOW ALL BY THESE PRESENTS THAT _____~~

~~(Principal)~~

~~of, _____ County,~~

~~(City and/or County)~~

~~State of Iowa, as Principal, and _____~~

~~(Surety)~~

~~of _____,~~

~~(City and State)~~

~~as Surety, are firmly bound unto the State of Iowa in the penal sum of:~~

~~FIVE THOUSAND AND NO/100 DOLLARS if issued for a CLASS "A" BEER PERMIT (beer wholesale only) or for a CLASS "A" WINE PERMIT (wine wholesale only)~~

~~OR~~

~~TEN THOUSAND AND NO/100 DOLLARS if issued for a CLASS "F" BEER PERMIT (beer and wine wholesale)~~

~~lawful money of the United States, for the payment of which we bind ourselves, our successors and our legal representatives jointly and severally firmly by these presents.~~

~~THE CONDITION OF THIS OBLIGATION IS SUCH, That whereas, the Principal has made application for either a class "A" beer permit, class "A" wine permit, or a class "F" beer permit to be issued by the Alcoholic Beverages Division.~~

DRAFT

~~NOW THEREFORE, if the Principal shall faithfully observe and obey all of the provisions of Iowa Code chapter 123, any amendments thereto, and the division's administrative rules, then this obligation to be void, otherwise to be and remain in full force and effect.~~

~~THE SURETY on the bond of any permittee whose permit has been issued by the Alcoholic Beverages Division may at any time notify the Principal and the Alcoholic Beverages Division that the surety desires after a date named, which shall be at least thirty days after the receipt of notification, to be relieved of liability on the bond, shall be terminated and canceled on the date specified, unless supported by other sufficient bond, or bonds, and the Surety shall be relieved of all future liability after the date specified in the notice of cancellation.~~

~~THIS BOND shall be effective on _____, 20_____, and shall remain effective continuously without cumulative liability until canceled.~~

~~SIGNED THIS _____ DAY OF _____, 20_____.~~

~~(Principal)~~

~~(Surety)~~

~~**12.2(9)** Surety change rider.~~

~~Surety Change Rider~~

~~It is hereby understood and agreed that Bond Number _____, issued by~~

~~_____ to _____, effective~~

DRAFT

~~(Surety Company) (Principal)~~

~~is amended as follows:~~

~~(Effective date of bond)~~

~~Class of license is changed from _____ to _____~~

~~Amount of Bond is changed from _____ to _____~~

~~Provided, however, that the bond shall be subject to all its agreements, limitations and conditions except as herein expressly modified, and further that this bond and all riders attached thereto, including this rider, shall not be cumulative, and when loss shall occur under this bond during a time within which the penalty of the bond shall vary, then the aggregate liability of the Surety shall in no event exceed the largest penalty of this bond in force during the period of time within which such loss shall occur under this bond.~~

~~This rider shall become effective as of the _____ day of _____, 20_____.~~

~~Signed, sealed, and dated this _____ day of _____, 20_____.~~

~~Principal~~

~~Surety Company~~

~~Countersigned~~

~~By: _____~~

~~Resident Agent~~

~~By:~~

DRAFT

~~Attorney-in-fact~~

~~**12.2(10)** Bond for manufacturer's license in Iowa Code section 123.41.~~

~~ALCOHOLIC BEVERAGES DIVISION~~

~~MANUFACTURER'S LICENSE BOND~~

~~KNOW ALL BY THESE PRESENTS:~~

~~That we, the _____ of _____, Iowa, as Principal and _____ of _____, as surety, are held and firmly bound unto the STATE OF IOWA, and the ALCOHOLIC BEVERAGES DIVISION and each of them jointly, or severally, in the penal sum of FIVE THOUSAND DOLLARS ($5,000.00) for the payment of which we bind ourselves, our heirs, executors, administrators, successors, and assigns, jointly, severally by these presents.~~

~~THE CONDITION OF THIS OBLIGATION IS SUCH THAT,~~

~~WHEREAS, the said _____ of _____ has made application under Iowa Code section 123.41 for a Manufacturer's license allowing the manufacture, storage and wholesale disposition and sale of alcoholic liquor to the Alcoholic Beverages Division and to customers outside of the state.~~

~~Now, therefore, if licensee shall faithfully and fully abide by and keep and perform each and every provision of Iowa Code chapter 123, so far as it applies to the licensee during the period for which license shall be granted, then this bond shall be of no further force or effect; otherwise, it shall remain in full force and effect and the penalty shall become payable to Alcoholic Beverages Division at Ankeny, Iowa, upon demand and equity jurisdiction is hereby consented to for the enforcement hereof.~~

DRAFT

~~Second, to fix and determine liability of both the principal and surety upon this bond for the full amount it shall be necessary only to prove by a fair preponderance of the evidence that licensee has violated one or more of the rules and regulations adopted by the Alcoholic Beverages Division and in force when such act or acts shall have been committed.~~

~~Third, it is specifically conditioned by the surety that it may, at anytime, on giving of sixty (60) days' notice in writing to the Alcoholic Beverages Division of a desire to be relieved from further responsibility under this bond, terminate its further responsibility for any act committed by the principal subsequent to sixty (60) days from the receipt of notice by the Alcoholic Beverages Division.~~

~~Executed this _____ day of _____, 20_____, at _____.~~

~~This bond shall be effective for a one (1) year term beginning _____, 20_____,~~

~~and expiring _____, 20_____.~~

~~(Principal)~~

~~BY:~~

~~SURETY~~

~~BY:~~

~~**12.2(11)** Bond for wholesaler's license in Iowa Code section 123.42.~~

~~ALCOHOLIC BEVERAGES DIVISION~~

~~WHOLESALER'S LICENSE BOND~~

~~KNOW BY ALL THESE PRESENTS:~~

~~That we, the _____ of _____, Iowa, as Principal and _____ of _____ as surety,~~

DRAFT

~~are held and firmly bound unto the STATE OF IOWA, and the ALCOHOLIC BEVERAGES DIVISION and each of them jointly, or severally, in the penal sum of ONE THOUSAND DOLLARS ($1,000.00) for the payment of which we bind ourselves, our heirs, executors, administrators, successors, and assigns, jointly, severally by these presents.~~

~~THE CONDITION OF THIS OBLIGATION IS SUCH THAT,~~

~~WHEREAS, the said _____ of _____ has made application under Iowa Code section 123.42 for a Wholesaler's license allowing the storage and wholesale disposition and sale of alcoholic liquor to the Alcoholic Beverages Division and to customers outside of the state.~~

~~Now, therefore, if licensee shall faithfully and fully abide by and keep and perform each and every provision of Iowa Code chapter 123, so far as it applies to the licensee during the period for which license shall be granted, then this bond shall be of no further force or effect; otherwise, it shall remain in full force and effect and the penalty shall become payable to Alcoholic Beverages Division at Ankeny, Iowa, upon demand and equity jurisdiction is hereby consented to for the enforcement hereof.~~

~~Second, to fix and determine liability of both the principal and surety upon this bond for the full amount it shall be necessary only to prove by a fair preponderance of the evidence that licensee has violated one or more of the rules and regulations adopted by the Alcoholic Beverages Division and in force when such act or acts shall have been committed.~~

~~Third, it is specifically conditioned by the surety that it may, at any time, on giving of sixty (60) days' notice in writing to the Alcoholic Beverages Division of a desire to be relieved from further responsibility under this bond, terminate its further responsibility for any act~~

DRAFT

~~committed by the principal subsequent to sixty (60) days from the receipt of notice by the Alcoholic Beverages Division.~~

~~Executed this _____ day of _____, 20_____, at _____.~~

~~This bond shall be effective for a one (1) year term beginning _____, 20_____,~~

~~and expiring _____, 20_____.~~

~~(Principal)~~

~~BY:~~

~~SURETY~~

~~BY:~~

~~**12.2(12)** *Certification of dramshop liability*. Rescinded **ARC 0274C**, IAB 8/8/12, effective 9/12/12.~~

~~**12.2(13)** Hearing complaint.~~

~~STATE OF IOWA~~

~~BEFORE THE ALCOHOLIC BEVERAGES DIVISION~~

~~1918 S.E. Hulsizer~~

~~Ankeny, Iowa 50021~~

~~IN RE:~~	~~)~~	~~Date _____, 20_____~~
~~(insert the name of the~~	~~)~~	~~-~~
~~licensee, trade name of the~~	~~)~~	~~-~~
~~establishment and address)~~	~~)~~	~~-~~
~~-~~	~~)~~	~~HEARING COMPLAINT~~

DRAFT

~~Liquor Control License no. _____) -~~

~~Beer Permit no. _____) -~~

~~-) -~~

~~Complaint is hereby made that on ___,~~

~~at _____, Iowa, the above named licensee/permittee did, or by an agent, clerk, or employee, violate section _____ of the Code of Iowa, or violate rule no. _____ of the Alcoholic Beverages Division.~~

~~TO WIT:~~

~~(insert the code or rule violation)~~

~~WHEREFORE, it is requested that the administrator of the Alcoholic Beverages Division hear the proceeding in accordance with the law and regulations.~~

~~Complainant Authority~~

~~By _~~

~~List of Witnesses;~~

~~(insert names and addresses of witnesses)~~

~~**12.2(14)** *Appeal to hearing board.* Rescinded IAB 8/18/93, effective 7/29/93.~~

