



**SF 2374** – Alcoholic Beverage Control Licensing (LSB5045SZ.3)

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Fiscal Note Version – Final Action

### **Description**

[Senate File 2374](#) relates to alcoholic beverage control and establishes new retail alcohol licenses and fee structures. The Bill also relates to the regulation of restaurant food delivery and provides civil penalties. **Table 8A** and **Table 8B**, presented at the end of this **Fiscal Note**, summarize the fiscal impacts of the various Bill divisions. The Bill is effective January 1, 2023, and provides for transition provisions for current licenses.

### **Background**

The Alcoholic Beverages Division (ABD) of the Department of Commerce is the regulatory entity for the sale and distribution of alcohol in the State of Iowa. The Division is responsible for the enforcement of State and federal laws and regulations regarding the sale and use of alcoholic products. The Beer and Liquor Control Fund (Liquor Control Trust Fund) is administered by the Office of the State Treasurer and consists of revenues from the following sources:

- Alcoholic liquor sale receipts
- Permit and license fees
- Wine tax collections
- Miscellaneous revenue

**Table 1 — Liquor Control Trust Fund Deposits  
FY 2017 – FY 2021**

Deposits	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Liquor Sales	\$ 305,619,127	\$ 320,049,812	\$ 339,537,641	\$ 367,284,902	\$ 415,835,178
License and Permit Revenue	15,664,468	16,613,682	18,773,557	17,676,967	19,134,834
Beer Tax Collections*	13,904,082	13,592,912	13,438,680	9,435,077	18,207,794
Wine Tax Collections	8,078,043	8,166,553	8,219,810	5,677,108	11,008,117
Miscellaneous Revenue	6,115,965	4,806,557	5,290,473	5,614,701	6,198,781
<b>Total Deposits</b>	<b>349,381,685</b>	<b>363,229,516</b>	<b>385,260,161</b>	<b>405,688,755</b>	<b>470,384,704</b>
<b>Total Expenses</b>	<b>219,986,581</b>	<b>228,179,166</b>	<b>244,804,012</b>	<b>261,613,359</b>	<b>302,348,510</b>
<b>Net Revenues</b>	<b>\$ 129,395,104</b>	<b>\$ 135,050,350</b>	<b>\$ 140,456,149</b>	<b>\$ 144,075,396</b>	<b>\$ 168,036,194</b>

\*Beer tax collected is deposited into the State General Fund.

Iowa Code section [123.17\(3\)](#) specifies that if gaming revenues are not sufficient to meet the total amount of revenues directed to be deposited in the Revenue Bonds Debt Service Fund and the Revenue Bonds Federal Subsidy Holdback Fund, funds may be transferred from the Liquor Control Trust Fund to account for the difference. Each quarter, the Treasurer of State prepares an estimate of gaming revenues and the Liquor Control Trust Fund ending balance. To date, no moneys from the Liquor Control Trust Fund have been transferred to the Revenue Bonds Debt Service Fund.

Iowa Code section 123.17(5) requires that at least 7.0% of gross monthly liquor sales (or at least \$9.0 million annually) be transferred to the State General Fund. Of the State General Fund transferred amount, a minimum of \$2.0 million is transferred annually to the Iowa Department of Public Health (IDPH) for substance abuse treatment and prevention. This provision is met annually through the appropriations made in the Health and Human Services Appropriations Bill. Beginning in FY 2022, there is a new transfer of \$1.0 million to the Iowa Economic Development Authority for a statewide tourism marketing campaign under Iowa Code section 123.17(7).

Additionally, fees paid to the ABD for liquor control licenses, wine permits, beer permits, and fines collected from civil penalties are transferred to cities and counties issuing those licenses. Sunday sales license fees are also to be allocated to the IDPH for grants to cities and counties operating substance abuse programs pertaining to education, prevention, referral, or posttreatment services.

**Table 2** below shows the transfers from ABD revenue in FY 2021.

**Table 2 — FY 2021 Revenue Transfers**

<b>Transfer</b>	<b>FY 2021 Actuals</b>
General Fund Reversion	\$ 120,600,000
7.0% General Fund Transfer	29,225,511
State Aid to Cities and Counties	2,638,105
Sunday Sales Grants	944,896
<b>Total</b>	<b>\$ 153,408,512</b>

## **Division I — Retail Alcohol Licenses**

### **Description and Background**

Division I replaces liquor control licenses with retail alcohol licenses and modifies the classes within the new category of retail alcohol licenses. The Division also updates the retail alcohol license application process. Division I is effective January 1, 2023. The Bill makes the following retail license changes to move from 14 license types to 8 license types:

#### **Class “B” Retail Alcohol License (Grocery and Convenience Stores)**

- Repeals the current class “C” beer permits and class “B” wine permits and combines them in part into a new class “B” retail alcohol license that allows the licensee to sell wine and beer for consumption off premises.
- Adds the privilege to sell wine and beer to class “C,” “D,” “F,” and special class “C” retail alcohol licensees for resale for on-premises consumption. Such wine sales must be limited to less than one case of any wine brand, and such beer sales must be limited to no more than five cases of beer, high alcoholic content beer, and canned cocktails. There will be only one of these sales made per retail alcohol licensee in a 24-hour period, and class “A” beer permittees are to be held harmless regarding any beer resold.

