

MAR 19 2003
Place On Calendar

HOUSE FILE 651
BY COMMITTEE ON AGRICULTURE

(SUCCESSOR TO HSB 173)

Passed House, Date _____ Passed Senate, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

1 An Act providing wine gallonage tax revenue to support grape and
2 wine development, and providing an effective date and
3 retroactive applicability.

4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

HF 651

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1 Section 1. Section 123.183, subsection 3, paragraph a,
2 Code 2003, is amended to read as follows:

3 a. The revenue ~~actually~~ collected during each fiscal year
4 from the wine gallonage tax on wine imported into this state
5 at wholesale and sold in this state at wholesale that is in
6 excess of the revenue ~~estimated-to-be~~ collected from such tax
7 ~~as-last-agreed-to-by-the-state-revenue-estimating-conference~~
8 during the previous fiscal year as provided in section 8.22A
9 shall be deposited in the grape and wine development fund as
10 created in section 175A.5. However, not more than seventy-
11 five thousand dollars from such tax shall be deposited into
12 the grape and wine development fund during any fiscal year.

13 Sec. 2. EFFECTIVE AND APPLICABILITY DATES.

14 1. This Act, being deemed of immediate importance, takes
15 effect upon enactment.

16 2. This Act is retroactively applicable to July 1, 2002.
17 The revenue collected during the fiscal year beginning on July
18 1, 2002, and ending on June 30, 2003, from the wine gallonage
19 tax on wine imported into this state at wholesale and sold in
20 this state at wholesale as provided in section 123.183 that is
21 in excess of the revenue collected from such tax during the
22 fiscal year beginning July 1, 2001, and ending on June 30,
23 2002, shall be deposited in the grape and wine development
24 fund as created in section 175.5. However, not more than
25 seventy-five thousand dollars from such tax shall be deposited
26 into the fund.

27 EXPLANATION

28 This bill relates to the devotion of a portion of wholesale
29 wine gallonage taxes for grape and wine development programs.
30 The programs assist persons in establishing, improving, or
31 expanding vineyards and winemaking operations. Under current
32 law, any annual excess of actual wholesale wine gallonage tax
33 revenue over the amount estimated to be collected by the
34 revenue estimating conference is available to support the
35 programs. The bill provides that any annual increase in the

1 collection of such wholesale wine gallonage taxes over the
2 previous year's collection is available to support the
3 programs. The current law's devotion of a maximum of \$75,000
4 annually to support the programs is maintained. The bill is
5 effective upon enactment and is retroactively applicable to
6 July 1, 2002.

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HF 651 - Wine Gallonage Tax Revenue (LSB 1230 HV)
Analyst: Debra Kozel (Phone: (515) 281-6767) (deb.kozel@legis.state.ia.us)
Fiscal Note Version — New
Requested by Representative Murphy

Description

House File 651 makes an annual allocation of \$75,000 from wholesale wine gallonage taxes for the Grape and Wine Development Fund when there is an increase of \$75,000 or more over the previous fiscal year. During the 2001 General Assembly, the Legislature passed SF 524 that created the Grape and Wine Development Fund to receive funds from the wine gallonage tax to finance wine development programs. Senate File 524 allocated funds from the wine gallonage taxes to the Grape and Wine Fund if excess funds were greater than the amount estimated to be collected by the Revenue Estimating Committee. House File 651 allows an allocation if there is an increase of \$75,000 or more per year in wine gallonage tax collections over the previous year.

Assumptions

1. Current law allows any excess wine taxes collected that exceed the Revenue Estimating Conference's wine gallonage tax estimate, up to \$75,000, to be deposited in the Grape and Wine Development Fund.
2. House File 651 allows any excess wine gallonage taxes collected that exceed the previous year's tax collections, up to \$75,000, to be deposited in the Grape and Wine Development Fund.
3. During FY 2002, \$4.2 million was collected in wine gallonage tax, which was an increase of \$138,000 compared to FY 2001. No wine gallonage tax revenues were deposited in the Fund during FY 2002.
4. Under HF 651, the Grape and Wine Fund could receive up to \$75,000 annually.

Fiscal Impact

The estimated fiscal impact of HF 651 is an annual deposit of up to \$75,000 in the Grape and Wine Development Fund provided wine gallonage tax revenues exceed the previous fiscal year's wine tax collections.

Source

Department of Agriculture and Land Stewardship

/s/ Dennis C Prouty

March 25, 2003

H-1177

1 Amend House File 651 as follows:

2 1. Page 1, by inserting before line 1 the
3 following:

4 "Section 1. Section 123.3, Code 2003, is amended
5 by adding the following new subsection:

6 NEW SUBSECTION. 22A. "Native wine" means wine
7 manufactured in this state.

8 Sec. _____. Section 123.3, subsection 30, Code 2003,
9 is amended to read as follows:

10 30. "Retail wine permit" means a class "B" wine
11 permit, class "B" native wine permit, or class "C"
12 native wine permit issued under this chapter.

