**Description**

*House File 2531* relates to the Alcoholic Beverages Division (ABD) of the Department of Commerce and makes the following changes:

- Updates the Iowa Code to reflect current practices of the ABD.
- Permits the ABD to implement automatic renewals for class “E” liquor control licenses.
- Removes additional fees for Sunday sales privileges.
- Allocates $1.0 million from the Liquor Control Trust Fund to the Iowa Department of Public Health (IDPH) for county substance abuse program funding.
- Permits class “A,” “B,” “C,” “D,” and special class “C” liquor control licensees to purchase small quantities of wine from class “E” liquor control licensees.
- Increases the inherent privileges of the class “E” liquor control license.
- Updates the fee structure of the class “E” liquor control license.
- Merges similar permit types into one central permit type.
- Adds Sunday sales as an inherent privilege to permittees.

**Division I — Alcoholic Beverage Control**

**Description and Background**

Division I of HF 2531 requires deliveries to occur on the same day the orders for alcoholic beverages are removed from the licensed premise. The Division replaces the word “sticker” with the word “label” in the keg registration process, which allows the ABD to implement its online keg registration system. With this change, beer retailers may print labels on demand, rather than requesting and purchasing physical stickers from the ABD. The Division also removes the requirement for keg deposits to be forfeited if the registration on the keg is defaced. The ABD has never received forfeited deposits for a keg with a defaced registration. Additionally, the Division removes the requirement for holders of a wine direct shipper permit to submit a $5,000 surety bond as a condition of license.

**Assumptions/Fiscal Impact (Division I)**

Division I is expected to have no fiscal impact.

**Division II — Automatic Renewals**

**Description and Background**

This Division removes the requirement for the ABD to provide a 60-day notice of license/permit/certification expiration. This requirement creates a legal obligation for the ABD to verify that the licensee/permittee/certificate holder has received the notice. This verification has the potential to delay the renewal process.

The Division allows the automatic renewal of class “E” liquor control licenses when certain conditions are met.
The Bill establishes an effective date of January 1, 2023, for Division II.

**Assumptions/Fiscal Impact (Division II)**
Division II is expected to have no fiscal impact.

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**Division III — Alcoholic Beverage Control Revenues**

**Description and Background**
This Division requires all permit fees to be deposited into the Liquor Control Trust Fund. The Division requires retail beer permit fees to be collected by the ABD and then remitted to the appropriate local authority. These provisions reflect current practices.

Currently, the IDPH receives Sunday sales license fees, 50.0% of which are earmarked for grants to counties for operating substance abuse programs involving education, prevention, referral, or posttreatment services. In FY 2021, Sunday sales license fees totaled $945,000. The previous five fiscal years, Sunday sales license fees averaged $925,000. Division VI of House File 2531 removes provisions relating to Sunday sales license fees. Division III replaces the fee revenue given to the IDPH via an allocation of $1.0 million from the Liquor Control Trust Fund annually. This allocation would be a portion of the 7.0% of the gross amount of sales made by the ABD from the Liquor Control Trust Fund on a monthly basis. This allocation is to be used for distribution pursuant to Iowa Code section 125.59, which is the same section of the Iowa Code that currently controls the Sunday sales revenue.

The Bill establishes an effective date of January 1, 2023, for Division III.

**Assumptions**
Future years will have similar Sunday sales license fees to FY 2021.

**Fiscal Impact (Division III)**
Division III creates a new annual allocation of $1.0 million from a special revenue account in the General Fund to the IDPH. This new allocation replaces the Sunday sales allocation repealed in Division VI. The $1.0 million allocation will come from the 7.0% transfer from the Liquor Control Trust Fund that currently occurs under Iowa Code section 123.17. The effect of this allocation will be to reduce General Fund revenue by $1.0 million per year.

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**Division IV — Class “E” Liquor Control Licenses**

**Description and Background**
This Division allows sales of wine by class “E” liquor control licensees to class “A,” “B,” “C,” “D,” and special class “C” liquor control licensees for resale for on-premise consumption, but limits the amount of sales to less than one case of any wine brand and only one such sale in a 24-hour period. Currently, class “A,” “B,” “C,” “D,” and special class “C” liquor control licensees cannot purchase wine from class “E” liquor control licensees.

The Division adds the sale of original unopened containers of beer and wine for off-premise consumption as an inherent privilege of the class “E” liquor control license. Currently, retailers wishing to sell alcoholic liquor, wine, and beer for off-premise consumption must obtain three separate licenses/permits. In FY 2021, $1.2 million was collected from the sale of additional permits to allow for the sale of beer or wine for off-premise consumption by class “E” liquor control license holders.

The Division also removes the presence of gasoline sales as a factor in the fee structure for class “E” liquor control licenses. In FY 2021, the ABD charged an additional $2,500 to $3,500
per license if the licensee sold gasoline on its premises. The presence of gasoline sales as a factor in the class “E” liquor control license fee structure resulted in approximately $989,000 of the class “E” liquor control license fee revenue in FY 2021.