#### **Special Class “B” Retail Native Wine License (Grocery and Convenience Stores)**

Renames the class “B” native wine permit to a special class “B” retail native wine license.

#### Class “C” Retail Alcohol License (*Bars and Restaurants*)

- Renames the current class “C” liquor control license to class “C” retail alcohol license.
- Adds the privilege to purchase wine from class “B” or class “E” retail alcohol license holders in quantities of less than one case of any wine brand. Any one license holder may not make more than one of these purchases in a 24-hour period.
- Adds the privilege to purchase beer from class “A” beer permittees and beer from class “B” and “E” retail alcohol licensees in quantities limited to no more than five cases of beer, high alcoholic content beer, and canned cocktails. There may be only one of these sales made per retail alcohol licensee in a 24-hour period, and class “A” beer permittees are to be held harmless regarding any beer resold.

#### Special Class “C” Retail Alcohol License (*Bars and Restaurants*)

- Renames the current special class “C” liquor control license to special class “C” retail alcohol license.
- Adds the privilege to purchase wine from class “B” or class “E” retail alcohol license holders in quantities of less than one case of any wine brand. Any one license holder may not make more than one of these purchases in a 24-hour period.
- Adds the privilege to purchase beer from class “A” beer permittees and beer from class “B” and “E” retail alcohol licensees in quantities limited to no more than five cases of beer, high alcoholic content beer, and canned cocktails. There may be only one of these sales made per retail alcohol licensee in a 24-hour period, and class “A” beer permittees are to be held harmless regarding any beer resold.
- Adds the privilege to sell wine to consumers for consumption off the premises.

#### Class “D” Retail Alcohol License (*Trains, Airplanes, and Watercraft*)

- Renames the current class “D” liquor control license to class “D” retail alcohol license.
- Adds the privilege to purchase wine from class “B” or class “E” retail alcohol license holders in quantities of less than one case of any wine brand. Any one license holder may not make more than one of these purchases in a 24-hour period.
- Adds the privilege to purchase beer from class “A” beer permittees and beer from class “B” and “E” retail alcohol licensees in quantities limited to no more than five cases of beer, high alcoholic content beer, and canned cocktails. There may be only one of these sales made per retail alcohol licensee in a 24-hour period, and class “A” beer permittees are to be held harmless regarding any beer resold.

#### Class “E” Retail Alcohol License (*Grocery and Convenience Stores*)

- Renames the current class “E” liquor control license to class “E” retail alcohol license and allows the new class “E” retail alcohol licensee to purchase and sell wine and beer, in addition to liquor and high alcoholic content beer.
- Adds the privilege to sell wine to class “C,” “D,” “F,” and special class “C” retail alcohol licensees for resale for on-premises consumption in quantities limited to less than one case of any wine brand and only one of these sales made in a 24-hour period.
- Adds the privilege to sell beer to class “C,” “D,” “F,” and special class “C” retail alcohol licensees for resale for on-premises consumption in quantities limited to no more than five cases of beer, high alcoholic content beer, and canned cocktails. There shall be only one of these sales made per retail alcohol licensee in a 24-hour period, and class “A” beer permittees are to be held harmless regarding any beer resold.

Class “F” Retail Alcohol License (Nonprofit Clubs)

- Renames the current class “A” liquor control license to class “F” retail alcohol license.
- Adds the privilege to purchase wine from class “B” or class “E” retail alcohol license holders in quantities of less than one case of any wine brand. Any one license holder may not make more than one of these purchases in a 24-hour period.
- Adds the privilege to purchase beer from class “A” beer permittees and beer from class “B” and “E” retail alcohol licensees in quantities limited to no more than five cases of beer, high alcoholic content beer, and canned cocktails. There may be only one of these sales made per retail alcohol licensee in a 24-hour period, and class “A” beer permittees are to be held harmless regarding any beer resold.

Among these changes, the following license and permit types were also repealed:

- Class “C” beer permit (*Grocery and Convenience Stores*)
- Class “B” wine permit (*Grocery and Convenience Stores*)
- Class “B” liquor control license (*Hotels and Motels*)
- Special class “C” native distilled spirits liquor control license (*Iowa Native Distilled Spirits Manufacturers*)
- Class “B” beer permit (*Restaurants and Bars*)
- Class “C” native wine permit (*Retail Native Wine Establishments*)

**Table 3** provides a summary overview of the changes to the existing licensing structure in Division I.

**Table 3 — Summary of Division I Changes to Retail Licenses**

Current License/Permit Name	New License Name
N/A	Class "B" Retail Alcohol License
Class "B" Native Wine Permit	Special Class "B" Retail Native Wine License
Class "C" Liquor Control License	Class "C" Retail Alcohol License
Special Class "C" Liquor Control License	Special Class "C" Retail Alcohol License
Class "E" Liquor Control License	Class "E" Retail Alcohol License
Class "A" Liquor Control License	Class "F" Retail Alcohol License
Class "D" Liquor Control License	Class "D" Retail Alcohol License
Charity Beer, Spirits, and Wine Auction Permit	Charity, Beer, Spirits, and Wine
Charity Beer, Spirits, and Wine Event Permit	Special Event License
Class "C" Beer Permit	<b>Repealed (incorporated into Class "B" Retail Alcohol License)</b>
Class "B" Wine Permit	
Class "B" Beer Permit	<b>Repealed</b>
Class "B" Liquor Control License	<b>Repealed</b>
Class "C" Native Distilled Spirits Liquor Control License	<b>Repealed</b>
Class "C" Native Wine Permit	<b>Repealed</b>

**Assumptions and Fiscal Impact**

Division I establishes new retail alcohol licenses and is not projected to have an identifiable fiscal impact. Division II establishes the fees for the new licenses; this portion of the **Fiscal Note** identifies the fiscal impact for each new license type.