13 Sec. _____. Section 123.32, subsection 1, Code 2003,
14 is amended to read as follows:

15 1. FILING OF APPLICATION. An application for a
16 class "A", class "B", class "C", or class "E" liquor
17 control license, for a retail beer permit as provided
18 in sections 123.128 and 123.129, or for a class "B",
19 class "B" native, or class "C" native retail wine
20 permit as provided in section ~~123.176~~ 123.178,
21 123.178A, or 123.178B, accompanied by the necessary
22 fee and bond, if required, shall be filed with the
23 appropriate city council if the premises for which the
24 license or permit is sought are located within the
25 corporate limits of a city, or with the board of
26 supervisors if the premises for which the license or
27 permit is sought are located outside the corporate
28 limits of a city. An application for a class "D"
29 liquor control license and for a class "A" beer or
30 class "A" wine permit, accompanied by the necessary
31 fee and bond, if required, shall be filed with the
32 division, which shall proceed in the same manner as in
33 the case of an application approved by local
34 authorities.

35 Sec. _____. Section 123.56, subsection 1, Code 2003,
36 is amended to read as follows:

37 1. Subject to rules of the division, manufacturers
38 of native wines from grapes, cherries, other fruits or
39 other fruit juices, vegetables, vegetable juices,
40 dandelions, clover, honey, or any combination of these
41 ingredients, holding a class "A" wine permit as
42 required by this chapter, may sell, keep, or offer for
43 sale and deliver the wine. Sales may be made at
44 retail for off-premises consumption when sold on the
45 premises of the manufacturer, or in a retail
46 establishment operated by the manufacturer ~~which is no~~
47 ~~closer than five miles from an existing native winery.~~
48 Sales may also be made to class "A" or retail wine
49 permittees or liquor control licensees as authorized
50 by the class "A" wine permit.

H-1177

1 Sec. _____. Section 123.56, Code 2003, is amended by
2 adding the following new subsection:

3 NEW SUBSECTION. 6. Notwithstanding any other
4 provision of this chapter, a person engaged in the
5 business of manufacturing native wine may sell native
6 wine at retail for consumption on the premises of the
7 manufacturing facility by applying for a class "C"
8 native wine permit as provided in section 123.178B. A
9 manufacturer of native wine may be granted not more
10 than one class "C" native wine permit.

11 Sec. _____. Section 123.173, Code 2003, is amended
12 to read as follows:

13 123.173 WINE PERMITS -- CLASSES -- AUTHORITY.

14 Permits exclusively for the sale or manufacture and
15 sale of wine shall be divided into ~~two~~ four classes,
16 and shall be known as class "A", ~~or "B",~~ "B" native,
17 or "C" native wine permits.

18 A class "A" wine permit allows the holder to
19 manufacture and sell, or sell at wholesale, in this
20 state, wine as defined in section 123.3, subsection
21 37. The holder of a class "A" wine permit may
22 manufacture in this state wine having an alcoholic
23 content greater than seventeen percent by weight for
24 shipment outside this state. All class "A" premises
25 shall be located within the state. A class "B" or
26 class "B" native wine permit allows the holder to sell
27 wine at retail for consumption off the premises. A
28 class "B" or class "B" native wine permittee who also
29 holds a class "E" liquor control license may sell wine
30 to class "A", class "B", and class "C" liquor control
31 licensees for resale for consumption on the premises.
32 ~~A class "B" wine permittee who also holds a class "E"~~
33 ~~liquor control license may sell wine to class "A",~~
34 ~~class "B", and class "C" liquor control licensees~~ Such
35 wine sales shall be in quantities of less than one
36 case of any wine brand but not more than one such sale
37 shall be made to the same liquor control licensee in a
38 twenty-four hour period. A class "B" or class "B"
39 native wine permittee shall not sell wine to other
40 class "B", or class "B" native wine permittees. A
41 class "C" native wine permit allows the holder to sell
42 wine for consumption on or off the premises.

43 A class "A" wine permittee shall be required to
44 deliver wine to a ~~class "B" retail~~ wine permittee, and
45 a ~~class "B" retail~~ wine permittee shall be required to
46 accept delivery of wine from a class "A" wine
47 permittee, only at the licensed premises of the ~~class~~
48 ~~"B" retail~~ wine permittee. Except as specifically
49 permitted by the division upon good cause shown,
50 delivery or transfer of wine from an unlicensed

1 premises to a licensed ~~"B"~~ retail wine permittee's
2 premises, or from one licensed ~~"B"~~ retail wine
3 permittee's premises to another licensed ~~"B"~~ retail
4 wine permittee's premises, even if there is common
5 ownership of all of the premises by one ~~class "B"~~
6 retail permittee, is prohibited. A class "B" or class
7 "B" native wine permittee who also holds a class "E"
8 liquor control license shall keep and maintain records
9 for each sale of wine to liquor control licensees
10 showing the name of the establishment to which wine
11 was sold, the date of sale, and the brands and number
12 of bottles sold to the liquor control licensee.

