Regulatory Analysis

Notice of Intended Action to be published: 701—Chapter 1000
"General Requirements"

Iowa Code section(s) or chapter(s) authorizing rulemaking: 123.10 and 123.37

State or federal law(s) implemented by the rulemaking: Iowa Code sections 123.4, 123.10, 123.24, 123.30, and 123.37

Public Hearing

A public hearing at which persons may present their views orally or in writing will be held as follows:

August 26, 2025 11 a.m. to 12 noon	Virtual video conference: meet.google.com/kky-ijyt-mqw

Public Comment

Any interested person may submit written or oral comments concerning this Regulatory Analysis, which must be received by the Department of Revenue no later than 4:30 p.m. on the date of the public hearing. Comments should be directed to:

Madelyn Cutler
Department of Revenue
Hoover State Office Building
1305 Walnut Street
Des Moines, Iowa 50306
Phone: 515.724.2924
Email: madelyn.cutler@iowa.gov

Purpose and Summary

The purpose of this proposed rulemaking is to provide updated Department processes. Rule 701—1000.28(123) is proposed to be amended to accurately reflect the fee charged to class "E" licensees for dishonored payment of alcoholic liquor purchases and to include the option of using a surety bond to satisfy outstanding obligations to the Department for alcoholic liquor payments.

Additionally, the Department is directed under Iowa Code section 123.37(4) to adopt rules establishing procedures for payment of disputed taxes imposed under Iowa Code chapter 123. The proposed new rule provides class "A" and special class "A" beer permittees, class "A" wine permittees, and wine direct shipper permittees with the procedure on how to dispute the taxes and related penalties they are subject to under Iowa Code chapter 123.

Analysis of Impact

1. **Persons affected by the proposed rulemaking:**

- **Classes of persons that will bear the costs of the proposed rulemaking:**

Class "E" licensees are subject to a fee for each dishonored payment for the purchase of alcoholic liquor; however, no other classes of persons have been identified to bear the costs of the rest of the proposed rulemaking.

- **Classes of persons that will benefit from the proposed rulemaking:**

Class "A" and special class "A" beer permittees, class "A" wine permittees, and wine direct shipper permittees will benefit from the proposed rulemaking by better understanding the procedure on how to dispute the taxes and related penalties they are subject to under Iowa Code chapter 123.

Additionally, class "E" retail alcohol licensees will benefit from having knowledge of the fee they may be charged for dishonored payment of alcoholic liquor and the option to utilize a surety bond to satisfy outstanding obligations for alcoholic liquor.

2. **Impact of the proposed rulemaking, economic or otherwise, including the nature and amount of all the different kinds of costs that would be incurred:**

- **Quantitative description of impact:**

If subrule 1000.28(2) is not amended to reflect the accurate fee amount, the Department will absorb the costs of any fees higher than $20 per payment. If the Department is able to collect a fee in the exact amount charged by the financial institution providing payment services, then the Department will not absorb any additional costs. There is no economic impact from the rest of the proposed rulemaking beyond what is contained in statute.

- **Qualitative description of impact:**

This proposed rulemaking reduces confusion and provides clarity and useful guidance for licensees and permittees.

3. **Costs to the State:**

- **Implementation and enforcement costs borne by the agency or any other agency:**

There are no costs to the agency as a result of implementing the rules beyond those that would otherwise be required to administer the statutes.

- **Anticipated effect on State revenues:**

If subrule 1000.28(2) is not amended to reflect the accurate fee amount, the Department will absorb the costs of any fees higher than $20 per payment. If the Department is able to collect a fee in the exact amount charged by the financial institution providing payment services, then the Department will not absorb any additional costs. There is no anticipated effect on State revenues for the rest of the proposed rulemaking.

4. **Comparison of the costs and benefits of the proposed rulemaking to the costs and benefits of inaction:**

There are no costs associated with the proposed rulemaking. If the Department is able to collect a fee in the exact amount charged by the financial institution providing payment services, then the Department will not absorb any additional costs. The benefits of the proposed rulemaking are reducing confusion and providing clarity and useful guidance for licensees and permittees.