~~[**ARC 0274C**, IAB 8/8/12, effective 9/12/12]~~

~~These rules are intended to implement Iowa Code sections 123.21(4), 123.21(12), 123.30, 123.41, 123.42, 123.125 and 123.127.~~

~~[Filed without Notice 7/6/79—published 7/25/79, effective 8/29/79]~~

~~[Filed 8/15/80, Notice 5/28/80—published 9/3/80, effective 10/8/80]~~

~~[Filed emergency 5/19/82—published 6/9/82, effective 5/19/82]~~

~~[Filed 5/3/85, Notice 2/13/85—published 5/22/85, effective 6/26/85*]~~

~~[Filed emergency 7/1/85—published 7/31/85, effective 7/1/85]~~

DRAFT

~~[Filed emergency 10/10/85—published 11/6/85, effective 10/10/85]~~

~~[Filed 10/10/85, Notice 7/31/85—published 11/6/85, effective 12/11/85]~~

~~[Editorially transferred from [150] to [185], IAC Supp. 10/8/86; see IAB 7/30/86]~~

~~[Filed emergency 7/29/93—published 8/18/93, effective 7/29/93]~~

~~[Filed 10/20/93, Notice 8/18/93—published 11/10/93, effective 12/15/93]~~

~~[Filed 4/28/99, Notice 3/24/99—published 5/19/99, effective 6/23/99]~~

~~[Filed 3/14/03, Notice 8/8/01—published 4/2/03, effective 5/8/03]~~

~~[Filed ARC 0274C (Notice ARC 0157C, IAB 6/13/12), IAB 8/8/12, effective 9/12/12]~~

~~[1] Effective date of 12.2(7) delayed seventy days by the Administrative Rules Review Committee on 6/11/85.~~

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Schedule for Rule Making
2018

NOTICE SUBMISSION DEADLINE	NOTICE PUB. DATE	HEARING OR COMMENTS 20 DAYS	FIRST POSSIBLE ADOPTION DATE 35 DAYS	ADOPTED FILING DEADLINE	ADOPTED PUB. DATE	FIRST POSSIBLE EFFECTIVE DATE	POSSIBLE EXPIRATION OF NOTICE 180 DAYS
Dec. 27 '17	Jan. 17 '18	Feb. 6 '18	Feb. 21 '18	Feb. 23 '18	Mar. 14 '18	Apr. 18 '18	July 16 '18
Jan. 12	Jan. 31	Feb. 20	Mar. 7	Mar. 9	Mar. 28	May 2	July 30
Jan. 26	Feb. 14	Mar. 6	Mar. 21	Mar. 23	Apr. 11	May 16	Aug. 13
Feb. 9	Feb. 28	Mar. 20	Apr. 4	Apr. 6	Apr. 25	May 30	Aug. 27
Feb. 23	Mar. 14	Apr. 3	Apr. 18	Apr. 20	May 9	June 13	Sep. 10
Mar. 9	Mar. 28	Apr. 17	May 2	May 4	May 23	June 27	Sep. 24
Mar. 23	Apr. 11	May 1	May 16	***May 16***	June 6	July 11	Oct. 8
Apr. 6	Apr. 25	May 15	May 30	June 1	June 20	July 25	Oct. 22
Apr. 20	May 9	May 29	June 13	***June 13***	July 4	Aug. 8	Nov. 5
May 4	May 23	June 12	June 27	June 29	July 18	Aug. 22	Nov. 19
May 16	June 6	June 26	July 11	July 13	Aug. 1	Sep. 5	Dec. 3
June 1	June 20	July 10	July 25	July 27	Aug. 15	Sep. 19	Dec. 17
June 13	July 4	July 24	Aug. 8	Aug. 10	Aug. 29	Oct. 3	Dec. 31
June 29	July 18	Aug. 7	Aug. 22	***Aug. 22***	Sep. 12	Oct. 17	Jan. 14 '19
July 13	Aug. 1	Aug. 21	Sep. 5	Sep. 7	Sep. 26	Oct. 31	Jan. 28 '19
July 27	Aug. 15	Sep. 4	Sep. 19	Sep. 21	Oct. 10	Nov. 14	Feb. 11 '19
Aug. 10	Aug. 29	Sep. 18	Oct. 3	Oct. 5	Oct. 24	Nov. 28	Feb. 25 '19
Aug. 22	Sep. 12	Oct. 2	Oct. 17	Oct. 19	Nov. 7	Dec. 12	Mar. 11 '19
Sep. 7	Sep. 26	Oct. 16	Oct. 31	***Oct. 31***	Nov. 21	Dec. 26	Mar. 25 '19
Sep. 21	Oct. 10	Oct. 30	Nov. 14	***Nov. 14***	Dec. 5	Jan. 9 '19	Apr. 8 '19
Oct. 5	Oct. 24	Nov. 13	Nov. 28	Nov. 30	Dec. 19	Jan. 23 '19	Apr. 22 '19
Oct. 19	Nov. 7	Nov. 27	Dec. 12	***Dec. 12***	Jan. 2 '19	Feb. 6 '19	May 6 '19
Oct. 31	Nov. 21	Dec. 11	Dec. 26	***Dec. 26***	Jan. 16 '19	Feb. 20 '19	May 20 '19
Nov. 14	Dec. 5	Dec. 25	Jan. 9 '19	Jan. 11 '19	Jan. 30 '19	Mar. 6 '19	June 3 '19
Nov. 30	Dec. 19	Jan. 8 '19	Jan. 23 '19	Jan. 25 '19	Feb. 13 '19	Mar. 20 '19	June 17 '19
Dec. 12	Jan. 2 '19	Jan. 22 '19	Feb. 6 '19	Feb. 8 '19	Feb. 27 '19	Apr. 3 '19	July 1 '19
Dec. 26	Jan. 16 '19	Feb. 5 '19	Feb. 20 '19	Feb. 22 '19	Mar. 13 '19	Apr. 17 '19	July 15 '19

PLEASE NOTE:

Rules will not be accepted after **12 o'clock noon** on the filing deadline unless prior approval has been received from the Administrative Rules Coordinator's office and the Administrative Code Editor.

Note change of filing deadline

IOWA ALCOHOLIC BEVERAGES DIVISION PROPOSED RULE-MAKING DOCKET

Written submissions on all proposed rules may be inspected at the offices of the Iowa Alcoholic Beverages Division, located at 1918 SE Hulsizer Road, Ankeny, IA 50021 during regular business hours. Written requests related to proposed rules may be mailed to the attention of the RULES COORDINATOR, at same address.

PENDING RULE-MAKING PROCEEDING	SUBJECT MATTER	NOTICE SUBMISSION DEADLINE*	NOTICE PUBLICATION DATE	ARC	END DATE FOR WRITTEN COMMENT PERIOD	PUBLIC HEARING TO RECEIVE ORAL COMMENT	ADMINISTRATIVE RULES REVIEW COMMITTEE/ HEARING Y/N	FIRST POSSIBLE ADOPTION DATE**	ADOPTED FILING DEADLINE	ADOPTED & FILED PUBLICATION DATE	ARC	FIRST POSSIBLE EFFECTIVE DATE
185-4	Liquor Licenses - Beer Permits - Wine Permits	May 4, 2018	May 23, 2016		June 12, 2018	TBD	TBD	June 27, 2018	June 29, 2018	July 18, 2018		August 22, 2018
185-5	License and Permit Division	May 4, 2018	May 23, 2016		June 12, 2018	TBD	TBD	June 27, 2018	June 29, 2018	July 18, 2018		August 22, 2018
185-12	Forms	May 4, 2018	May 23, 2016		June 12, 2018	TBD	TBD	June 27, 2018	June 29, 2018	July 18, 2018		August 22, 2018

* Actions prior to notice submission: Share with Commission and Stakeholders, Consideration of comments received, Commission approval to file Notice. NOON deadline on Notice of Intended Action submissions.

* ACTIONS PRIOR TO NOTICE SUBMISSION	DISTRIBUTE TO COMMISSION AND STAKEHOLDERS	END DATE FOR WRITTEN COMMENT PERIOD	COMMISSION ACTION: APPROVAL TO FILE NOTICE
	Commission: 04/04/2018 Stakeholders: 04/06/2018	April 20, 2018	April 27, 2018

** Actions prior to adopted filing deadline: Formal adoption of the noticed rule in a public meeting of the Alcoholic Beverages Commission.

** ACTIONS PRIOR TO ADOPTED FILING	COMMISSION ACTION: ADOPTION OF NOTICED RULE
	June 27, 2018

Strauss, Stephanie <strauss@iowaabd.com>

REQUEST FOR INFORMAL COMMENT - Proposed Amendment to Rules

Strauss, Stephanie <strauss@iowaabd.com> Thu, Apr 19, 2018 at 11:14 AM
To: Josh Happe <happe@iowaabd.com>, "Schaffer, Heather [ABD]" <schaffer@iowaabd.com>, "Ackerson, Tyler [ABD]" <ackerson@iowaabd.com>, Lolani Lekkas <lekkas@iowaabd.com>, Jake Holmes <holmes@iowaabd.com>, Jeffrey Cam <cam@iowaabd.com>
Bcc: Stephanie Strauss <strauss@iowaabd.com>

The Iowa Distillers Alliance has *revised* their alternative language for the proposed rule regarding calculating a native distillery's annual production. We can discuss next week.

