



[SF 123](#) – Barrel Tax Revenues, Brewpubs (LSB1365XS)
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Fiscal Note Version – New

Description

[Senate File 123](#) changes the deposit destination for certain State barrel (beer) tax revenues from the State General Fund to the Wine and Beer Promotion Board Fund. The change applies to the tax revenue received from locations within Iowa where the beer is manufactured and sold at retail at the site of manufacture (brewpubs). The change is effective July 1, 2023 (FY 2024).

Background

The control of alcoholic beverages in the State is regulated through Iowa Code chapter [123](#), and the tax on beer sales is established in Iowa Code section [123.136](#). The beer tax is equal to \$5.89 per barrel (\$0.19 per gallon). The beer tax applies to:

- Beer manufactured in Iowa for sale or sold at wholesale in Iowa.
- Beer imported into Iowa for sale or sold at wholesale in Iowa.
- Beer manufactured in Iowa and sold at retail on the manufacturing premises for consumption off the premises.
- Beer manufactured in Iowa by special class “A” permittees for consumption on the manufacturing premises. Special class “A” permittees are commonly known as brewpubs.

The gallonage tax does not apply to the following situations:

- Beer shipped outside of Iowa.
- Sales by a class “A” or special class “A” permittee to another class “A” or special class “A” permittee.

Iowa Code section 123.136(2) provides that all beer tax shall be deposited to the State General Fund. However, Iowa Code section [123.143\(2\)](#) provides that beer tax revenues collected on beer manufactured by a class “A” permittee which owns and operates a native brewery shall be credited to a special barrel tax fund to be used by the Economic Development Authority for the purposes of Iowa Code section [15E.117](#) (promotion of Iowa wine and beer). This exception to the General Fund tax deposit requirement does not apply to beer manufactured and sold at retail on the premises.

The special barrel tax fund is called the [Wine and Beer Promotion Board Fund](#). The Fund received \$0.2 million in beer tax generated by native beer sales and \$0.2 million in wine tax generated from native wine sales during FY 2022. The Fund also received a transfer of \$1.0 million from the [Liquor Control Act Fund](#).

Major FY 2022 expenditures from the Fund include:

- Iowa State University — \$250,000
- State aid to various organizations — \$124,000
- Iowa Restaurant Association — \$53,000
- Personal services (Economic Development Authority) — \$50,000
- Advertising and publicity — \$39,000

The Fund began FY 2022 with a balance of \$0.4 million and ended with a balance of \$1.3 million.

Assumptions

The Alcoholic Beverages Division estimates that beer tax currently collected from special class “A” permittees and deposited to the State General Fund totaled approximately \$60,000 during FY 2022. This equates to the sale of 316,000 gallons of beer manufactured and sold at retail by Iowa brewpubs.

Fiscal Impact

Changing the destination of beer tax revenue generated from beer manufactured and sold at retail by Iowa brewpubs from the State General Fund to the Wine and Beer Promotion Board Fund is projected to decrease General Fund tax revenue by \$60,000 in FY 2024 and future fiscal years. Revenues deposited to the Wine and Beer Promotion Board Fund will increase by the same projected amount.

The initial cost of Alcoholic Beverages Division information technology updates needed to implement the change is projected to be less than \$20,000. The increased costs would be financed through the Liquor Control Act Fund. Once computer and other tax collection systems are updated, no ongoing additional costs are expected.

Sources

Alcoholic Beverages Division
State accounting records

/s/ Jennifer Acton

February 14, 2023

Doc ID 1368993

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.