5. **Determination whether less costly methods or less intrusive methods exist for achieving the purpose of the proposed rulemaking:**

The proposed rulemaking is not costly or intrusive.

6. **Alternative methods considered by the agency:**

- **Description of any alternative methods that were seriously considered by the agency:**

The Department considered the possibility of not providing the new rule for the procedure on beer barrel and wine gallonage tax disputes in this chapter but determined that it provides useful guidance to permittees. Additionally, the Department considered leaving the fee for dishonored payment for alcoholic beverages at $20 but determined having an inaccurate fee would be a disservice to the State.

- **Reasons why alternative methods were rejected in favor of the proposed rulemaking:**

The Department is required by Iowa Code section 123.37 to provide a rule establishing procedures on how to dispute beer barrel and wine gallonage taxes. The proposed amendments to rule 701—1000.28(123) provide class "E" licensees with an option of using a surety bond to satisfy outstanding obligations to the Department.

Small Business Impact

If the rulemaking will have a substantial impact on small business, include a discussion of whether it would be feasible and practicable to do any of the following to reduce the impact of the rulemaking on small business:

- Establish less stringent compliance or reporting requirements in the rulemaking for small business.
- Establish less stringent schedules or deadlines in the rulemaking for compliance or reporting requirements for small business.
- Consolidate or simplify the rulemaking's compliance or reporting requirements for small business.
- Establish performance standards to replace design or operational standards in the rulemaking for small business.
- Exempt small business from any or all requirements of the rulemaking.

If legal and feasible, how does the rulemaking use a method discussed above to reduce the substantial impact on small business?

This rulemaking does not have a substantial impact on small business since it does not make any special distinctions for small businesses.

Text of Proposed Rulemaking

ITEM 1. Amend rule 701—1000.28(123) as follows:

701—1000.28(123) Dishonored payment for alcoholic liquor.

1000.28(1) *Certified funds status.* If a class "E" retail alcohol licensee tenders payment for alcoholic liquor that is subsequently dishonored, the licensee will enter a certified funds status for a duration determined by the director. During the certified funds status period, the licensee will tender a bank draft in exact payment in advance of the licensee's alcoholic liquor delivery.

1000.28(2) *Fee.* ~~The department may collect from the licensee a $20 fee for each dishonored payment for the purchase of alcoholic liquor.~~ For each dishonored payment for the purchase of alcoholic liquor, the department may collect a fee in the exact amount charged by the financial institution providing payment services.

1000.28(3) *Automatic license renewal.* Any class "E" retail alcohol licensee that is enrolled in automatic license renewal and tenders payment for alcoholic liquor that is subsequently dishonored will be unenrolled from automatic license renewal.

1000.28(4) *Bond collection.* The director may collect from a surety bond in order to satisfy any outstanding obligations for dishonored payments.

This rule is intended to implement Iowa Code sections 123.4, 123.24, 123.30, and 123.35.

ITEM 2. Adopt the following **new** rule 701—1000.32(123):

701—1000.32(123) Procedures for disputed beer barrel and wine gallonage taxes. This rule governs the application of payments for all taxes and penalties imposed under Iowa Code chapter 123.

1000.32(1) *Requirements.* Class "A" and special class "A" beer permittees, class "A" wine permittees, and wine direct shipper permittees are required to file and pay taxes and related penalties as required by Iowa Code chapter 123.

1000.32(2) *Notice of assessment.* Taxes are subject to audits performed by the department. Upon the completion of an audit, the department will send the permittee an audit findings letter and notice of assessment. A permittee has 30 days to dispute the findings provided by the notice of assessment.

1000.32(3) *Appeal process.*

a. Pursuant to Iowa Code section 123.37, a permittee who disputes the amount of tax imposed must pay all tax and penalty pertaining to the disputed tax liability prior to appealing the disputed tax liability to the director.

b. Once all tax and penalty liabilities are paid, a permittee must follow the procedures outlined in rule 701—6.4(99G,123,17A) to request an appeal. Once received, the appeal will then proceed in accordance with 701—Chapter 6.

c. Assessed tax liabilities can be compromised and settled with the department at any time throughout the appeal process.

This rule is intended to implement Iowa Code section 123.37.