Thanks,

stephanie strauss | government relations
Iowa Alcoholic Beverages Division • 1918 SE Hulsizer Road • Ankeny • Iowa • 50021
[p] 515.281.7432 • [f] 515.281.7375 • [e] strauss@iowaabd.com • https://abd.iowa.gov

---------- Forwarded message ----------
From: **Tom W. Cope** <tomwcope@lobbyiowa.com>
Date: Thu, Apr 19, 2018 at 10:57 AM
Subject: RE: REQUEST FOR INFORMAL COMMENT - Proposed Amendment to Rules
To: "Strauss, Stephanie" <strauss@iowaabd.com>, Jon Murphy <jon@lobbyiowa.com>, Garrett Burchett <garrett@mrdistilling.com>, Jeff Quint <jeff@cedarridgewhiskey.com>

Stephanie-

As a follow-up to your conversations this morning with both Garrett and myself, please find below a revised version of the language that Iowa Distillers would find acceptable for section 5.2(2):

5.2(2) In calculating a native distillery's production on an annual basis, the Division shall aggregate total production from all production facilities of the business as reported by the native distillery ~~on all documents, including all production, storage, and~~ using the twelve (12) month sum of line twenty-six (26) of the federal processing reports, filed monthly by the native distillery with the Division, pursuant to Iowa Code subsection 123.43A(5).

Let us know if you have any questions about this.

Thanks!

Tom

COPE MURPHY + CO.

Tom Cope | Principal

cell 515.975.4590 email tom@lobbyiowa.com

6165 NW 86th St | Johnston, IA | 50131

From: Tom W. Cope
Sent: Wednesday, April 18, 2018 9:06:25 AM
To: Strauss, Stephanie; Jon Murphy; Garrett Burchett; Jeff Quint
Subject: RE: REQUEST FOR INFORMAL COMMENT - Proposed Amendment to Rules

Stephanie-

Thanks for this opportunity to provide informal comment on the draft ABD rules. One item in the draft rules that we have identified as a significant concern in the proposed language in Section 5.2(2) regarding calculating a native distillery's annual production.

The language in the draft rules reads as follows:

5.2(2) In calculating a native distillery's production on an annual basis, the Division shall aggregate total production from all production facilities of the business as reported by the native distillery on all documents, including all production, storage, and processing reports, filed monthly by the native distillery with the Division, pursuant to Iowa Code subsection 123.43A(5).

This language is very problematic and inconsistent with discussions that Iowa Distillers have had with ABD Director Steve Larson and others regarding the appropriate way for making this calculation. Additionally, we believe that this language is inconsistent with what legislators had in mind for the 100,000 proof gallon production limit contained in the amended version of code Section 123.43A.

We would suggest the alternative language below. This is the language that Iowa Distillers believe that they had reached consensus on during their discussions with Director Larson when discussing this issue last year.

Here is the alternative language:

5.2(2) In calculating a native distillery's production on an annual basis, the Division shall aggregate total production from all production facilities of the business as reported by the native distillery ~~on all documents, including all production, storage, and~~ using the twelve (12) month sum of line thirty-one (31) of the federal processing reports, filed monthly by the native distillery with the Division, pursuant to Iowa Code subsection 123.43A(5).

Can you please review this language and let us know if this alternative language is acceptable to ABD as an amendment to their proposed language in these draft rules.

Thanks!

Tom

COPE MURPHY + CO.

Tom Cope | Principal

cell 515.975.4590 email tom@lobbyiowa.com

6165 NW 86th St | Johnston, IA | 50131

From: Strauss, Stephanie <strauss@iowaabd.com>
Sent: Friday, April 6, 2018 2:06:12 PM
To: Nicole Eilers; Nading, Mackenzie; J. Wilson; Jessica Dunker; Michelle Hurd; Jim Carney; Tom W. Cope; Lance Lang; John Cacciatore; Christopher Rants; Tyler Rudd; David Adelman; Matt Eide; Dale Szyndrowski; Lynne Omlie; Matt Dogali; Doug Struyk; Contact; Curt Wymer; Brad Epperly
Subject: REQUEST FOR INFORMAL COMMENT - Proposed Amendment to Rules

Good Afternoon:

In May, 2018, the Iowa Alcoholic Beverages Division plans to initiate formal rulemaking activity to implement provisions of 2017 Iowa Acts, House File 607 by amending 185-4 Liquor Licenses-Beer Permits-Wine Permits, 185-5 License and Permit Division, and 185-12 Forms. At this time, the Division seeks informal comment on the proposed amendments to these rules (attached).

All comments made in response to this request will be considered by the Division before it initiates formal rulemaking activity. Interested parties are asked to submit informal comments on the proposed amendments to strauss@iowaabd.com no later than Friday, April 20, 2018.

Thank you,

stephanie strauss | government relations
Iowa Alcoholic Beverages Division • 1918 SE Hulsizer Road • Ankeny • Iowa • 50021
[p] 515.281.7432 • [f] 515.281.7375 • [e] strauss@iowaabd.com • https://abd.iowa.gov

ITEM 5. Adopt the following **new** rule 185—5.2(123):

185---5.2(123) Annual production of a native distillery. A native distillery is a business with an operating still which produces and manufactures native distilled spirits and holds a class "A" native distilled spirits license. The total number of proof gallons of native distilled spirits produced and manufactured by a native distillery on an annual basis shall be used to determine the amount of native distilled spirits that may be sold per person per day from the native distillery's licensed premises for off-premises consumption and to determine eligibility to obtain a class "C" native distilled spirits license.

5.2(1) *Definitions.*

a. "Annual basis," for the purpose of this rule, means a year as defined in Iowa Code section 4.1(40) beginning January 1 and ending December 31.

b. "Native distilled spirits" means an alcoholic beverage as defined in Iowa Code section 123.3(28).

c. "Operating still," for the purpose of this rule, means a still that is registered with the Alcohol and Tobacco Tax and Trade Bureau pursuant to 27 Code of Federal Regulations section 19.75(b) and is actively used to manufacture spirits.

d. "Proof gallon," for the purpose of this rule, means a United States gallon of proof spirits, or the alcoholic equivalent thereof, as defined by the Alcohol and Tobacco Tax and Trade Bureau pursuant to 27 Code of Federal Regulations section 30.11.

5.2(2) The total number of proof gallons of native distilled spirits produced and manufactured by a native distillery on an annual basis shall combine all production facilities of the business and shall be determined based on the twelve month sum of line twenty-six of Alcohol and Tobacco Tax and Trade Bureau form 5110.28 – Monthly Report of Processing Operations, filed monthly by the native distillery with the Division, pursuant to Iowa Code subsection 123.43A(5).

5.2(3) The amount of native distilled spirits that may be sold per person per day from a native distillery's licensed premises for off-premises consumption shall be determined based on the total number of proof gallons of native distilled spirits as determined in subrule 5.2(2) for the preceding calendar year beginning January 1 and ending December 31.

5.2(4) As a condition of obtaining a class "C" native distilled spirits liquor control license, a native distillery shall report to the division, at the time of application, the total number of proof gallons of native distilled spirits as determined in subrule 5.2(2) for the preceding calendar year beginning January 1 and ending December 31.

This rule is intended to implement Iowa Code sections 123.3(29), 123.30(3) *"c" "3"*, 123.31(6) and 123.43A.

Comment [SS[1]: 5.2(2) describes how the total number of proof gallons is calculated. This number is determined by combining all production facilities of the business and using the 12 month sum of line 26-Form 5110.28.

Comment [SS[2]: 5.2(3) describes how the bottle sales from the manufacturing location will be determined, based on the total proof gallons in subrule 5.2(2) FOR THE PRECEDING CALENDAR YEAR.

Comment [SS[3]: 5.2(4) describes how total proof gallon production is to be reported when applying for the class C license. The number to report will be based on the total proof gallons in subrule 5.2(2) FOR THE PRECEDING CALENDAR YEAR.

OMB No. 1513-0041 (04/30/2017)

DEPARTMENT OF THE TREASURY
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU (TTB)
MONTHLY REPORT OF PROCESSING OPERATIONS

1. Every proprietor engaged in processing operations must prepare this form each month in duplicate.
2. The proprietor must forward the original to the Director, National Revenue Center, 550 Main St, Ste 8002, Cincinnati, OH 45202-5215, on or before the 15th day of the month following the month for which prepared.
3. The copy is to be kept on file by the proprietor.

