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[HF 668](#) – Alcoholic Beverages, Three-Tier System Reform (LSB2490HV)  
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Fiscal Note Version – Final Action

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### **Description**

[House File 668](#) makes changes to the limitations of business interests of manufacturers, wholesalers, and retailers of alcoholic beverages. Under the provisions of this Bill, a person or business engaged in nonnative wine manufacturing may sell their wine products at the principal office of the person or business by obtaining a special class “C” liquor control license and a class “B” wine permit. Also, a person engaged in the business of manufacturing, bottling, or wholesaling alcoholic beverages may have an interest in a retail licensee or permittee, or hold a retail liquor control license or retail wine or beer permit, provided that the alcoholic beverages being sold by the retail licensee or permittee are not those being manufactured, bottled, or sold at wholesale by that person. The Bill also sets a new limit on the amount of beer that a native brewery can sell at wholesale at 30,000 barrels.

### **Background**

In the 87th General Assembly, [SF 516](#) (Standing Appropriations Act) was enacted, which included a provision requiring an alcoholic beverage control study to review Iowa’s three-tiered system. The report from the study was to be submitted to the General Assembly no later than July 1, 2018.

The Alcoholic Beverages Division (ABD) receives an annual appropriation of approximately \$1.0 million from the General Fund and generates the remainder of its operating revenue from licensing fees. Revenue generated from fees that is not used by ABD is transferred from the Liquor Control Trust Fund to the General Fund on a monthly basis.

### **Assumptions**

The Bill permits a person engaged in the business of manufacturing, bottling, or wholesaling alcoholic beverages to have an interest in a retail licensee or permittee, or to hold a retail liquor control license or retail wine or beer permit, provided that the alcoholic beverages manufactured, bottled, or sold at wholesale by that person are not sold by the retail licensee or permittee. This will require ABD personnel to validate the inventory of a retail licensee or permittee if there is an interest in that retail licensee or permittee by a manufacturer, bottler, or wholesaler. It is estimated that these new oversight and verification requirements will require 2.0 full-time equivalent (FTE) positions at a cost of \$250,000 annually.

The ABD estimates that at least one person or business will annually obtain a license or permit to sell wine not native to Iowa which they have manufactured at the principal office of the person or business. This would require both a class “C” liquor license for a fee of \$702 and a class “B” wine permit for a fee of \$500, resulting in an estimated revenue increase of at least \$1,202 annually.

### **Fiscal Impact**

The ABD would potentially need 2.0 additional FTEs in the Regulation and Compliance Bureau to ensure license holders are in compliance with the new requirements. The ABD estimates

that [HF 668](#) will increase its costs by an estimated \$250,000 or more annually. While these FTE positions would be supported through the Liquor Control Trust Fund, the additional expenditure would reduce the amount transferred to the General Fund, resulting in an equivalent loss of revenue to the General Fund.

**Source**

Alcoholic Beverages Division, Iowa Department of Commerce

/s/ Holly M. Lyons

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May 14, 2019

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The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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