



HF 309 – Low Proof Alcohol (LSB1141HV)

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Fiscal Note Version – New

Requested by Representative Shannon Lundgren

Description

House File 309 creates a definition for “canned cocktails” to refer to premixed and prepackaged mixed drinks with an alcohol by volume (ABV) range of 6.25% to 15.0% and excludes canned cocktails from the definition of “alcoholic liquor.” The Bill also provides that the manufacturing and wholesale of canned cocktails will be subject to the provisions that apply to the brewing and wholesale of beer.

Background

Current law has established tax rates for beer. Iowa Code section [123.136](#) sets a tax rate of \$5.59 for every 31-gallon barrel of beer sold, or \$0.19 per gallon, and requires all revenue derived from the tax to be deposited in the General Fund. In FY 2018, approximately 72.2 million gallons of beer were sold in the State of Iowa, generating approximately \$13.6 million in revenue.

The products defined in [HF 309](#) as canned cocktails are currently sold through the State wholesale distribution system as alcoholic liquors, and are therefore subject to a wholesale markup of up to 50.0%. It is estimated that the revenue deposited into the Beer and Liquor Control Fund from liquor sales in FY 2019 will be \$315.0 million. In FY 2018, the total amount of revenue collected from the sale of the products defined in [HF 309](#) equated to less than 0.01% of the total revenue collected from liquor sales.

Assumptions

- The Alcoholic Beverages Division has identified three inventory items that would fall into the new product category. Distribution for these items would shift from the State wholesale system to beer wholesalers.
- Comprehensive information on the number of products that fall under this new category is unavailable at this time.

Fiscal Impact

The potential decrease in revenue to the Beer and Liquor Control Fund from moving existing products from the alcoholic liquor classification to the canned cocktail classification is expected to be minimal. The potential increase in revenue to the General Fund cannot be determined at this time due to limited information on the total number of items in the new product category.

Sources

Alcoholic Beverages Division

/s/ Holly M. Lyons

April 17, 2019

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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