1. PLANT NUMBER

2. MONTH AND YEAR

3. NAME OF PROPRIETOR

4. LOCATION OF PLANT

5. Employer Identification Number (EIN)

PART I - BULK INGREDIENTS

TRANSACTION (a)	WINE (Proof gallons) (b)	SPIRITS (Proof gallons) (c)
1. ON HAND FIRST OF MONTH		
2. RECEIVED (Other than line 3)		
3. ALCOHOL FOR FUEL USE RECEIVED FROM CUSTOMS CUSTODY		
4. ALCOHOL, FLAVOR, MATERIALS DUMPED		
5. WINE MIXED WITH SPIRITS		
6. DUMPED FOR FURTHER PROCESSING		
7. GAINS		
8. TOTAL - LINES 1 THROUGH 7		
9. BOTTLED OR PACKAGED		
10. WINE MIXED WITH SPIRITS		
11. USED FOR DENATURATION		
12. TRANSFERRED IN BOND		
13. WITHDRAWN TAX DETERMINED		
14. WITHDRAWN FREE OF TAX: FOR U.S., HOSPITAL, SCIENTIFIC, OR EDUCATIONAL USE		
15. WITHDRAWN WITHOUT PAYMENT OF TAX: FOR ADDITION TO WINE		
16. FOR EXPORTATION & TRANSFER TO C.B.W.		
17. TRANSFERRED TO PRODUCTION ACCOUNT FOR REDISTILLATION		
18. WITHDRAWN FOR RESEARCH, DEVELOPMENT, OR TESTING (Including Gov. samples)		
19. DESTROYED		
20. USED FOR REDISTILLATION		
21.		
22.		
23.		
24. LOSSES		
25. ON HAND END OF MONTH		
26. TOTAL - LINES 9 THROUGH 25		

PART II - FINISHED PRODUCTS

TRANSACTION (a)	BOTTLED (Proof gallons) (b)	PACKAGED (Proof gallons) (c)
27. ON HAND FIRST OF MONTH		
28. BOTTLED OR PACKAGED		
29. RECEIVED		
30. INVENTORY OVERAGES		
31. TOTAL - LINES 27 THROUGH 30		
32. TRANSFERRED IN BOND [1]		
33. WITHDRAWN TAX DETERMINED		
34. WITHDRAWN FREE OF TAX: FOR U.S. HOSPITAL, SCIENTIFIC, OR EDUCATIONAL USE		
35. WITHDRAWN WITHOUT PAYMENT OF TAX: FOR ADDITION TO WINE		
36. FOR EXPORTATION, VESSELS, AND AIRCRAFT, AND TRANSFER TO C.B.W.		
37. TRANSFERRED TO PRODUCTION ACCOUNT FOR REDISTILLATION		
38. WITHDRAWN FOR RESEARCH, DEVELOPMENT, OR TESTING (Including Gov. samples)		
39. DESTROYED		
40. DUMPED FOR FURTHER PROCESSING		
41.		
42.		
43.		
44. RECORDED LOSSES		
45. INVENTORY SHORTAGES		
46. ON HAND END OF MONTH		
47. TOTAL - LINES 32 THROUGH 46		

[1] Bottled nonindustrial (beverage) use spirits may not be received or transferred in bond.

PART III - PUERTO RICAN AND VIRGIN ISLANDS SPIRITS (RUM) AND "OTHER" IMPORTED RUM[1]

	(a) PUERTO RICAN SPIRITS	(b) VIRGIN ISLANDS SPIRITS	(c) "OTHER" IMPORTED RUM
48. PROOF GALLONS REMOVED TAXPAID OR TAX DETERMINED			

PART IV – PROCESSING OF BEVERAGE (Nonindustrial use) SPIRITS

KIND (a)		BULK SPIRITS DUMPED INTO PROCESSING[2] *(Whole proof gallons)* (b)	BOTTLED - IMPORTED[3] *(Whole proof gallons)* (c)	BOTTLED (Excluded bottled in bond and export) *(Whole wine gallons)* (d)	BOTTLED IN BOND[4] 27 CFR 5.42(b) (Exclude export) *(Whole wine gallons)* (e)	BOTTLED FOR EXPORT *(Whole wine gallons)* (f)
49. ALCOHOL AND NEUTRAL SPIRITS (Other than vodka)						
50. BLENDED STRAIGHT WHISKEY[5]						
51. BLENDED WHISKEY:	a. With neutral spirits[6]					
	b. With light whiskey[7]					
52. BLENDED LIGHT WHISKEY[8]						
53. ANY OTHER BLENDS OF 100% WHISKEY						
54. IMPORTED WHISKEY:	a. Scotch					
	b. Canadian					
	c. Irish and Others					
55. DOMESTIC WHISKEY DISTILLED AT 160° AND UNDER						
56. DOMESTIC WHISKEY DISTILLED AT OVER 160°						
57. BRANDY DISTILLED AT 170° AND UNDER						
58. BRANDY DISTILLED AT OVER 170°						
59. SPIRITS (Rum)[1]	a. Puerto Rican					
	1b. Virgin Islands					
60. RUM	a. Domestic					
	b. "Other" Imported					
61. GIN						
62. VODKA						
63. CORDIALS, LIQUEURS, AND SPECIALTIES[9]						
64. COCKTAILS AND MIXED DRINKS						
65. TEQUILA						
66.						
67. TOTAL - LINES 49 THROUGH 66						

UNDER PENALTIES OF PERJURY, I DECLARE that I have examined this report and, to the best of my knowledge and belief, it is a true and complete report.

DATE	PROPRIETOR	BY *(Signature and Title)*

[1]Only products containing at least **92% RUM** should be recorded at line 48(a) and (b), and at lines 59 a and b.

[2]Do not include spirits that have been previously reported as dumped on dump/batch records and retained in processing (27 CFR 19.343).

[3]Include spirits from Puerto Rico and Virgin Islands. Imported spirits that are not allowed to be labeled as a product of a foreign country, Puerto Rican, or Virgin Islands spirits under 27 CFR Part 5 must be reported as domestic spirits.

[4]Bottled in bond spirits are those that conform to the standard prescribed by 27 CFR 5.42(b) and are labeled with the words "bond," "bottled in bond," "aged in bond," or similar phrases. Do not include imported spirits.

[5]Blends of straight whiskies, all of which are 2 years old or older, no neutral spirits; no light whiskey.

[6]Blended whiskey, containing at least 20% straight whiskey, and the balance, neutral spirits.

[7]Blended whiskey containing at least 20% straight whiskey, and the balance, light whiskey.

[8]Light whiskey blended with more than 2% but less than 20% straight whiskey; no neutral spirits.

[9]Includes flavored whiskies, gins, vodkas, brandies, etc.

PAPERWORK REDUCTION ACT NOTICE

This information request is in accordance with the Paperwork Reduction Act of 1995. The purpose of this information collection is to monitor the operation of industries regulated by TTB. The information is required to verify unusual activities, errors, and omissions on taxable commodities. The information is mandatory by statute. (26 U.S.C. 5207).

The estimated average burden associated with this collection of information is 2 hours per respondent or recordkeeper, depending on individual circumstances. Comments concerning the accuracy of this burden estimate and suggestions for reducing this burden should be addressed to the Reports Management Officer, Regulations and Rulings Division, Alcohol and Tobacco Tax and Trade Bureau, Washington, D.C. 20220.

An agency may not conduct or sponsor, and a person is not required to repond to, a collection of information unless it displays a current, valid OMB control number.

OMB No. 1513-0039 (03/31/2016)

DEPARTMENT OF THE TREASURY
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU (TTB)
MONTHLY REPORT OF STORAGE OPERATIONS

REPORT COVERS
☐ DOMESTIC SPIRITS AND ALL WINES ☐ IMPORTED SPIRITS
☐ PUERTO RICAN SPIRITS ☐ VIRGIN ISLANDS SPIRITS

MONTH AND YEAR

INSTRUCTIONS
Every proprietor as a warehouseman must prepare this form monthly, in duplicate. Forward the original to the Director, National Revenue Center 550 Main St, Ste 8002, Cincinnati, OH 45202-5215, not later than the 15th day of the month following that for which the report is rendered.

The remaining copy must be retained by the proprietor. Separate reports must be prepared for domestic spirits, imported spirits, Puerto Rican spirits, and spirits from the U.S. Virgin Islands. Denaturing operations must be reported on TTB F 5110.43.

NAME OF PROPRIETOR

EIN

LOCATION OF PLANT

PLANT NUMBER
DSP-

PROOF GALLONS

TRANSACTIONS (a)	WHISKY[6] DISTILLED AT 160° AND UNDER (b)	WHISKY[6] DISTILLED AT OVER 160° (c)	BRANDY DISTILLED AT 170° AND UNDER (d)	BRANDY DISTILLED AT OVER 170° (e)	RUM (f)	GIN (g)	VODKA (h)	ALCOHOL AND SPIRITS 190° AND OVER (i)	ALCOHOL AND SPIRITS UNDER 190° (j)	OTHER (Identify) (k)	WINE (Proof gallons) (l)	TOTAL (m)
1. On hand first of month												
2. Deposited in bulk storage[1]												
3. Received from Customs custody												
4. Returned to bulk storage												
5.												
6. TOTAL (Lines 1 through 5)												
7. Taxpaid												
WITHDRAWN FOR: 8. Use of the United States												
9. Hospital, scientific educational use[2]												
10. Export												
11. Transfer to foreign-trade zone												
12. Transfer to CMBW												
13. Use as supplies on vessels and aircraft												
14. Transfer to bonded winery												
15. Transfer to CBW												
16. Research, development, or testing[3]												
17. Transferred to processing account												
18. Transferred to production account[4]												
19. Transferred to other bonded premises												
20. Destroyed												
21.												
22. Other Losses[5]												
23. On hand end of month												
24. TOTAL (Lines 7 through 23)												

FOOTNOTES

[1]From production or by transfer in bond.

[2]Does not include spirits withdrawn for experimental or research use under 26 U.S.C. 5312; such spirits should be reported and identified at Line 21.