13 When a class "B" or class "B" native wine permittee
14 who also holds a class "E" liquor control license
15 sells wine to a class "A", class "B", or class "C"
16 liquor control licensee, the liquor control licensee
17 shall sign a report attesting to the purchase. The
18 class "B" or class "B" native wine permittee who also
19 holds a class "E" liquor control license shall submit
20 to the division, on forms supplied by the division,
21 not later than the tenth of each month a report
22 stating each sale of wine to class "A", class "B", and
23 class "C" liquor control licensees during the
24 preceding month, the date of each sale, and the brands
25 and numbers of bottles with each sale. A class "B"
26 permittee who holds a class "E" liquor control license
27 may sell to class "A", class "B", or class "C" liquor
28 control licensees only if the licensed premises of the
29 liquor control licensee is located within the
30 geographic territory of the class "A" wine permittee
31 from which the wine was originally purchased by the
32 class "B" wine permittee.

33 Sec. ____ . Section 123.174, Code 2003, is amended
34 to read as follows:

35 123.174 ISSUANCE OF WINE PERMITS.

36 The administrator shall issue ~~class "A" and "B"~~
37 wine permits as provided in this chapter, and may
38 suspend or revoke a wine permit for cause as provided
39 in this chapter.

40 Sec. ____ . Section 123.175, Code 2003, is amended
41 to read as follows:

42 123.175 ~~CLASS "A"~~ APPLICATION CONTENTS.

43 Except as otherwise provided in this chapter, a
44 class "A" or retail wine permit shall be issued to a
45 person who complies with all of the following:

46 1. Submits a written application for the permit
47 and states on the application under oath:

48 a. The name and place of residence of the
49 applicant and the length of time the applicant has
50 lived at the place of residence.

1 than one place of business where wine is sold shall
2 obtain a separate permit for each place of business.

3 3. A person holding a class "B" native wine permit
4 may purchase wine for resale only from a native winery
5 holding a class "A" wine permit.

6 Sec. _____. NEW SECTION. 123.178B AUTHORITY UNDER
7 CLASS "C" NATIVE PERMIT.

8 1. A person holding a class "C" native wine permit
9 may sell native wine only at retail for consumption on
10 or off the premises.

11 2. A class "C" native wine permittee having more
12 than one place of business where wine is sold and
13 served shall obtain a separate permit for each place
14 of business.

15 3. A person holding a class "C" native wine permit
16 may purchase wine for resale only from a native winery
17 holding a class "A" wine permit.

18 Sec. _____. Section 123.179, Code 2003, is amended
19 by adding the following new subsections:

20 NEW SUBSECTION. 3. The annual permit fee for a
21 class "B" native wine permit is twenty-five dollars.

22 NEW SUBSECTION. 4. The annual permit fee for a
23 class "C" native wine permit is twenty-five dollars."

24 2. Page 1, by inserting after line 12 the
25 following:

26 "Sec. _____. Section 123.176, Code 2003, is
27 repealed.

28 Sec. _____. LEGISLATION TO BE SUBMITTED. The
29 alcoholic beverages division of the department of
30 commerce shall submit proposed legislation during the
31 2004 Regular Session of the Eightieth General Assembly
32 which shall make additional conforming changes to
33 chapter 123, and any other impacted provisions of the
34 Code of Iowa, to fully implement the provisions of
35 this Act."

36 3. Page 1, by striking line 16, and inserting the
37 following:

38 "2. The section of this Act amending section
39 123.183 and relating to the deposit of revenue
40 collected from the wine gallonage tax in the grape and
41 wine development fund is retroactively applicable to
42 July 1, 2002."

43 4. Title page, line 1, by inserting after the
44 word "Act" the following: "relating to wine by
45 providing for native wine permits,".

46 5. Title page, line 2, by inserting after the
47 word "development," the following: "providing for
48 fees,".

49 6. By renumbering, redesignating, and correcting
50 internal references as necessary.

By MANTERNACH of Jones

Manter nach Chair
Baudler
Mertz

Sponsored By
S-0651

HSB 173
Agriculture

SENATE/HOUSE FILE _____

BY (PROPOSED DEPARTMENT OF
AGRICULTURE AND LAND
STEWARDSHIP BILL)

Passed Senate, Date _____ Passed House, Date _____
Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____
Approved _____

A BILL FOR

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2 wine development, and providing an effective date and
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29 wine gallonage taxes for grape and wine development programs.
30 The programs assist persons in establishing, improving, or
31 expanding vineyards and winemaking operations. Under current
32 law, any annual excess of actual wholesale wine gallonage tax
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35 programs. The bill provides that any annual increase in the

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