## **Division II — Alcohol Beverage Control Fees**

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### **Description and Background**

Division II establishes new fee structures for the retail alcohol licenses created in Division I, as well as amends existing license fees for manufacturing and wholesaling licenses. Division II is effective January 1, 2023. The changes are listed below by retail alcohol license and manufacturing/wholesaling license.

### **Retail Alcohol Licenses — Annual Fees**

#### **Class “B” Retail Alcohol License (*Grocery and Convenience Stores*)**

The fees for the new class “B” retail alcohol license are as follows, based on size and location of the premises:

	<b>City</b>	<b>Less than 1,500</b>	<b>1,501 to 2,000</b>	<b>2,001 to 5,000</b>	<b>Over 5,000</b>
	<b>Population</b>	<b>square feet</b>	<b>square feet</b>	<b>square feet</b>	<b>square feet</b>
	2,500 or less	\$ 75	\$ 150	\$ 250	\$ 350
	2,500 to 15,000	150	250	350	500
	Over 15,000	250	350	500	750

#### **Special Class “B” Retail Native Wine License (*Grocery and Convenience Stores*)**

The fee for the new class “B” retail native wine license is increased from \$25 to \$125, an increase of \$100 compared to the current class “B” native wine permit.

#### **Class “C” Retail Alcohol License (*Bars and Restaurants*)**

The fees for the new class “C” retail alcohol licenses are decreased by \$50 compared to the current class “C” liquor control license, and the population thresholds are increased. Currently, there is a 30.0% surcharge on class “C” liquor control licenses. The Bill retains this 30.0% surcharge on class “C” retail alcohol licenses. The new fees are as follows:

- \$550 (\$715 with surcharge) for establishments located within cities with a population of 2,500 or less.
- \$900 (\$1,170 with surcharge) for establishments located within cities with a population of over 2,500 but less than 15,000.
- \$1,250 (\$1,625 with surcharge) for establishments located within cities with a population of 15,000 or more.

#### **Special Class “C” Retail Alcohol License (*Bars and Restaurants*)**

The fee for a special class “C” retail alcohol license remained the same as the current special class “C” liquor control license; however, the population threshold is increased. The Bill retains the 30.0% surcharge on special class “C” retail alcohol licenses. The new fees are as follows:

- \$150 (\$195 with surcharge) for establishments located within cities with a population of 2,500 or less.
- \$300 (\$390 with surcharge) for establishments located within cities with a population of over 2,500 but less than 15,000.
- \$450 (\$585 with surcharge) for establishments located within cities with a population of 15,000 or more.

#### **Class “E” Retail Alcohol License (*Grocery and Convenience Stores*)**

The fees for a class “E” retail alcohol license are as follows:

City Population	Less than 1,500 square feet	1,501 to 2,000 square feet	2,001 to 5,000 square feet	Over 5,000 square feet
2,500 or less	\$ 750	\$ 1,500	\$ 2,500	\$ 3,500
2,500 to 15,000	1,500	2,500	3,500	5,000
Over 15,000	2,500	3,500	5,000	7,500

**Charity Beer, Spirits, and Wine Special Event License (*Charity Events*)**

Current fees for the charity beer, spirits, and wine auction permit and the charity beer, spirits, and wine event permit are made applicable to a charity beer, spirits, and wine permit.

**Class "F" Retail Alcohol License (*Nonprofit Clubs*)**

Current fees for a class "A" liquor control license are made applicable to a class "F" retail alcohol license.

**Class "D" Retail Alcohol License (*Trains, Airplanes, and Watercraft*)**

Current fees for a class "D" liquor control license are made applicable to a class "D" retail alcohol license.

**Table 4** includes a summary of the changes to retail licenses.

**Table 4 — Summary of Changes to Retail Licenses Fees**

Current License Name	Current Annual Fee Amount	New License Name	New Annual Fee Amount
N/A	N/A	Class "B" Retail Alcohol License	Varies by city population and square footage
Class "B" Native Wine Permit	\$25	Special Class "B" Retail Native Wine License	\$125
Class "C" Liquor Control License	Varies by city population	Class "C" Retail Alcohol License	Decrease of \$50 and varies by increased city population thresholds
Special Class "C" Liquor Control License	Varies by city population	Special Class "C" Retail Alcohol License	Varies by increased city population thresholds
Class "E" Liquor Control License	Varies by city population, square footage, and the presence of gasoline sales	Class "E" Retail Alcohol License	Varies by increased city population and adjusted square footage
Class "A" Liquor Control License	Varies by city population, club membership, and days open	Class "F" Retail Alcohol License	No change
Class "D" Liquor Control License	Varies by classification	Class "D" Retail Alcohol License	
Charity Beer, Spirits, and Wine Auction Permit	\$100	Charity, Beer, Spirits, and Wine Special Event License	
Charity Beer, Spirits, and Wine Event Permit	\$100		
Class "C" Beer Permit	Varies by square footage	Repealed	NA
Class "B" Wine Permit	\$500		
Class "B" Beer Permit	Varies by city population		
Class "B" Liquor Control License	Varies by city population		
Class "C" Native Distilled Spirits License	\$250		
Class "C" Native Wine Permit	\$25		

**Manufacturing/Wholesale Annual Fees**

**Distiller's Certificate of Compliance**

The Distiller's Certificate of Compliance fee is increased from \$50 to \$200.