[3]Withdrawals under 26 U.S.C. 5214(a)(10) or 5373(b)(4).

[4]In the case of imported spirits or spirits from Puerto Rico and the U.S. Virgin Islands, applicable only to spirits of 185 degrees or more of proof.

[5]Includes only losses determined at the time of:
(1) withdrawal
(2) dumping for mingling, or
(3) emptying or inventorying storage tanks

[6]Includes domestic whisky distilled at over 160° Proof in col. (c). All other whisky should be reported in col. b).

Under penalties of perjury, I declare that I have examined this report and, to the best of my knowledge and belief, it is a true, correct, and complete report of storage operations, and is supported by true, correct, and complete commercial records which are available for inspection.

DATE

PROPRIETOR

BY: (Signature and Title)

TTB F 5110.11 (01/2009)

PAPERWORK REDUCTION ACT NOTICE

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OMB No. 1513-0047 (03/31/2018)

DEPARTMENT OF THE TREASURY
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU (TTB)

MONTHLY REPORT OF PRODUCTION OPERATIONS

(PREPARE IN DUPLICATE. SEE INSTRUCTIONS BELOW)

1. NAME OF PROPRIETOR	2. EIN	3. MONTH AND YEAR
4. LOCATION OF PLANT		5. PLANT NUMBER DSP

PART I - TRANSACTIONS

	TRANSACTION (a)	PROOF GALLONS										
		WHISKY		BRANDY		RUM	GIN	VODKA	ALCOHOL AND SPIRITS		OTHER	TOTAL
		160° AND UNDER (b)	OVER 160° (c)	170° AND UNDER (d)	OVER 170° (e)	(f)	(g)	(h)	190° AND OVER (Distillation Proof) (i)	UNDER 190° (Distillation Proof) (j)	(Identify) (k)	(l)
WITHDRAWN FOR	1. TAX PAYMENT											
	2. USE OF U.S.											
	3. HOSPITAL, SCIENTIFIC, OR EDUCATIONAL USE[1]											
	4. EXPORT											
	5. TRANSFER TO FOREIGN TRADE ZONE											
	6. TRANSFER TO CMBW											
	7. USE AS SUPPLIES ON VESSELS OR AIRCRAFT											
	8. USE IN WINE PRODUCTION											
	9. ENTERED IN PROCESSING ACCOUNT											
	10. ENTERED FOR TRANSFER IN BOND											
	11. ENTERED IN STORAGE ACCOUNT											
	12. WITHDRAWN FOR RESEARCH, DEVELOPMENT, OR TESTING[2]											
	13.											
	14. PRODUCED (Total, Lines 1 through 13)											
	15. RECEIVED FOR REDISTILLATION[3]											
	16. [4]											
17. PHYSICAL INVENTORY-END OF CALENDAR QUARTER	(a) RECEIVED FOR REDISTILLATION[3]											
	(b) UNFINISHED SPIRITS											

PART II - PRODUCTION OF ALCOHOL AND SPIRITS OF 190° OR MORE OF PROOF, BY KIND OF MATERIAL USED

KIND OF MATERIAL (a)	PROOF GALLONS (b)
1. GRAIN	
2. FRUIT	
3. MOLASSES	
4. ETHYL SULFATE	
5. ETHYLENE GAS	
6. SULPHITE LIQUORS	
7. FROM REDISTILLATION	
8.	

PART III - PRODUCTION OF WHISKY BY KIND AND COOPERAGE USED

KIND (a)	PROOF GALLONS NEW COOPERAGE (b)	PROOF GALLONS USED COOPERAGE (c)	PROOF GALLONS DEPOSITED IN TANKS (d)
1. BOURBON			
2. CORN			
3. RYE			
4. LIGHT			
5.			
6.			
7.			
8.			

PART IV - PRODUCTION OF BRANDY BY KIND

KIND (a)	PROOF GALLON (b)
1. GRAPE BRANDY	
2. ALL OTHER BRANDY	
3. NEUTRAL GRAPE BRANDY	
4. ALL OTHER NEUTRAL BRANDY	
5.	
6.	
7.	
8.	

PART V - USED IN REDISTILLATION

KIND OF SPIRITS[5] (a)	PROOF GALLON (b)
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	

[1] Does not include spirits withdrawn for experimental or research use under 26 U.S.C. 5312; report these at line 12.
[2] Show withdrawals under 26 U.S.C. 5214(a)(10), 5373(b)(4), or 5312.
[3] Does not include recovered denatured spirits or articles returned for restoration and/or denaturation under 27 CFR 19.393; such materials should be reported on TTB F 5110.43, Monthly Report of Processing (Denaturing) Operations. Imported spirits received for redistillation will be identified as such and reported separately in Parts II and V.
[4] Samples returned must be shown here.
[5] If alcohol or spirits, indicate whether "190° or over" or "under 190°".

PART VI - MATERIALS USED

KIND	USED IN PRODUCTION OF DISTILLED SPIRITS		USED IN MANUFACTURE OF SUBSTANCES OTHER THAN DISTILLED SPIRITS, IN PROCESSES YIELDING DISTILLED SPIRITS AS A BY-PRODUCT	
(a)	POUNDS (b)	GALLONS (c)	POUNDS (d)	GALLONS (e)
GRAIN AND GRAIN PRODUCTS				
1. CORN				
2. RYE				
3. MALT				
4. WHEAT				
5. SORGHUM GRAIN				
6. BARLEY				
7.				
8.				
FRUIT AND FRUIT PRODUCTS				
9. GRAPE				
10.				
11.				
12.				
13.				
14.				
CANE AND CANE PRODUCTS				
15. MOLASSES				
16.				
17.				
18.				
OTHER MATERIALS				
19. ETHYL SULFATE				
20. ETHYLENE GAS				
21. SULPHITE LIQUORS				
22. BUTANE GAS				
23.				

Under penalties of perjury, I declare that I have examined this report, and to the best of my knowledge and belief, it is true, correct, and complete and is supported by true, correct, and complete commercial records which are available for inspection.

DATE	PROPRIETOR	BY (Signature and title)

INSTRUCTIONS

Every proprietor of a distilled spirits plant must prepare this form monthly, in duplicate. Forward the original to the Director, National Revenue Center, 550 Main St, Ste 8002, Cincinnati, OH 45202-5215, not later than the 15th day of the month following that for which the report is rendered. The remaining copy must be retained by the proprietor.

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Timestamp	Email Address	First Name	Last Name	Business/Organization	A native distillery is defined as "a business with an operating still which produces and manufactures native distilled spirits." What do you feel is a reasonable definition for an "operating still" and why? Please include a specific operating time frame within your answer.	Certain retail privileges for native distilleries are tied to their production amounts on an "annual basis." What do you feel is a reasonable definition of "annual basis" and why?	The Division calculates a native distillery's production on an annual basis using Line 26 of the Alcohol and Tobacco Tax and Trade Bureau (TTB) Monthly Report of Processing Operations. Do you feel this line accurately captures annual production? If not, what line on the report would you recommend the Division use and why?
11/7/2017 11:07:04	jeff@cedarridgewhiskey.com	Jeff	Quint	Cedar Ridge Distillery	A still, registered with the Federal Alcohol & Tobacco Tax & Trade Bureau, that is used in the normal course of producing distilled spirits. Such still should be routinely operated to produce spirits sold by the distillery.	Calendar year. Each calendar year, this should be measured. This is the most logical basis for "annual".	We agree that Line 26 of the Federal Monthly Report of Processing Operations is a fair number to use.
11/7/2017 22:10:01	joseph@dehnerdistillery.com	Joseph	Dehner	Dehner Distillery / Red Boot Stills	I would say it is a piece of equipment that safely works, and can be used at any time for the distillation or re-distillation of alcohol from both raw mash or spirits that have been distilled prior. A time frame should not be required due to the fact of 1- size of unit, 2- type of input power, 3- design of unit, 4- pot still or continuous still, 5- type of product to be distilled	100,000 proof gallon, I believe this to be the maximum that should be allowed. The new Federal Tax reduction act bring to pass has the first 100,000 Proof Gallons reduced in tax after that the tax rate goes up to all most normal. This bill has not passed yet but I feel it is a good marker for what is to come.	REALLY??? WTF !! line 26.... you really need to call me and have you give you a crash coarse in how to do paper work. 515-559-4879. If you use line 26 then you could very easily double count or triple count the production of spirits coming out of the distillery. If a batch goes bad and you redistill it would basically go away from your processing page into production and back to processing (and you would have counted it twice)..... the only way to track is "PROCESSING FORM" both line 12, 33, and 36. line 12 is What you transfer to another distillery. Line 33 is what you bottle and ship out in the USA, Line 36 is what you export out side of the USA. Knowing these three #'s you can clearly see how much product is leaving the distillery. But !!!! you have to look at line 2 on processing, the hard part is line 2 could be product the distillery made or bought VIA transfer in bond, example Grain Netural Spirit use to make vodka or whiskey, or gin or whatever. When you are ready to get schooled in the fine art of doing this paper work please do get a hold of me. Thanks, Joseph Dehner
11/9/2017 5:31:06	johnbsys@aol.com	John	Baker	Cat's Eye Distillery, LLC	"Operating still" could be defined so that a native distillery must use a still to produce at least X percentage of their distilled spirit product over a years period. I do not think you can require that a still operates a certain amount of time. Cat's Eye Distillery is a very small micro-distillery with 2 small stills that pretty much run 24/7 whereas a distillery with larger equipment might only run their still once a week (or even longer if they have exceeded their market penetration). I can foresee where a distillery might want to experiment with purchasing, mingling, then bottling products without actually distilling themselves. Would that then require a different license type?? Or would that not be allowed??	I'm not sure that you can define "annual basis" any other way than "amount produced within a 12 month period each calendar year". The issue I see with using this as a metric is that using the previous years annual production as a basis is not normally reliable as conditions at a distillery could improve or decline tremendously from year to year. Using the current year estimate is only as good as the person doing the estimatation.	It depends on the Division's intent for using the 'production' value. Line 26 does accurately captures the amount of distilled spirit finished, sellable, product, but does NOT capture the amount actually produced through their still if you also measure redistilled spirits. For example we do 'stripping' runs then spirit runs. Line 26 does not reflect the stripping runs. This would be better captured on Lines 14 and 15 of the Production report.

