

**House File 2240 - Introduced**

HOUSE FILE 2240

BY T. OLSON

**A BILL FOR**

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

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

1 Section 1. Section 123.32, subsection 1, Code Supplement  
2 2009, is 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" native distilled spirits permit, for a retail beer  
6 permit as provided in sections 123.128 and 123.129, or for a  
7 class "B", class "B" native, or class "C" native retail wine  
8 permit as provided in section 123.178, 123.178A, or 123.178B,  
9 accompanied by the necessary fee and bond, if required, shall  
10 be filed with the appropriate city council if the premises for  
11 which the license or permit is sought are located within the  
12 corporate limits of a city, or with the board of supervisors  
13 if the premises for which the license or permit is sought are  
14 located outside the corporate limits of a city. An application  
15 for a class "D" liquor control license and for a class "A"  
16 beer or class "A" wine permit, accompanied by the necessary  
17 fee and bond, if required, shall be filed with the division,  
18 which shall proceed in the same manner as in the case of an  
19 application approved by local authorities.

20 Sec. 2. NEW SECTION. 123.43A **Native distilled spirits —**  
21 **permit — excise tax.**

22 1. Subject to rules of the division, a manufacturer of  
23 native distilled spirits holding a class "A" native distilled  
24 spirits permit pursuant to this section may sell, keep, or  
25 offer for sale native distilled spirits. As provided in  
26 this section, sales may be made at retail for off-premises  
27 consumption when sold on the premises of the manufacturer of  
28 the native distilled spirits. Any other sale shall only be  
29 made to the division for wholesale disposition and sale by the  
30 division.

31 2. For the purposes of this section, "*native distilled*  
32 *spirits*" means distilled spirits fermented, distilled, or, for  
33 a period of two years, barrel-matured by a distillery located  
34 in this state.

35 3. A manufacturer of native distilled spirits shall not

1 manufacture more than fifty thousand proof gallons annually,  
2 and shall not sell more than one and one-half liters per person  
3 per day, of native distilled spirits on the premises of the  
4 manufacturer. In addition, a manufacturer shall not directly  
5 ship native distilled spirits for sale at retail. For each  
6 proof gallon sold at retail in a month, the manufacturer of  
7 native distilled spirits shall remit an excise tax per proof  
8 gallon to the division on or before the tenth day of the  
9 following month. For purposes of this section, the excise tax  
10 shall be in an amount equal to fifty percent of the wholesale  
11 price per proof gallon that would have been paid by the  
12 division for the native distilled spirits. All revenue derived  
13 from the excise tax shall be deposited in the general fund of  
14 the state.

15 4. A manufacturer of native distilled spirits shall not  
16 sell native distilled spirits other than as permitted in this  
17 chapter and shall not allow native distilled spirits sold to  
18 be consumed upon the premises of the manufacturer. However,  
19 prior to sale, native distilled spirits may be sampled on the  
20 premises where made, when no charge is made for the sampling.

21 5. A class "A" native distilled spirits permit for a  
22 native distilled spirits manufacturer shall be issued and  
23 renewed annually upon payment of a fee of five hundred  
24 dollars. The class "A" permit shall allow the native distilled  
25 spirits manufacturer to sell, keep, or offer for sale the  
26 manufacturer's native distilled spirits as provided under this  
27 section.

28 6. Section 123.43 shall not apply to a manufacturer of  
29 native distilled spirits under this section.

30 7. The sale of native distilled spirits to the division for  
31 wholesale disposition and sale by the division shall be subject  
32 to the requirements of this chapter regarding such disposition  
33 and sale.

34 EXPLANATION

35 This bill relates to the manufacture and sale of native

1 distilled spirits, and provides for the obtaining of a class  
2 "A" native distilled spirits permit.

3 The bill provides that a manufacturer of native distilled  
4 spirits may sell, keep, or offer for sale native distilled  
5 spirits for off-premises consumption through sales on the  
6 manufacturer's premises. The bill restricts any other form  
7 of sale to sales made to the alcoholic beverages division for  
8 wholesale disposition and sale by the division. The bill  
9 defines "native distilled spirits" to mean distilled spirits  
10 fermented, distilled, or barrel-matured for two years by a  
11 distillery located in Iowa.

12 The bill provides that a manufacturer shall not manufacture  
13 more than 50,000 proof gallons of native distilled spirits on  
14 the premises of the manufacturer, annually. In addition, the  
15 manufacturer shall not sell more than 1.5 liters per person per  
16 day. The bill also imposes an excise tax of 50 percent of the  
17 wholesale price per proof gallon to be deposited in the general  
18 fund of the state. The bill specifies that a manufacturer  
19 shall not allow native distilled spirits sold to be consumed  
20 upon the premises of the manufacturer, but that prior to sale  
21 they may be sampled on the premises where made, when no charge  
22 is made for the sampling.

23 The bill provides for a new permit applicable to native  
24 distilled spirits, requiring a fee of \$500 for initial issuance  
25 and annual renewal. The class "A" native distilled spirits  
26 permit allows a manufacturer to sell, keep, or offer for sale  
27 the manufacturer's native distilled spirits.

28 The bill also provides that the sale of native distilled  
29 spirits to the alcoholic beverages division for wholesale  
30 disposition and sale by the division shall be subject to the  
31 requirements of Code chapter 123 relating to liquor sales and  
32 distribution by the division.

33 The bill provides that a manufacturer of native distilled  
34 spirits is not considered a manufacturer pursuant to Code  
35 section 123.43.