

MAR 9 2005  
STATE GOVERNMENT

HOUSE FILE 661  
BY ELGIN

(COMPANION TO LSB 2200SS  
BY DVORSKY)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

**A BILL FOR**

1 An Act relating to the manufacture and sale of native distilled  
2 spirits, and establishing a permit fee.

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

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HF 661

1 Section 1. Section 123.32, subsection 1, Code 2005, is  
2 amended to read as follows:

3 1. FILING OF APPLICATION. An application for a class "A",  
4 class "B", class "C", or class "E" liquor control license, for  
5 a class "A" or class "B" native distilled spirits permit, for  
6 a retail beer permit as provided in sections 123.128 and  
7 123.129, or for a class "B", class "B" native, or class "C"  
8 native retail wine permit as provided in section 123.178,  
9 123.178A, or 123.178B, accompanied by the necessary fee and  
10 bond, if required, shall be filed with the appropriate city  
11 council if the premises for which the license or permit is  
12 sought are located within the corporate limits of a city, or  
13 with the board of supervisors if the premises for which the  
14 license or permit is sought are located outside the corporate  
15 limits of a city. An application for a class "D" liquor  
16 control license and for a class "A" beer or class "A" wine  
17 permit, accompanied by the necessary fee and bond, if  
18 required, shall be filed with the division, which shall  
19 proceed in the same manner as in the case of an application  
20 approved by local authorities.

21 Sec. 2. Section 123.41, subsection 1, Code 2005, is  
22 amended to read as follows:

23 1. Upon application in the prescribed form and accompanied  
24 by a fee of three hundred fifty dollars, the administrator may  
25 in accordance with this chapter grant and issue a license,  
26 valid for a one-year period after date of issuance, to a  
27 manufacturer, other than a manufacturer of native distilled  
28 spirits licensed pursuant to section 123.43A, which shall  
29 allow the manufacture, storage, and wholesale disposition and  
30 sale of alcoholic liquors to the division and to customers  
31 outside of the state.

32 Sec. 3. NEW SECTION. 123.43A NATIVE DISTILLED SPIRITS --  
33 PERMITS.

34 1. Subject to rules of the division, a manufacturer of  
35 native distilled spirits holding a class "A" native distilled

1 spirits permit pursuant to this section may sell, keep, or  
2 offer for sale native distilled spirits. As provided in this  
3 section, sales may be made at retail for off-premises  
4 consumption when sold on the premises of the manufacturer of  
5 the native distilled spirits, or in a retail establishment  
6 operated by the manufacturer. Any other sale shall only be  
7 made to the division for wholesale disposition and sale by the  
8 division.

9 2. For the purposes of this section, "native distilled  
10 spirits" means distilled spirits manufactured by a distillery  
11 located in this state in which at least eighty percent of the  
12 raw materials consumed in the production of the distilled  
13 spirits are grown in this state.

14 3. A manufacturer of native distilled spirits shall not  
15 sell more than five thousand gallons of native distilled  
16 spirits on the premises of the manufacturer, or in a retail  
17 establishment operated by the manufacturer, annually.

18 4. A manufacturer of native distilled spirits shall not  
19 sell native distilled spirits other than as permitted in this  
20 chapter and shall not allow native distilled spirits sold to  
21 be consumed upon the premises of the manufacturer except as  
22 provided in subsection 6. However, prior to sale, native  
23 distilled spirits may be sampled on the premises where made,  
24 when no charge is made for the sampling. A person may  
25 manufacture native distilled spirits for consumption on the  
26 manufacturer's premises, when the native distilled spirits or  
27 any part of the native distilled spirits are not manufactured  
28 for sale.

29 5. A class "A" native distilled spirits permit for a  
30 native distilled spirits manufacturer shall be issued and  
31 renewed annually upon payment of a fee of twenty-five dollars  
32 which shall be in lieu of any other license fee required by  
33 this chapter. The class "A" permit shall allow the native  
34 distilled spirits manufacturer to sell, keep, or offer for  
35 sale the manufacturer's native distilled spirits as provided

1 under this section.