Timestamp	Email Address	First Name	Last Name	Business/Organization	A native distillery is defined as "a business with an operating still which produces and manufactures native distilled spirits." What do you feel is a reasonable definition for an "operating still" and why? Please include a specific operating time frame within your answer.	Certain retail privileges for native distilleries are tied to their production amounts on an "annual basis." What do you feel is a reasonable definition of "annual basis" and why?	The Division calculates a native distillery's production on an annual basis using Line 26 of the Alcohol and Tobacco Tax and Trade Bureau (TTB) Monthly Report of Processing Operations. Do you feel this line accurately captures annual production? If not, what line on the report would you recommend the Division use and why?
11/9/2017 8:30:54	ejab2@aol.com	E. John	Broadbent	Broadbent Distillery	A operating still is one that is approved by and registered with TTB and the monthly TTB required production reports are current.	Annual basis is the total of the most recent 12 months Production reports line 14 column L.	Line 26 of the Processing Report will overstate the annual production because it includes the amount on hand on the first of the month. You need to look at the Production report Line 14 column L, and total this figure for the last 12 month period.
11/9/2017 16:00:41	garrett@mrdistilling.com	Garrett	Burchett	MRDC	A location that under DSP manufactures distilled spirits.	A calendar or Fiscal Year. It could follow the TTB year bulling year.	This line does include some spirit that may be calculated as loss, but I support the use of this line.

Timestamp	Email Address	First Name	Last Name	Business/Organization	A native distillery is defined as "a business with an operating still which produces and manufactures native distilled spirits." What do you feel is a reasonable definition for an "operating still" and why? Please include a specific operating time frame within your answer.	Certain retail privileges for native distilleries are tied to their production amounts on an "annual basis." What do you feel is a reasonable definition of "annual basis" and why?	The Division calculates a native distillery's production on an annual basis using Line 26 of the Alcohol and Tobacco Tax and Trade Bureau (TTB) Monthly Report of Processing Operations. Do you feel this line accurately captures annual production? If not, what line on the report would you recommend the Division use and why?
11/28/2017 11:31:30	pat@lonelyoakdistillery.com	Pat	Hoffmann	Lonely Oak DIstillery	Operating Still - a still that performs the function of distilling spirits. As far as a time frame, I assume this means "operating for X number of hours a day/week/month/year. I caution you to take several things into consideration when using time in the definition. I am a new distiller and I have sized my equipment according to where I want to be in 5-10 years, not where I am today. I have a 265 Gallon Still and operate it 2 times per week, which produces approximately 90 gallons of Bourbon after it is proofed and barreled. This will in turn produce nearly 100 cases (6 bottles/case) of Bourbon once it is further proofed and bottled. Because of the size of my still, I can operate more efficiently. In contrast, a distiller with a 50 gallon still, can run 5 days a week and only produce half of my output, even though I am running 2 days per week. Our expectation is to grow this business and eventually outgrow our still, but I dont believe it is fair to define an operating still based on time alone. I realize that the state wants its native distillers to actually make what they are producing, but feel that still operating time, cannot be used to define this. If it is used, new distillers will size their equipment to meet the definition of the law rather than their long term business plan. This will cause excess expense as distillers will have to start small and then purchase new equipment as they grow in volume, rather than grow into the equipment that they purchased with a 5-10 year plan in mind. All of our equipment is sized the same, our still, mash tank, fermenters, etc., is all 265 gallons. It is sized for our future growth and expansion and for economies of scale. Please don't penalize us based on time of equipment operation, because today we do not operate our equipment as often as we will in year 5.	January 1 through December 31, Calendar Year	Use line 26.

Timestamp	Email Address	First Name	Last Name	Business/Organization	A native distillery is defined as "a business with an operating still which produces and manufactures native distilled spirits." What do you feel is a reasonable definition for an "operating still" and why? Please include a specific operating time frame within your answer.	Certain retail privileges for native distilleries are tied to their production amounts on an "annual basis." What do you feel is a reasonable definition of "annual basis" and why?	The Division calculates a native distillery's production on an annual basis using Line 26 of the Alcohol and Tobacco Tax and Trade Bureau (TTB) Monthly Report of Processing Operations. Do you feel this line accurately captures annual production? If not, what line on the report would you recommend the Division use and why?
11/30/2017 16:29:49	sean.callison@faegrebd.com	Sean	Callison	Templeton Rye Spirits, LLC	Templeton Rye believes that the term "operating still" should be defined broadly to allow for different business models and businesses with different equipment and production capacities. The definition should be broad enough to include any type of still, and to the extent that some level of operation is a requirement to meet the definition, that "operation" should include any production level. An "operating still" should even include stills that are on the premises for demonstration or marketing purposes (and not for mass production of alcohol). In addition, the "operating still" requirement should not be interpreted to restrict the use of aged distilled spirits for tasting and 2-bottle sales, when those distilled spirits were aged or bottled on the same premises prior to the enactment of the native distillery statute. In other words, if alcohol was "manufactured" on the premises of the new native distiller under the old definition of "manufacture" and "micro-distillery", those spirits should still constitute "native distilled spirits" whether they were distilled with the "operating still" on the premises of the new native distillery or not. In addition, there should be no requirement that all "native distilled spirits" under the new law actually be distilled by the "operating still" on premises, as the statute does not require that.	Templeton Rye would recommend using a 3-year or 5-year rolling average so that a native distillery could have a large production one year and not lose its license if the rolling average is below a particular required production amount. The idea is that a business should not be punished for having a successful year, as long as its rolling average production is below the statutory limitation.	Templeton Rye would propose using Line 9 of the TTB Monthly Report of Processing Operations instead of Line 26. This line more accurately captures bottled or packaged annual production. Line 26 includes ending inventory that was possibly produced in prior years, which creates an inaccurate depiction of current annual production.

ALCOHOLIC
BEVERAGES
DIVISION
State of Iowa

Terry E. Branstad *Governor of Iowa*
Kim Reynolds *Lieutenant Governor*

Stephen Larson *Administrator*

DATE: May 9, 2017

TO: Interested Parties

FR: Alcoholic Beverages Division

RE: HF607 – Alcoholic Beverages Division Bill

This bill concerns alcoholic beverage control and matters under the purview of the Alcoholic Beverages Division of the Department of Commerce. The bill is presented in three divisions and makes technical and policy changes to Iowa's alcohol laws. This memo explains the rationale for the law changes in each division. Next, it provides an overview of the changes in each division, and follows with a section by section review.

DIVISION I – ALCOHOLIC BEVERAGE CONTROL

This part of the bill was originally submitted as a department bill. It makes technical changes to Iowa Code chapter 123 to eliminate language that is unclear or redundant, establishes wording that more accurately reflects the Division's practices, and creates uniform language regarding the contents of applications for liquor control licenses, wine permits, and beer permits. These changes will make the law easier to understand and enforce and streamline the Division's business processes.

DIVISION II – BEER PERMITS

This part of the bill combines the Alcoholic Beverages Division's technical changes to the contents of applications for beer permits with the recommendations of Administrator Stephen Larson and Director Debi Durham to streamline licensing for Iowa beer manufacturers and wholesalers. The bill consolidates beer permits, annual permit fees, and bond requirements for beer manufacturers and wholesalers by eliminating class "AA" and special class "AA" beer permits.

As also recommended by Administrator Larson and Director Durham, DIVISION II of the bill makes two policy changes related to the sale of beer in the marketplace. The first authorizes brewpubs to sell the beer they make for consumption off the premises in a growler that is filled and sealed at the time of sale to a customer without passing through the wholesale tier. (Beer that is bottled, canned, or kegged ahead of sale is still required to pass through the wholesale tier.) The second provides that brewpubs are responsible for reporting and remitting the barrel tax for beer sold in a growler.

Finally, this part of the bill changes the law to allow an Iowa beer manufacturer with a taproom (a brewery) to also sell wine by the glass to customers for consumption on the premises. In 2009, the legislature passed reciprocal language that allowed native wineries to sell beer, in addition to wine, for consumption on the premises. This change does not pose a threat to the three-tier distribution system or create a new exception to the tied house provision in §123.45. Rather, this change equalizes the limited on-premises retail privileges of Iowa wine and beer manufacturers.