**Manufacturer's License**

The fee for a manufacturer's license is decreased from \$350 to \$300.

### Class “A” Native Distilled Spirits License

The fee for a class “A” native distilled spirits license is decreased from \$500 to \$300.

### Beer Permit Fees

- The permit fee for a class “A” beer permit for a native brewery is decreased from \$750 to \$300.
- The permit fee for a special class “A” beer permit is decreased from \$750 to \$300.
- The fee for a Brewer’s Certificate of Compliance is decreased from \$500 to \$200.

### Wine Permit and License Fees

- The fee for a native class “A” wine permit is increased from \$25 to \$100.
- The fee for a Vintner’s Certificate of Compliance is increased from \$100 to \$200.

**Table 5** includes a summary of the changes to manufacturing/wholesale license fees.

**Table 5 — Summary Changes to Manufacturing/Wholesale Fees**

License Type	Current License Fee	New License Fee
Class "A" Beer (Native)	\$750	\$300
Class "A" Wine (Native)	\$25	\$100
Special Class "A" Beer	\$750	\$300
Class "A" Native Distilled Spirits	\$500	\$300
Brewer's Certificate of Compliance	\$500	\$200
Distiller's Certificate of Compliance	\$50	\$200
Vintner's Certificate of Compliance	\$100	\$200
Manufacturer's License	\$350	\$300
Class "A" Wine	\$750	<i>No change</i>
Class "A" Beer	\$750	<i>No change</i>
Wine Carrier Permit	\$100	<i>No change</i>
Broker's Permit	\$25	<i>No change</i>
Direct Shipper's Permit	\$25	<i>No change</i>

### Assumptions

The assumptions are listed separately below for each new retail alcohol license that has a fee change compared to current licenses. It is assumed that implementation of the new retail alcohol licenses will start upon enactment of SF 2374, with complete implementation by October 1, 2022. Therefore, for the purposes of this **Fiscal Note**, 75.0% of the total fiscal impact will be realized in FY 2023, with the full fiscal impact being realized in succeeding fiscal years.

### Class “B” Retail Alcohol License (Grocery and Convenience Stores)

The class “B” retail alcohol license replaces the class “B” wine permit and class “C” beer permit. The new class “B” retail alcohol license utilizes a fee structure based on square footage of the premises and the population of the city in which the premises is located. However, the fee structure for the existing class “B” wine permit is based on duration of the permit, and the fee for the class “C” beer permit is based on square footage of the premises. As a result, the ABD does not currently collect the population data or the square footage of data for current class “B” wine permittees needed to accurately estimate the fiscal impact of the new class “B” retail alcohol license.

### Special Class “B” Retail Native Wine License (Grocery and Convenience Stores)

In FY 2021, there were 748 class “B” native wine permits issued. For the purposes of this **Fiscal Note**, it is assumed that the number of issued licenses in future fiscal years under the increased fee amount will be similar to the number issued in FY 2021.

#### Class “C” Retail Alcohol License (*Bars and Restaurants*)

- Class “C” liquor control licensees will be licensed under the new class “C” retail alcohol license. Current class “C” liquor control licenses are issued based on city population.
- The following current licensees may obtain a class “C” retail alcohol license: class “B” liquor control licensees, class “C” native distilled spirits liquor control licensees, class “A” beer permit holders that also hold class “B” beer permits, and class “A” wine permit holders that also hold class “C” native wine permits.
- Sixty-five percent of class “C” retail alcohol license fees, excluding the surcharge, are remitted to local authorities. This is no change to current law. The total revenue impact to the Liquor Control Trust Fund is calculated assuming a 30.0% surcharge on all applicable licenses.
- For the purposes of this **Fiscal Note**, it is assumed that the number of issued licenses in future fiscal years under a class “C” retail alcohol license will be similar to the number of current class “C” liquor control licenses issued in FY 2021 in addition to the number of current class “B” liquor control licenses, class “C” native distilled spirits liquor control licenses, class “B” native brewers, and class “C” native wine permits issued in FY 2021.
- Due to updates to the population thresholds used to determine license fees and to the addition of population as criteria for certain license types, the total fiscal impact cannot be accurately captured.

