

# Senate Study Bill 1164

## Bill Text

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1 1 Section 1. Section [123.183](#), Code 2001, is amended to read  
1 2 as follows:

1 3 [123.183 WINE GALLONAGE TAX AND RELATED FUNDS.](#)

1 4 1. In addition to the annual permit fee to be paid by each  
1 5 class "A" wine permittee,

~~there~~

~~a wine gallonage tax shall be~~

1 6 levied and collected from each class "A" wine permittee on all  
1 7 wine manufactured for sale and sold in this state at wholesale  
1 8 and on all wine imported into this state for sale at wholesale  
1 9 and sold in this state at wholesale

~~, a~~

~~The rate of the wine~~

1 10 gallonage tax

~~of~~

~~is one dollar and seventy-five cents for~~

1 11

~~every~~

~~each wine gallon~~

~~and a like~~

~~The same rate shall apply~~

1 12 for the fractional parts of a wine gallon.

~~A~~

~~The wine~~

1 13 gallonage tax shall not be levied or collected on wine sold by  
1 14 one class "A" wine permittee to another class "A" wine  
1 15 permittee.

1 16 2. a. Revenue

~~derived~~

~~collected from the wine gallonage~~

1 17 tax

~~collected~~

~~on wine manufactured for sale and sold in this~~

1 18 state shall be deposited in the wine gallonage tax fund

~~hereby~~

~~as created in this section.~~

1 19 b. A wine gallonage tax fund is created in the office of  
1 20 the treasurer of state. Moneys deposited in  
1 21

~~the gallonage tax~~

~~the fund are appropriated to the department of economic~~

1 22 development as provided in section 15E.117. Moneys in the  
1 23 fund  
1 24

~~shall not revert to the general fund of the state without~~

1 25

~~a specific appropriation by the general assembly  
are not~~

1 26 subject to section 8.33.

1 27 3. Of the amount collected from the wine gallonage tax  
1 28 that is not deposited in the wine gallonage tax fund, the  
1 29 first eighteen cents of the tax of each wine gallon shall be  
1 30 deposited to the grape and wine development fund as created in  
1 31 section 159B.5. All other revenue

~~derived~~

~~collected from the~~

1 32 wine gallonage tax shall be deposited in the liquor control  
1 33 fund

~~established by~~

~~created in section 123.53~~

~~and shall be~~

1 34

~~transferred by the director of revenue and finance to the~~

1 35

~~general fund of the state~~

2 1 Sec. 2. NEW SECTION. 159B.1 DEFINITIONS.

2 2 1. "Commission" means the grape and wine development  
2 3 commission as established pursuant to section 159B.2.

2 4 2. "Department" means the department of agriculture and  
2 5 land stewardship.

2 6 3. "Fund" means the grape and wine development fund  
2 7 created pursuant to section 159B.5.

2 8 4. "Grower" means a person who owns a vineyard and is  
2 9 actively engaged in growing grapes on a commercial basis in  
2 10 this state for use by a winery.

2 11 5. "Retail seller" means a person actively engaged in the  
2 12 business of selling wine in this state on a retail basis.

2 13 6. "Vineyard" means a tract of land used for growing  
2 14 grapes used in making wine.

2 15 7. "Wine" means the same as defined in section 123.3.

2 16 8. "Winemaker" means a person who owns a winery and is  
2 17 actively engaged in producing wine in this state on a  
2 18 commercial basis.

2 19 9. "Winery" means a commercial operation using grapes for  
2 20 the production of wine on a commercial basis.

2 21 Sec. 3. NEW SECTION. 159B.2 GRAPE AND WINE DEVELOPMENT  
2 22 COMMISSION.

2 23 1. A grape and wine development commission is established  
2 24 within the department. The commission shall be composed of  
2 25 the following persons:

2 26 a. The following persons, or their designees, who shall  
2 27 serve as nonvoting, ex officio members:

2 28 (1) The secretary of agriculture.

2 29 (2) The dean of the college of agriculture of Iowa state  
2 30 university of science and technology.

2 31 (3) The director of the department of economic  
2 32 development.

2 33 (4) The director of the department of natural resources.

2 34 b. The following persons appointed by the secretary of  
2 35 agriculture, who shall serve as voting members:

3 1 (1) Two growers.

3 2 (2) Two winemakers.

3 3 (3) One retail seller.