DIVISION III – NATIVE DISTILLED SPIRITS

This part of the bill makes substantive policy changes related to micro-distilleries and micro-distilled spirits. The bill changes the terminology for Iowa distilled spirits producers and their products from "micro" to "native".

The bill creates a two-tiered structure of retail privileges for native distillers based upon annual production. Those native distilleries producing more than 100,000 proof gallons of native distilled spirits annually are allowed to sell up to 1.5 liters per person per day for off-premises consumption. Those native distilleries producing not more than 100,000 proof gallons annually are allowed to sell up to 9 liters of native distilled spirits per person per day for off-premises consumption. Also, a native distiller producing not more than 100,000 proof gallons annually who is not also engaged in the manufacturing of beer may apply for a new class "C" native distilled spirits liquor control license allowing for the retail sale for on-premises consumption of only those native distilled spirits manufactured by the native distillery. All native distilleries, regardless of size, are allowed to provide complimentary tastes of their native distilled spirits to consumers at the native distillery.

To summarize, the changes in this bill will make it easier and more efficient for Iowans to conduct business with state government, make Iowa's alcohol laws clearer and easier to both understand and enforce, maintain the three-tier distribution system, and result in public policy that creates opportunities for improved commerce, all the while ensuring that the health and safety of Iowans is protected.

OVERVIEW: DIVISION I – ALCOHOLIC BEVERAGE CONTROL

- Amend the definition of "licensed premises" or "premises" to allow greater flexibility to retailers and local authorities when they are adding outdoor service areas to licensed premises.
- Restructure unnumbered Code sections and make technical changes throughout the chapter to improve readability.
- Remove language pertaining to "cash payment" as a method of payment for liquor purchases because it is no longer accepted by the Division.
- Eliminate application content requirements that are no longer needed by the Division.
- Allow the Division to provide notification to local authorities in a more efficient, cost-effective manner.
- Clarify the types of business records that licensees and permittees are required to maintain.
- Clarify how seasonal licenses and permits are issued.
- Explain how signs and branded advertising materials may be used on a licensed premises.
- Restructure the application contents for wine permits into a logical sequence, create consistent language for beer and wine permits, and add language that is currently incorporated by reference, which will assist the reader.

DIVISION I SECTION BY SECTION:

SECTION 1: Amends the definition of "licensed premises" or "premises" found in §123.3(25) to allow a non-contiguous space to be added to a licensed premises, subject to the approval of the Administrator. An example of a non-contiguous space would be an outdoor seating area that is separated from the licensed premises by a public sidewalk.

SECTION 2: Amends §123.22, which pertains to the state monopoly, by restructuring the unnumbered paragraph into four subsections to assist the reader. It also amends newly numbered subsection 4 to allow individuals to make, sell, or transport devices and ingredients used to make homemade beer.

SECTION 3: Amends §123.23(2) as it pertains to the information provided by an applicant for a Distiller's Certificate of Compliance. The amendment removes the ambiguous phrase "from time to time" from the sentence that requires the certificate holder to update the information as necessary to keep it current with the Division.

SECTION 4: Amends §123.28, which pertains to restrictions on transportation, by restructuring the unnumbered paragraph into five subsections to assist the reader.

SECTION 5: Amends §123.30(1)(c) by removing *'cash payment'* as a type of payment for purchases from the Division that would exempt an applicant for class "E" liquor license from posting a bond as a condition of licensure. The Division does not accept cash payments for liquor purchases.

SECTION 6: Strikes §123.31(6) which requires an applicant for a liquor control license to disclose possession of a federal gambling stamp during the licensing process. This is not needed because the Racing and Gaming Commission regulates gambling, not the Division.

This section also strikes §123.31(7), eliminating the requirement of an applicant to provide a statement of proof that security employees have been properly trained and certified, if it is required by the local licensing authority. The Division does not require proof of security training as a condition of obtaining a license or permit. Therefore, local authorities are responsible for validating security employee training/certification in compliance with their local ordinances.

SECTION 7: Amends §123.32(6)(b) by striking language that requires the Division to use certified mail to notify the local authority when an application for a license or permit has been denied. New language is inserted that authorizes the Division to use electronic notification and other means to provide notice to the local authority. This change streamlines the notification process for the Division and delivers a minimal cost saving to the state.

SECTION 8: Amends §123.33 to identify the types of business records that licensees and permittees are required to maintain and make available as needed for inspection purposes.

SECTION 9: Amends §123.34 to correctly address the treatment of six month or eight month seasonal licenses or permits. This type of license or permit expires at the end of a six-month or eight-month

season and cannot be renewed. Rather, a person with this type of business may apply for a new permit at the same location after a period of two months.

SECTION 10: Amends §123.49(2)(b) by eliminating the word "beer" in the first sentence because it is redundant. The term "alcoholic beverage" includes liquor, wine, and beer. This paragraph is further amended to clarify that the stated legal hours of sale also apply to businesses with retail wine permits.

SECTION 11: Amends by striking §123.49(2)(k), which pertains to legal hours of sale for businesses with wine permits. The legal hours of sale for all licenses and permits are now addressed in paragraph "b" due to the change in Section 10.

SECTION 12: Amends §123.51(2) to clarify for the reader how signs and branded advertising matter may be used on a licensed premises. The use of signs is also addressed in Division rule 185-16.13(3).

SECTION 13: The Division is in the process of updating its current e-licensing system and seeks to create uniform language regarding the contents of applications for wine permits and beer permits. This section amends §123.175 regarding application contents for wine permits by striking the section and restructuring it into a more logical sequence.

New §123.175(1)(b) and §123.175(1)(f) incorporate language from liquor license application contents that explains that all owners with ten percent or more interest in the business must be listed on the application and disclose any criminal convictions to ensure they meet the test of good moral character as the law requires in §123.3(34). Neither of these requirements are new; incorporating the language here will assist the applicant.

SECTION 14: Amends §123.177 by adding a new subsection allowing a class "A" wine permit holder (a native winery or wine wholesaler) to sell wine to the holder of both a class "A" and class "B" beer permit (a brewery). The authority for a brewery to sell wine in its taproom is addressed in Section 28.

SECTION 15: Amends §123.178B(4) to clarify the manner in which a native wine manufacturer may sell beer for consumption on or off the premises covered by its class "C" native wine permit. This is not a new privilege.

SECTION 16: Amends §123.180(2) to provide that the holder of a vintner's certificate of compliance shall update the information it files with the Division as necessary to keep the listing current.

SECTION 17: Amends §123.183(2)(a) to clarify that the gallonage tax on wine is collected when the wine is sold at wholesale.

SECTION 18: Amends §123.187(2)(c) to conform with amended language regarding the application contents for wine permits in Section 13 of the bill.

OVERVIEW: DIVISION II – BEER PERMITS

- Consolidate beer manufacturing/wholesaling permits into two classes (class "A" for manufacturers and wholesalers; special class "A" for brewpubs). Combine the permits, fees, and bond requirements for beer and high alcohol content beer. Make conforming changes as necessary.

- Restructure the application contents for beer permits into a logical sequence, create consistent language for beer and wine permits, and add language that is currently incorporated by reference, which will assist the reader. Also, make conforming changes as necessary.

- Allow a retailer who makes beer (brewpub) to sell its beer to a customer in a growler for off-premises consumption and bypass the wholesale tier. Under current law a brewpub is required to sell its beer to a wholesaler and repurchase it before it can fill a growler for a customer to take home. A brewpub is still required to sell beer that is pre-packaged in cans, bottles, kegs, and other containers to a wholesaler for distribution.

- Require brewpubs to collect and report barrel tax on beer sold in growlers.

- Establish that a growler that is sealed by a class "B" beer permit holder or a class "C" liquor control license holder in compliance with the requirements of the Division shall not be deemed an open container, as long as the container is unopened and the contents have not been partially removed.

- Allow an Iowa brewery to purchase wine from a class "A" wine permittee (a native winery or wine wholesaler) for resale at retail by the glass in a taproom covered by a class "B" beer permit. This creates equal treatment: Iowa wine manufacturers may sell beer at retail on a premises covered by a class "C" native wine permit.

DIVISION II SECTION BY SECTION:

SECTION 19: Amends §123.30 to conform with the consolidation of beer permits for beer manufacturers and wholesalers.

SECTION 20: Amends by striking §123.124 and inserting new language that consolidates beer permits for beer manufacturers and wholesalers by eliminating the class "AA" and special class "AA" beer permits. The new language refers the reader to the corresponding Code section that describes the authority for each beer permit class.

SECTION 21: Amends §123.125 to conform with the consolidation of beer permits for beer manufacturers and wholesalers.

SECTION 22: The Division is in the process of updating its current e-licensing system and seeks to create uniform language regarding the contents of applications for wine permits and beer permits. This section amends §123.127 regarding application contents for <u>beer permits</u> by striking the section and restructuring it into a more logical sequence.

New §123.127(1)(b) and §123.127(1)(f) incorporate language from liquor license application contents that explains that all owners with ten percent or more interest in the business must be listed on the application and disclose any criminal convictions to ensure they meet the test of good moral character as the law requires in §123.3(34) <u>Neither of these requirements are new; incorporating the language here will assist the applicant.</u>

The bond requirement in §123.127(2)(f) is increased from $5,000 to $10,000. A majority of beer manufacturers/wholesalers currently post two $5,000 bonds as a result of holding both "A" and "AA" permits. However, a small portion of permit holders holding only an "A" or "AA" permit will see an increase in the bond requirement.