#### Special Class “C” Retail Alcohol License (*Bars and Restaurants*)

- Special class “C” liquor control licensees will be licensed under the new special class “C” retail alcohol license. Currently, special class “C” liquor control licenses are issued based on city population.
- Current class “B” beer permittees, excluding those that also hold a class “A” beer permit, may obtain a special class “C” retail alcohol license.
- Seventy-five percent of class “C” retail alcohol license fees, excluding the surcharge, are remitted to local authorities. This is no change to current law. The total revenue impact to the Liquor Control Trust Fund is calculated assuming a 30.0% surcharge on all applicable licenses.
- For the purposes of this **Fiscal Note**, it is assumed that the number of issued licenses in future fiscal years under a special class “C” retail alcohol license will be similar to the number of current special class “C” liquor control licenses issued in FY 2021 in addition to the number of current class “B” beer permittees, excluding those that also hold a class “A” beer permit.
- Due to updates to the population thresholds used to determine license fees and to the addition of population as criteria for certain license types, the total fiscal impact cannot be accurately captured.

#### Class “E” Retail Alcohol License (*Grocery and Convenience Stores*)

- Under the new class “E” retail alcohol licenses, licensees will be able to sell alcoholic liquor, wine, and beer for off-premises consumption under one license. In FY 2021, there were 3,420 add-on permits for off-premises beer, wine, native beer, and native wine to class “E” licensees. For the purposes of this **Fiscal Note**, it is assumed that this add-on permit revenue will not be realized.



- In FY 2021, there were 1,853 class “E” licensees. For the purposes of this **Fiscal Note**, it is assumed that the number of issued licenses in future fiscal years under the adjusted fee structure will be similar to the number issued in FY 2021.

Manufacturing/Wholesale Fees

This **Fiscal Note** assumes that the number of issued licenses in future fiscal years under adjusted fee amounts will be similar to the number issued in FY 2021.

System Updates

- The ABD will need to update its system to account for changes to population data requirements and to adjust license types.
- The ABD uses both a Salesforce system and the Iowa Department of Revenue’s (IDR) GovConnectIowa system for its licensing.
- It is estimated that to update the systems, there will be a one-time cost of between \$50,000 and \$250,000. For the purposes of this **Fiscal Note**, the average between \$50,000 and \$250,000 is used. This cost will be incurred in FY 2023.

Fiscal Impact

**Table 6A** and **Table 6B** include the summary of the fiscal impacts for the retail license fees described above:

**Table 6A — Estimated Fiscal Impact for Retail License Fee Changes (FY 2023)**

New License Name	Revenue Impact to Liquor Control Trust Fund	Revenue Impact to Local Authorities
Class "B" Retail Alcohol License	Cannot be estimated	-
Special Class "B" Retail Native Wine License	\$ 56,000	-
Class "C" Retail Alcohol License	-127,000	-139,000
Special Class "C" Retail Alcohol License	39,000	-2,000
Class "E" Retail Alcohol License	-2,720,000	-
<b>Total Annual Decrease in Revenue</b>	<b>\$ -2,752,000</b>	<b>\$ -141,000</b>

**Table 6B — Estimated Fiscal Impact for Retail License Fee Changes (FY 2024 and After)**

New License Name	Revenue Impact to Liquor Control Trust Fund	Revenue Impact to Local Authorities
Class "B" Retail Alcohol License	Cannot be estimated	-
Special Class "B" Retail Native Wine License	\$ 75,000	-
Class "C" Retail Alcohol License	-169,000	-185,000
Special Class "C" Retail Alcohol License	52,000	-3,000
Class "E" Retail Alcohol License	-3,627,000	-
<b>Total Annual Decrease in Revenue</b>	<b>\$ -3,669,000</b>	<b>\$ -188,000</b>

All license fee revenue is first deposited into the Liquor Control Trust Fund prior to transfers to local authorities. According to Iowa Code section [123.36](#), the ABD must remit to local authorities 65.0% of the fees collected for each class “B,” class “C,” and class “F” retail alcohol license and 75.0% of the fees collected for each special class “C” retail alcohol license covering premises located within the local authority’s jurisdiction. Additionally, retail beer permits are currently allowed to be retained by local authorities. The decrease to the Liquor Control Trust

Fund (center column of **Table 6A** and **Table 6B**) does not include the portion of the revenue decrease to the local authorities (right column of **Table 6A** and **Table 6B**).

**Table 7A** and **Table 7B** include the fiscal impacts for the manufacturing and wholesaler fees that are modified in this Bill:

**Table 7A — Estimated Fiscal Impact to the Liquor Control Trust Fund (FY 2023)**

License/Permit/Certificate	Current Annual Fee	Number of Licenses Issued in FY 2021	New Annual Fee	Annual Change in Revenue
Class "A" Beer (Native)	\$750	72	\$300	\$ -24,300
Class "A" Wine (Native)	\$25	97	\$100	\$ 5,456
Special Class "A" Beer	\$750	50	\$300	\$ -16,875
Class "A" Native Distilled Spirits	\$500	20	\$300	\$ -3,000
Brewer's Certificate of Compliance	\$500	189	\$200	\$ -42,525
Distiller's Certificate of Compliance	\$50	219	\$200	\$ 24,638
Vintner's Certificate of Compliance	\$100	536	\$200	\$ 40,200
Manufacturer's License	\$350	13	\$300	\$ -488
<b>Total Annual Decrease in Revenue</b>				<b>\$ -16,894</b>