The Bill establishes an effective date of January 1, 2023, for Division IV.

**Assumptions**
In future years, the sale of additional permits to allow for the sale of beer or wine for off-premise consumption to class “E” liquor control licensees will result in similar fee revenue to FY 2021.

The number of class “E” liquor control licensees who sold gasoline on premises in FY 2021 is the same as the number of class “E” liquor control licensees who will sell gasoline on premises in future years.

**Fiscal Impact (Division IV)**
The ABD’s revenue will decrease by approximately $1.2 million as a result of the broadened privileges of the class “E” liquor control license. This will reduce the Liquor Control Trust Fund revenue by approximately $1.2 million.

The removal of gasoline as a factor in the fee structure will result in an estimated decrease in fee revenue from FY 2021 of approximately $989,000. This will reduce the Liquor Control Trust Fund revenue by approximately $989,000.

**Division V — Special Licenses and Permits**

**Description and Background**
This Division merges the charity beer, spirits, and wine auction permit with the charity beer, spirits, and wine event permit into one permit type, a charity beer, spirits, and wine special event permit. The Division defines and establishes a charity beer, spirits, and wine special event permit.

During FY 2021, the ABD issued 147 licenses/permits with a six-month duration and 72 licenses/permits with an eight-month duration. The total revenue for all these licenses/permits was approximately $102,000. This Division removes the six-month duration for seasonal retail licenses/permits. It also decreases the eight-month seasonal retail license/permit fee to 50.0% of the 12-month license/permit fee.

**Assumptions**
In future years, the number of six-month and eight-month seasonal retail licenses/permits issued will be similar to the number of six-month and eight-month seasonal retail licenses/permits issued in FY 2021.

**Fiscal Impact (Division V)**
Under HF 2531, it is estimated that fee revenue deposited in the Liquor Control Trust Fund for the sale of seasonal retail licenses and permits will decrease from $102,000 to $92,000, a decrease of $10,000.

**Division VI — Sunday Sales**

**Description and Background**
This Division establishes Sunday sales as an inherent privilege of retail liquor control licenses and permits. Currently, some licensees and permittees are authorized to conduct Sunday sales as an inherent privilege of their license or permit, while others add the option by paying an extra
20.0% of the prescribed fee. In FY 2021, Sunday sales license fees totaled approximately $945,000. Over the previous five fiscal years, Sunday sales license fees averaged approximately $925,000.

The entirety of Sunday sales license fee revenue is currently transferred by the ABD from the Liquor Control Trust Fund to the IDPH via an allocation. Additional details can be found in Iowa Code section 125.59.

**Assumptions**
In future years, Sunday sales license fee revenue will be similar to the average Sunday sales license fee revenue generated over the previous five fiscal years.

**Fiscal Impact (Division VI)**
There will be a decrease in Sunday sales fee revenue to the ABD of approximately $925,000. The amount that the ABD transfers from the Liquor Control Trust Fund to the IDPH will also decrease by approximately $925,000. The net fiscal impact of Division VI to the Liquor Control Trust Fund is neutral.

The estimated fiscal impact of Division VI to the IDPH is a decrease in the Liquor Control Trust Fund allocation of approximately $925,000 annually.

**Summary of Fiscal Impact**
In total, HF 2531 will decrease revenue to the Liquor Control Trust Fund by $2.2 million annually. The funds in the Liquor Control Trust Fund, once portions are removed pursuant to Iowa Code section 123.17, are remitted to the General Fund.

The allocation to the IDPH through the Liquor Control Trust Fund will be eliminated, a decrease of approximately $925,000 annually. The IDPH will receive an annual allocation of $1.0 million, an increase of $1.0 million annually. The net fiscal impact to the IDPH is an increase of $75,000.

There is a special revenue account in the General Fund which currently receives 7.0% of the gross sales by the ABD, pursuant to Iowa Code section 123.17. The special revenue account will be allocating $1.0 million in FY 2023 and each year thereafter to the IDPH. This allocation, which replaces the Sunday sales allocation repealed in Division VI, is a decrease to the General Fund of $1.0 million annually.

**Table 1** below breaks down the fiscal impact of the Bill by Division.

<table>
<thead>
<tr>
<th>Table 1 — Summary of Estimated Fiscal Impacts for HF 2531</th>
<th>ABD*</th>
<th>IDPH</th>
<th>General Fund</th>
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<tbody>
<tr>
<td>Division Item</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>I Alcoholic Beverage Control</td>
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<td>$</td>
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<tr>
<td>II Automatic Renewals</td>
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<tr>
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<td>V Special Licenses and Permits</td>
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<td>VI Sundays Sales</td>
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<td>Total</td>
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<td>$ -1,000,000</td>
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* The ABD's revenue is collected in the Liquor Control Trust Fund.
Sources
Alcoholic Beverages Division, Department of Commerce
LSA calculations

/s/ Holly M. Lyons
March 10, 2022

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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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