SECTION 23: Amends §123.128(1)(a) to conform with new language that relates to application contents for beer permits.

SECTION 24: Amends §123.128(2) to conform with new language that relates to application contents for beer permits.

SECTION 25: Amends §123.129(1) "a" and "b" to conform with new language that relates to application contents for beer permits.

SECTION 26: Amends by striking §123.129(2)(d) to conform with new language that relates to application contents for beer permits.

SECTION 27: Amends §123.130, which pertains to the authority under a class "A" beer or a special class "A" beer permit, to conform with the consolidation of beer permits for beer manufacturers and wholesalers.

Amends §123.130(3) to allow a brewpub to sell the beer it makes at retail in a growler to customers for consumption off the premises without the beer needing to first be sold to a wholesaler. Any beer manufactured by the brewpub and intended to be sold in cans, bottles, kegs, etc. will still be required to be sold to a wholesaler. This change is made at the recommendation of Administrator Larson and Director Durham.

SECTION 28: Amends §123.131 to establish sealing requirements for beer that is sold at retail in a growler for consumption off the premises. Establishes that a growler that is sealed by a class "B" beer permit holder or a class "C" liquor control license holder in compliance with the requirements of the Division shall not be deemed an open container, as long as the container is unopened and the contents have not been partially removed. These requirements already exist for class "C" beer permit holders (grocery stores, convenience stores).

New §123.131(4) allows a beer manufacturer who also holds a class "B" beer permit (a brewery) to sell wine by the glass for consumption on the premises. In 2009, the legislature passed reciprocal language that allows native wineries to sell beer at retail on the premises covered by a class "C" native wine permit. This change is made at the recommendation of the Division and is viewed as non-controversial.

SECTION 29: Amends §123.134(1) to conform with the consolidation of beer permits for beer manufacturers and wholesalers by increasing the annual fee for a class "A" beer and a special class "A" beer permit from $250 to $750. A majority of beer manufacturers/wholesalers currently hold both "A" and "AA" permits and pay $750 annually. However, a small portion of permit holders holding only an "A" or "AA" permit will see an increase in their annual permit fee.

SECTION 30: Amends by striking §123.134(2), which pertains to the fee for class "AA" beer and special class "AA" beer permits. This fee has been rolled into the annual fee for class "A" beer and special class "A" beer permits via the change in Section 29.

SECTION 31: Amends §123.135(2) to provide that the holder of a brewer's certificate of compliance shall update the information it files with the Division as necessary to keep the listing current. Also, makes conforming changes as required related to the elimination of the class "AA" beer permit.

SECTION 32: Amends §123.136(1) to require a special class "A" permit holder (a brewpub) to report and remit barrel tax on beer that is sold in growlers for consumption off the licensed premises. This tax is currently collected by beer wholesalers, but with the change in Section 27 of the bill, brewpubs will be responsible for paying the tax. Also, makes conforming changes as required related to the elimination of the class "AA" and special class "AA" beer permits.

SECTION 33: Makes conforming changes to §123.137(1) related to the elimination of the class "AA" and special class "AA" beer permits.

SECTION 34: Makes conforming changes to §123.138(1) related to the elimination of the class "AA" and special class "AA" beer permits.

SECTION 35: Makes conforming changes to §123.139 related to the elimination of the class "AA" and special class "AA" beer permits.

SECTION 36: Makes conforming changes to §123.142 related to the elimination of the class "AA" and special class "AA" beer permits..

SECTION 37: Makes conforming changes to §123.143(3) related to the elimination of the class "AA" beer permit.

SECTION 38: Makes conforming changes to §123.144(1) related to the elimination of the class "AA" and special class "AA" beer permits.

OVERVIEW: DIVISION III – NATIVE DISTILLED SPIRITS

- Rename the terminology used to describe Iowa distilled spirits producers and their products from "micro" to "native".

- Maintain that native distilled spirits shall be distilled, fermented, or barrel matured for a period of two years on the licensed premises of a native distillery, ensuring that the retail privileges apply only to Iowa value-added products. Equal treatment: A wine manufacturer is required to *"process in Iowa the fruit...by fermentation into wine"* to be afforded the privileges of a native winery. *(see §123.56(8)).* Equal treatment: *"...a person engaged in the manufacturing of beer may sell beer at retail for consumption on or off the premises of the manufacturing facility...". (see §123.45(2)).*

- Create a two-tier structure for retail privileges for native distilleries based upon annual production:

    - Native distilleries producing not more than 100,000 gallons annually may:

        - Sell up to 9 liters per person per day of those native distilled spirits manufactured by the native distillery for off-premises consumption; and

        - If the native distiller is not also a manufacturer of beer, apply for a new class "C" native distilled spirits liquor control license allowing for the sale of those native distilled spirits manufactured by the native distillery for on-premises consumption at the native distillery.

    - Native distilleries producing more than 100,000 gallons annually may:

        - Sell up to 1.5 liters per person per day of those native distilled spirits manufactured by the native distillery for off-premises consumption.

- Allow all native distilleries, regardless of size, to provide complimentary tastes of those native distilled spirits manufactured by the native distillery to consumers visiting the native distillery.

- Allow a native distillery to sell native distilled spirits to customers outside of the state without obtaining a separate manufacturer's license. Equal treatment: Iowa wine and beer manufacturers are not required to obtain an additional permit in order to sell at wholesale outside of Iowa.

- Allow a person holding a class "A" wine permit and operating as a native winery who also holds a class "A" native distilled spirits license to also obtain both a class "C" native wine permit allowing for by-the-glass sales of native wine and a class "C" native distilled spirits liquor control license.

DIVISION III SECTION BY SECTION:

SECTION 39: Amends §123.3(28) by replacing the term "micro-distilled spirits" with "native distilled spirits". Amends §123.3(29) by replacing the term "micro-distillery" with "native distillery", by replacing the word "operational" with "operating", and by eliminating the annual 50,000 proof gallon production cap.

SECTION 40: Amends §123.30(3)(c) to establish a new class "C" native distilled spirits liquor control license. The new license authorizes a native distillery that produces not more than 100,000 gallons annually to sell native distilled spirits manufactured on the premises to customers by the glass for consumption on the premises. All native distilled spirits intended to be sold for on-premises consumption must be purchased from a class "E" licensee.

SECTION 41: Amends §123.32(1) to change the class "A" micro-distilled spirits permit to a class "A" native distilled spirits license.

SECTION 42: Creates new §123.36(3A), which establishes a $250 fee for the new class "C" native distilled spirits liquor control license.

SECTION 43: Amends §123.36(5) to make the Sunday sales fee applicable to native distilleries holding the new class "C" native distilled spirits liquor control license that wish to sell on Sundays.

SECTION 44: Creates new §123.43, which establishes the application and issuance criteria and fee for a class "A" native distilled spirits license. The criteria are similar to the criteria for other licenses/permits.

SECTION 45: Amends §123.43A(1) to make conforming changes related to the change from "micro" to "native". Also, clarifies that native distilled spirits manufactured on the premises may be sold for off-premises consumption, and clarifies that sales intended for resale in the state must go through the Division.

Amends §123.43A(2) to allow a native distillery producing not more than 100,000 gallons annually to sell up to 9 liters per person per day of native distilled spirits for off-premises consumption, and allow native distilleries producing more than 100,000 gallons annually to sell 1.5 liters per person per day of native distilled spirits for off-premises consumption. Also, makes conforming changes related to the change from "micro" to "native".

Amends §123.43A(3) to make conforming changes related to the change from "micro" to "native", and to clarify that native distilled spirits sold for off-premises consumption are not allowed to be consumed on the premises of the native distillery. Additionally, strikes the requirement that a tour of the native distillery be given prior to a consumer being given a complimentary taste of native distilled spirits.

Amends §123.43A(4) by striking the current language related to the fee for a class "A" micro-distilled spirits permit. The fee for the renamed class "A" native distilled spirits license is now found in §123.43(3). The new subsection 4 language is amended to make a conforming change related to the change from "micro" to "native".

New §123.43A(5) is amended to establish a deadline for all reports submitted to the federal Alcohol and Tobacco Tax and Trade Bureau to also be submitted to the Division. Also, makes conforming changes related to the change from "micro" to "native".

Creates new §123.43A(6), which allows a native distiller that produces not more than 100,000 proof gallons annually and is not also a manufacturer of beer to apply for the new class "C" native distilled spirits liquor control license. A native distiller that is also a manufacturer of native wine is eligible to apply for a class "C" native distilled spirits liquor control license. A native distillery may only be issued one class "C" native distilled spirits liquor control license. All native distilled spirits intended to be sold for on-premises consumption must be purchased from a class "E" licensee.

Strikes current §123.43A(7) because the language is incorporated into §123.43A(3). New subsection 7 allows a native distillery to sell its native distilled spirits to customers outside of the state without obtaining a separate manufacturer's license, as required under current law.

SECTION 46: Amends §123.56(5) to allow a manufacturer of native wine who is also a manufacturer of native distilled spirits to obtain a class "C" native wine permit, allowing for the sale of native wine for on-premises consumption at a native winery.

SECTION 47: Amends §123.173A(4) and §123.173A(7) to make conforming changes related to the change from "micro" to "native".