3 4 The secretary of agriculture shall appoint the voting  
3 5 members based on a list of nominations submitted by  
3 6 organizations representing growers, winemakers, and retail  
3 7 sellers as certified by the department according to  
3 8 requirements of the department. The secretary of  
3 9 agriculture's appointees shall be confirmed by the senate,  
3 10 pursuant to section 2.32.

3 11 2. The voting members shall serve three-year terms  
3 12 beginning and ending as provided in section 69.19. However,  
3 13 the secretary of agriculture shall appoint initial members to  
3 14 serve for less than three years to ensure members serve  
3 15 staggered terms. A member is eligible for reappointment. A  
3 16 vacancy on the commission shall be filled for the unexpired  
3 17 portion of the regular term in the same manner as regular  
3 18 appointments are made.

3 19 3. The commission shall elect a chairperson from among its  
3 20 voting members each year on a rotating basis as provided by  
3 21 the commission. The commission shall meet on a regular basis  
3 22 and at the call of the chairperson or upon the written request  
3 23 to the chairperson of two or more voting members.

3 24 4. The voting members are entitled to receive actual and  
3 25 necessary expenses as provided in section 7E.6.

3 26 5. Three voting members constitute a quorum and the  
3 27 affirmative vote of a majority of the voting members present  
3 28 is necessary for any substantive action to be taken by the  
3 29 commission. The majority shall not include any member who has  
3 30 a conflict of interest and a statement by a member that the  
3 31 member has a conflict of interest is conclusive for this  
3 32 purpose. A vacancy in the membership does not impair the  
3 33 duties of the commission.

3 34 Sec. 4. NEW SECTION. 159B.3 ADMINISTRATION.

3 35 1. The department shall administer this chapter and shall  
4 1 do all of the following:

4 2 a. Establish and administer grape and wine development  
4 3 programs as provided in section 159B.4 and account for and  
4 4 expend moneys from the grape and wine development fund created  
4 5 pursuant to section 159B.5.

4 6 b. Report to the commission regarding the status of grape  
4 7 and wine development, including information regarding persons  
4 8 receiving assistance under grape and wine development programs  
4 9 as provided in section 159B.4 and the status of the grape and  
4 10 wine development fund as provided in section 159B.5.

4 11 c. Provide facilities for the commission to meet and carry  
4 12 out its powers and duties as provided in this section,  
4 13 including by staffing commission meetings.

4 14 d. Adopt all rules necessary to administer this chapter.

4 15 2. The grape and wine development commission shall oversee  
4 16 the administration of this chapter by the department and shall  
4 17 to do all of the following:

4 18 a. Monitor conditions, practices, policies, and programs  
4 19 affecting the grape and wine development in this state.

4 20 b. Establish mutually beneficial relationships with local,  
4 21 state, and federal governmental agencies and local, regional,  
4 22 and national associations representing growers and winemakers.

4 23 c. Contract with a viticulturist or enologist to provide  
4 24 technical assistance under grape and wine development programs  
4 25 as provided in section 159B.4.

4 26 d. Approve or disapprove applications for financial  
4 27 assistance under grape and wine development programs as  
4 28 provided in section 159B.4, after departmental review and  
4 29 recommendation and in accordance with rules adopted pursuant  
4 30 to this chapter. The department shall adopt rules for  
4 31 awarding moneys to persons submitting proposals, including  
4 32 procedures for submitting applications and criteria for  
4 33 selecting proposals.

4 34 e. Approve rules proposed by the department for adoption

4 35 pursuant to chapter 17A required for the administration of  
5 1 this chapter.

5 2 Sec. 5. NEW SECTION. 159B.4 GRAPE AND WINE DEVELOPMENT  
5 3 PROGRAMS.

5 4 The department in cooperation with the commission shall  
5 5 establish grape and wine development programs, by assisting  
5 6 persons in establishing, improving, or expanding vineyards or  
5 7 winemaking operations, including wineries. The programs may  
5 8 provide for all of the following:

5 9 1. Technical assistance which may include all the  
5 10 following:

5 11 a. Viticultural assistance in order to increase the size  
5 12 of vineyards, improve yield, and enhance the character,  
5 13 composition, and condition of grapes. The department may  
5 14 provide technical assistance regarding the selection and  
5 15 management of vines suitable for regions of this state;  
5 16 cultivation and harvest practices; the implementation of  
5 17 practices designed to improve grape growing based on soil  
5 18 types, nutrients and minerals, space, climate, and drainage;  
5 19 the use of recommended varieties of native or hybrid  
5 20 cultivars; and disease, weed, and pest control, including the  
5 21 safe and effective application of pesticides or herbicides or  
5 22 the use of organic practices.

