



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,

A handwritten signature in black ink that reads "Terry E. Branstad".

Terry E. Branstad
Governor

cc: Secretary of the Senate
Clerk of the House



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 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 and on all beer sold at retail at the manufacturing premises for consumption off the premises pursuant to section 123.130, subsection 3, 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", or 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.

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:

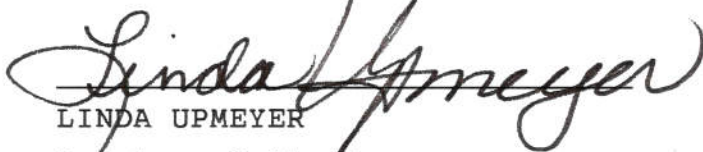
5. Notwithstanding any other provision of this chapter, a person engaged in the business of manufacturing native wine may sell native wine at retail for consumption on the premises of the manufacturing facility by applying for a class "C" native wine permit as provided in section 123.178B. A manufacturer 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
Speaker of the House


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
Chief Clerk of the House

Approved May 9, 2017


TERRY E. BRANSTAD
Governor