2 6. A class "B" native distilled spirits permit for a  
3 native distilled spirits manufacturer shall be issued and  
4 renewed annually upon payment of a fee of twenty-five dollars  
5 which shall be in lieu of any other license fee required by  
6 this chapter. The class "B" permit shall allow the native  
7 distilled spirits manufacturer to sell native distilled  
8 spirits at retail for consumption on the premises of the  
9 manufacturing facility, or in a retail establishment operated  
10 by the manufacturer. A manufacturer of native distilled  
11 spirits may be granted not more than one class "B" native  
12 distilled spirits permit.

13 7. For the purposes of this section, "manufacturer"  
14 includes only those persons who process in Iowa the Iowa-grown  
15 raw materials consumed in the production of distilled spirits  
16 by the person.

17 8. For the purposes of this section, section 123.43 shall  
18 not apply to a manufacturer of native distilled spirits.

19 9. The sale of native distilled spirits to the division  
20 for wholesale disposition and sale by the division shall be  
21 subject to the requirements of this chapter regarding such  
22 disposition and sale.

23 EXPLANATION

24 This bill relates to the manufacture and sale of native  
25 distilled spirits, and provides for the obtaining of specified  
26 classes of native distilled spirit permits.

27 The bill provides that a manufacturer of native distilled  
28 spirits may sell, keep, or offer for sale native distilled  
29 spirits for off-premises consumption either through sales on  
30 the manufacturer's premises, or in a retail establishment  
31 operated by the manufacturer. The bill restricts any other  
32 form of sale to sales made to the alcoholic beverages division  
33 for wholesale disposition and sale by the division. The bill  
34 defines "native distilled spirits" to mean distilled spirits  
35 manufactured by a distillery located in Iowa in which at least

1 eighty percent of the raw materials consumed in the production  
2 of distilled spirits are Iowa-grown.

3 The bill provides that a manufacturer shall not sell more  
4 than 5,000 gallons of native distilled spirits on the premises  
5 of the manufacturer, or in a retail establishment operated by  
6 the manufacturer, annually. The bill specifies that unless a  
7 manufacturer has obtained a class "B" native distilled spirits  
8 permit, the manufacturer shall not allow native distilled  
9 spirits sold to be consumed upon the premises of the  
10 manufacturer, but that prior to sale they may be sampled on  
11 the premises where made, when no charge is made for the  
12 sampling.

13 The bill provides for two new permits applicable to native  
14 distilled spirits, both requiring a fee of \$25 for initial  
15 issuance and annual renewal. A class "A" native distilled  
16 spirits permit allows a manufacturer to sell, keep, or offer  
17 for sale the manufacturer's native distilled spirits, and a  
18 class "B" native distilled spirits permit allows a  
19 manufacturer to sell native distilled spirits at retail for  
20 consumption on the premises of the manufacturing facility, or  
21 in a retail establishment operated by the manufacturer. The  
22 bill provides that a manufacturer may be granted not more than  
23 one class "B" native distilled spirits permit.

24 The bill provides that a "manufacturer" of native distilled  
25 spirits includes only those persons who process in Iowa the  
26 Iowa-grown raw materials consumed in the production of  
27 distilled spirits by the person. The bill also provides that  
28 the sale of native distilled spirits to the alcoholic  
29 beverages division for wholesale disposition and sale by the  
30 division shall be subject to the requirements of Code chapter  
31 123 relating to liquor sales and distribution by the division.

32 The bill provides that a manufacturer of native distilled  
33 spirits is not considered a manufacturer pursuant to Code  
34 sections 123.41 and 123.43, which require a license allowing  
35 the manufacture, storage, and wholesale disposition and sale

1 of alcoholic liquors to the division and to customers outside  
2 of the state.

3 The bill makes conforming changes to provisions in Code  
4 chapter 123.

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