**Table 7B — Estimated Fiscal Impact to the Liquor Control Trust Fund (FY 2024 and After)**

License/Permit/Certificate	Current Annual Fee	Number of Licenses Issued in FY 2021	New Annual Fee	Annual Change in Revenue
Class "A" Beer (Native)	\$750	72	\$300	\$ -32,400
Class "A" Wine (Native)	\$25	97	\$100	\$ 7,275
Special Class "A" Beer	\$750	50	\$300	\$ -22,500
Class "A" Native Distilled Spirits	\$500	20	\$300	\$ -4,000
Brewer's Certificate of Compliance	\$500	189	\$200	\$ -56,700
Distiller's Certificate of Compliance	\$50	219	\$200	\$ 32,850
Vintner's Certificate of Compliance	\$100	536	\$200	\$ 53,600
Manufacturer's License	\$350	13	\$300	\$ -650
<b>Total Annual Decrease in Revenue</b>				<b>\$ -22,525</b>

It is also estimated that the total expense to update population measures and adjust license types to system requirements will be a one-time cost of approximately \$150,000. The total expense is dependent on scope and hours needed for the updates. This update would be funded from the Liquor Control Trust Fund.

**General Fund Impact of Division II:** The ABD transfers a monthly amount of a portion of license fees, liquor sales, and other sources from the Liquor Control Trust Fund to the State General Fund. Decreases in revenue to the Liquor Control Trust Fund from all retail license fee changes, manufacturing/wholesale fee changes, and system changes will result in a decrease in revenue to the General Fund. As a result, Division II is expected to decrease General Fund revenue by \$2.9 million in FY 2023 and to decrease General Fund revenue by \$3.7 million in succeeding fiscal years.

## Division III — Alcoholic Beverage Control

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### Description

Division III makes conforming changes relative to the creation of the new retail alcohol licenses and the elimination of certain native distilled spirits, beer, and wine permits in the Bill. Division III is effective January 1, 2023. The Division makes the following changes:

- Creates a new “retail alcohol license” definition reflecting the new classes of licenses.
- Amends the minimum alcohol by volume threshold for the definition of “canned cocktail” to be 0.5% instead of 6.25%.
- Amends the definition of “high alcoholic content beer” to allow up to 19.0% of alcohol by volume instead of the current 15.0%.
- Allows for seasonal and shortened licenses for class “C,” special class “C,” class “D,” and class “F” retail alcohol licenses and eliminates the six-month option. The fee for eight-month seasonal license fees is 50.0% of the fee instead of a proportional share of that fee.
- Removes the requirement for the ABD to provide a 60-day notice of license, permit, or certification expiration.
- Allows for automatic renewal of a class “E” retail alcohol license; a distiller’s, vintner’s, or brewer’s certificate of compliance; and a wine direct shipper’s permit when certain conditions are met.
- Makes conforming changes concerning native distilleries to reflect the new retail alcohol licenses, including updates regarding maximum liters sold per person per day and stating that a distillery may be granted not more than two class “C” retail alcohol licenses instead of two class “C” native distilled spirits liquor control licenses. The Division also removes provisions requiring spirits sold for on-premises consumption and mixed drinks or cocktails sold for off-premises consumption be purchased from a class “E” liquor control licensee.
- Provides that the new retail alcohol licenses are licenses, not permits.
- Provides that deliveries must occur on the same day the orders for alcoholic beverages are removed from the licensed premises.
- Amends the [Dramshop Act](#) to provide that every retail alcohol licensee, except a class “B,” special class “B,” or class “E” retail alcohol licensee, must furnish proof of financial responsibility.
- Makes conforming changes concerning class “A” beer permits to reflect the new retail alcohol licenses. The Division states that a native brewery may be granted not more than two class “C” retail alcohol licenses instead of two class “B” permits and adds special class “C” retail licenses to special class “A” requirement options.
- Provides for a keg identification label instead of a sticker and eliminates provisions regarding the forfeiture and remittance of deposits relating to defacing the keg identification label.
- Strikes provisions regarding the distribution of retail beer permit fees and specifies that all permit fees collected by the ABD under Iowa Code section [123.143](#) accrue to the Liquor Control Trust Fund, except as otherwise provided.
- Combines the charity beer, spirits, and wine auction permit and the charity beer, spirits, and wine event permit into one charity beer, spirits, and wine special event license and allows one auction or event to be conducted during the period of the license and limits a person to no more than two special event licenses in a calendar year.
- Makes conforming changes concerning native wines to reflect the new retail alcohol licenses, including that a manufacturer of native wines may be granted not more than two class “C” retail alcohol licenses instead of two class “C” native wine permits.

- Eliminates the requirement that an application for a wine direct shipper permit is accompanied by a bond.
- Makes conforming changes related to the transfer of certain revenues to the IDPH.
- Repeals Iowa Code section [123.97](#), which provides that all revenue except the portion of license fees remitted to local authorities must become part of the General Fund, due to inconsistencies with Iowa Code section [123.17](#).
- Eliminates the requirement to obtain a special privilege to sell alcoholic beverages on Sunday.

## **Background**

### **Seasonal Retail Licenses**

In FY 2021, the ABD issued 147 licenses and permits for a 6-month duration and 72 licenses for an 8-month duration for a total revenue of approximately \$102,000.