5 23 b. Enological assistance which may be based on enological  
5 24 study in order to produce, preserve, and transport  
5 25 commercially viable wines, including high-quality wines, wines  
5 26 adapted to particular regions of the state, and wines with  
5 27 distinctive tastes produced from native or hybrid cultivars.  
5 28 The technical assistance may include assistance regarding  
5 29 improving practices or constructing facilities designed to  
5 30 expand or improve processing, cellarage, or bottling.

5 31 2. Financial assistance which shall be in the form of a  
5 32 loan, forgivable loan, loan guarantee, cost share,  
5 33 indemnification of costs, or any combination of such financing  
5 34 as deemed appropriate by the commission. The financial  
5 35 assistance may be awarded to persons beginning or engaged in  
6 1 grape growing or winemaking, based on a sound business plan  
6 2 that demonstrates the viability of the proposed operations.

6 3 Sec. 6. NEW SECTION. 159B.5 GRAPE AND WINE DEVELOPMENT  
6 4 FUND.

6 5 1. A grape and wine development fund is created in the  
6 6 state treasury under the control of the department. The fund  
6 7 is composed of moneys appropriated by the general assembly and  
6 8 moneys available to and obtained or accepted by the department  
6 9 from the United States or private sources for placement in the  
6 10 fund. The fund shall include moneys deposited in the fund  
6 11 derived from the wine gallonage tax as provided in section  
6 12 123.183.

6 13 2. Moneys in the fund are appropriated to the department  
6 14 exclusively to carry out grape and wine development programs  
6 15 as provided in section 159B.4, including contracting with a  
6 16 viticulturist or enologist to provide technical assistance and  
6 17 to provide financial assistance to growers and winemakers as  
6 18 provided in that section.

6 19 3. Section 8.33 shall not apply to moneys in the fund.  
6 20 Notwithstanding section 12C.7, moneys earned as income or  
6 21 interest from the fund shall remain in the fund until expended  
6 22 as provided in this section.

6 23 EXPLANATION

6 24 This bill creates a new Code chapter 159B, which provides  
6 25 for grapes and wine development.

6 26 The bill establishes a grape and wine development  
6 27 commission established within the department of agriculture  
6 28 and land stewardship. The commission is composed of three  
6 29 nonvoting, ex officio members, including the secretary of  
6 30 agriculture, the director of the department of economic  
6 31 development, and the dean of the college of agriculture of

6 32 Iowa state university, or their designees. The commission  
6 33 includes five voting members appointed by the secretary of  
6 34 agriculture based on a list of nominations submitted by  
6 35 organizations representing growers, winemakers, and retail  
7 1 sellers, with senate confirmation.

7 2 The bill provides for the operation of the commission and  
7 3 the powers and duties of the commission and the department.  
7 4 The department is responsible for administering the provisions  
7 5 of the chapter, including establishing grape and wine  
7 6 development programs, reporting to the commission regarding  
7 7 the status of grape and wine production, providing facilities  
7 8 for the commission to meet and carry out its functions, and  
7 9 adopting rules as required. The commission is responsible for  
7 10 monitoring the grape and wine industries and establishing  
7 11 relationships with governmental agencies and interested  
7 12 associations. The commission may also contract with a  
7 13 viticulturist or enologist to provide technical assistance  
7 14 under grape and wine development programs as provided in the  
7 15 bill, and approve or disapprove applications for financial  
7 16 assistance under those programs.

7 17 The bill requires that the department, in cooperation with  
7 18 the commission, establish grape and wine development programs,  
7 19 by assisting persons in establishing, improving, or expanding  
7 20 vineyards or winemaking operations, including wineries. The  
7 21 programs may provide for technical assistance, including  
7 22 viticultural assistance in order to increase the size of  
7 23 vineyards, improve yield, and enhance the character,  
7 24 composition, and condition of grapes. It also provides for  
7 25 enological assistance in order to produce, preserve, and  
7 26 transport commercially viable wines. The bill also provides  
7 27 for financial assistance programs in order to assist persons  
7 28 beginning or engaged in grape growing or winemaking.

7 29 The bill establishes a grape and wine production fund in  
7 30 the state treasury under the control of the department. The  
7 31 fund includes moneys deposited in the fund derived from the  
7 32 wine gallonage tax as provided in Code section 123.183.

7 33 LSB 1248DP 79

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