### **Sunday Sales**

Currently, some retailers may conduct Sunday sales as a privilege of their license or permit, while other licensees and permittees may pay an additional 20.0% fee for the privilege to sell alcoholic beverages on Sundays. In FY 2021, Sunday sale license fees totaled approximately \$945,000. In the previous five fiscal years, Sunday sale license fees averaged approximately \$925,000. The entirety of Sunday sale license fee revenue is currently transferred by the ABD from the Liquor Control Trust Fund to the IDPH. Transfers take place under Iowa Code section [125.59](#).

## **Assumptions/Fiscal Impact**

### **Seasonal Retail Licenses**

For the purposes of this ***Fiscal Note***, it is assumed the number of six-month and eight-month seasonal retail licenses/permits will be similar to the number of six-month and eight-month seasonal retail licenses/permits there were in FY 2021. Assuming current criteria for determining license fees, fee revenue generated by the ABD for the sale of seasonal retail licenses/permits will decrease from \$102,000 to \$92,000, a decrease of \$10,000. The ABD is unable to estimate the fiscal impact of this change under the new license structure due to new population criteria for certain new licenses under the Bill. The ABD currently does not obtain population data for all current license types and would need to implement a change to its licensing system to collect that data.

### **Sunday Sales**

For the purposes of this ***Fiscal Note***, it is assumed that 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 under status quo license fees. It is also assumed that implementation of these changes will start upon enactment of SF 2374, with complete implementation by October 1, 2022. Therefore, for the purposes of this ***Fiscal Note***, it is assumed that 75.0% of the total fiscal impact will be realized in FY 2023, with the full fiscal impact being realized in succeeding fiscal years.

By incorporating Sunday sales privilege into applicable retail alcohol licenses at no extra cost, there will be an FY 2023 decrease in Sunday sales fee revenue of approximately \$694,000 to the Liquor Control Trust Fund, which will result in a decrease of approximately \$694,000 to the IDPH. In FY 2024 and each succeeding fiscal year, the annual decrease is expected to be approximately \$925,000.

## **Division IV — Conforming Changes**

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### **Description**

This Division makes conforming changes to Iowa Code chapters [7D](#), [12](#), and [99B](#). This Division also amends Iowa Code section [137F.1](#) to conform with the repeal of a class “B” wine permit and provides that a food establishment does not include only a premises covered by a class “A” wine permit. Division IV is effective January 1, 2023. Division IV is not projected to have an identifiable fiscal impact.

## **Division V — Restaurant Food Delivery**

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### **Description**

This Division creates a new Iowa Code chapter regarding restaurant food delivery and provides for civil penalties. Division V places certain prohibitions and requirements on food delivery platforms, which are defined as businesses that act as a third-party intermediary by taking and arranging for the delivery or pickup of orders from multiple restaurants for consumers, not including delivery or pickup orders placed directly with, and fulfilled by, a restaurant. A restaurant is defined as a business in the State that operates its own permanent food service facilities with commercial cooking equipment on its premises and prepares and offers to sell multiple entrees for consumption on or off the premises.

Division V also places certain requirements on agreements between food delivery platforms and a restaurant and provides that an aggrieved restaurant or the Attorney General may seek judicial enforcement of the requirements provided for in this Division in the county in which the violation occurred. For the first violation, a civil penalty of \$1,000 is imposed. For the second violation, a civil penalty of \$2,500 is imposed. For each subsequent violation, a \$10,000 civil penalty is imposed.

A restaurant or the Attorney General may also bring an action to enjoin a violation of the new Iowa Code chapter. Upon the finding of a violation, the court must issue an injunction and may require the food delivery platform to pay profits or damages to the restaurant. In instances where the court finds that the food delivery platform did not enter into an agreement or obtain consent, the court must enter a judgment in an amount not to exceed three times the amount of profits and damages and award reasonable attorney fees to the restaurant.

Division V also includes provisions related to food safety and liability when transporting orders. Division V is applicable upon the effective date of SF 2374.

### **Assumptions/Fiscal Impact**

Division V is not projected to have a fiscal impact. Revenue to the General Fund may increase as a result of civil penalties; however, the amount cannot be projected at this time.

## **Division VI — Transitional Provisions**

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### **Description**

This Division provides that any license or permit that is repealed, merged, or altered in this Bill and active on January 1, 2023, must continue with the authority granted by that license or permit until expiration or renewal. The ABD is authorized to adopt alternative procedures for the issuance of any license or permit that is repealed, merged, or altered on January 1, 2023, or that are issued on or after the effective date of this Division but before January 1, 2023. Any alternative procedures must be consistent with the provision of the Bill. Division V is effective upon enactment. Division V is not projected to have a fiscal impact.

## Summary of Fiscal Impacts

Table 8A and Table 8B include summaries of the fiscal impacts for each Division of the Bill.

**Table 8A — Summary of Estimated Fiscal Impacts for SF 2374 (FY 2023)**

Division	Item	Revenue Impact to the Liquor Control Trust Fund	Revenue Impact to Local Authority Jurisdictions	Revenue Impact to IDPH
I	Retail Alcohol Licenses	\$ -	-	-
II	Alcohol Beverage Control Fees - Class "B" Retail	unknown*	unknown*	-
II	Alcohol Beverage Control Fees - Special Class "B" Retail	56,000	-	-
II	Alcohol Beverage Control Fees - Class "C" Retail	-127,000	-139,000	-
II	Alcohol Beverage Control Fees - Special Class "C" Retail	39,000	-2,000	-
II	Alcohol Beverage Control Fees - Class "E" Retail	-2,720,000	-	-
II	Alcohol Beverage Control Fees - Manufacturing/Wholesale	-17,000	-	-
III	Alcoholic Beverage Control - Seasonal Retail Licenses	-8,000	-	-
III	Alcoholic Beverage Control - Sunday Sales	-	-	-694,000
IV	Conforming Changes	-	-	-
V	Restaurant Food Delivery	-	-	-
VI	Transitional Provisions - Effective Date	-	-	-
I-III	System Updates	-150,000	-	-
<b>Total Fiscal Impact</b>		<b>\$ -2,927,000</b>	<b>\$ -141,000</b>	<b>\$ -694,000</b>

\*The ABD is unable to estimate the fiscal impact of this change under the new license structure due to new population and square footage criteria for the new licenses under the Bill. The ABD currently does not obtain population or square footage data for all license types and would need to implement a change to its licensing system to collect that data. As a result, an accurate fiscal impact of this license change cannot be estimated.

NOTE: All license revenue is directed to the Liquor Control Trust Fund before being redistributed to local authority jurisdictions and the IDPH. This table is updated to reflect the net change to the Liquor Control Trust Fund. Net revenue in the Liquor Control Trust Fund is transferred to the General Fund.

**Table 8B — Summary of Estimated Fiscal Impacts for SF 2374 (FY 2024 and After)**

Division	Item	Revenue Impact to the Liquor Control Trust Fund	Revenue Impact to Local Authority Jurisdictions	Revenue Impact to IDPH
I	Retail Alcohol Licenses	\$ -	-	-
II	Alcohol Beverage Control Fees - Class "B" Retail	unknown*	unknown*	-
II	Alcohol Beverage Control Fees - Special Class "B" Retail	75,000	-	-
II	Alcohol Beverage Control Fees - Class "C" Retail	-169,000	-185,000	-
II	Alcohol Beverage Control Fees - Special Class "C" Retail	52,000	-3,000	-
II	Alcohol Beverage Control Fees - Class "E" Retail	-3,627,000	-	-
II	Alcohol Beverage Control Fees - Manufacturing/Wholesale	-23,000	-	-
III	Alcoholic Beverage Control - Seasonal Retail Licenses	-10,000	-	-
III	Alcoholic Beverage Control - Sunday Sales	-	-	-925,000
IV	Conforming Changes	-	-	-
V	Restaurant Food Delivery	-	-	-
VI	Transitional Provisions - Effective Date	-	-	-
I-III	System Updates	-	-	-
<b>Total Fiscal Impact</b>		<b>\$ -3,702,000</b>	<b>\$ -188,000</b>	<b>\$ -925,000</b>

\*The ABD is unable to estimate the fiscal impact of this change under the new license structure due to new population and square footage criteria for the new licenses under the Bill. The ABD currently does not obtain population or square footage data for all license types and would need to implement a change to its licensing system to collect that data. As a result, an accurate fiscal impact of this license change cannot be estimated.

NOTE: All license revenue is directed to the Liquor Control Trust Fund before being redistributed to local authority jurisdictions and the IDPH. This table is updated to reflect the net change to the Liquor Control Trust Fund. Net revenue in the Liquor Control Trust Fund is transferred to the General Fund.

All license fee revenue is first deposited into the Liquor Control Trust Fund prior to remittance to local authorities. According to Iowa Code section [123.36](#), the ABD must remit to local authorities 65.0% of the fees collected for each class “B,” class “C,” and class “F” retail alcohol license and 75.0% of the fees collected for each special class “C” retail alcohol license covering premises located within the local authority’s jurisdiction. Additionally, the fee revenue from retail beer permits is currently allowed to be retained by local authorities. The decrease to the Liquor Control Trust Fund does not include the portion of the revenue decrease to the local authorities.

The entirety of Sunday sale license fee revenue is currently transferred from the Liquor Control Trust Fund to the IDPH, of which 50.0% is to be earmarked for grants to counties for substance abuse programs. Eliminating Sunday sales license fees represents a loss of approximately \$694,000 in FY 2023 and \$925,000 in FY 2024 and after to the IDPH for these purposes.

**Total General Fund Impact of SF 2374:** The ABD transfers a monthly amount of a portion of license fees, liquor sales, and other sources from the Liquor Control Trust Fund to the State General Fund. Decreases in revenue to the Liquor Control Trust Fund from all retail license fee changes, seasonal retail license changes, manufacturing/wholesale fee changes, and system changes are expected to result in a decrease in revenue to the General Fund. As a result, the Bill is expected to decrease General Fund revenue by \$2.9 million in FY 2023 and to decrease General Fund revenue by \$3.7 million in succeeding fiscal years, as reflected in the revenue decrease to the Liquor Control Fund in **Tables 8A and 8B**.

**Sources**

Iowa Department of Commerce, Alcoholic Beverages Division  
Iowa Department of Inspections and Appeals  
LSA calculations

/s/ Holly M. Lyons

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June 24, 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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