

House File 2710 - Introduced

HOUSE FILE 2710

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO HSB 723)

A BILL FOR

1 An Act relating to the duties and responsibilities of the
2 department of revenue including sports wagering, the
3 lottery, cigarette and tobacco taxes, alcoholic beverages,
4 and including effective date provisions.

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

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DIVISION I
SPORTS WAGERING

Section 1. Section 99F.18, Code 2024, is amended to read as follows:

99F.18 Tax on winnings.

1. All winnings derived from slot machines operated pursuant to this chapter are Iowa earned income and are subject to state and federal income tax laws. An amount deducted from winnings for payment of the state tax, pursuant to section 422.16, subsection 2, shall be remitted to the department of revenue on behalf of the winner.

2. All winnings from sports wagering authorized under this chapter are Iowa earned income and subject to state and federal income tax laws. An amount deducted from winnings for payment of state tax pursuant to section 422.16, subsection 2, shall be remitted to the department of revenue on behalf of the winner.

Sec. 2. Section 422.16, subsection 2, paragraph d, Code 2024, is amended to read as follows:

d. For the purposes of this subsection, state income tax shall be withheld on winnings in excess of six hundred dollars derived from gambling activities authorized under chapter 99B or 99G. State income tax shall be withheld on winnings in excess of one thousand dollars from gambling activities authorized under chapter 99D. State income tax shall be withheld on winnings in excess of one thousand two hundred dollars derived from slot machines authorized under chapter 99F. State income tax shall be withheld on winnings from sports wagering authorized under chapter 99F whenever federal income tax is required to be withheld from the same winnings in accordance with the Internal Revenue Code.

DIVISION II
LOTTERY

Sec. 3. Section 99G.3, Code 2024, is amended by adding the following new subsections:

NEW SUBSECTION. 3A. *"Bona fide social relationship"* means

1 a real, genuine, unfeigned social relationship between two or
2 more persons, where each person has an established knowledge of
3 the other, which has not arisen for the purpose of gambling.

4 NEW SUBSECTION. 9A. "Lottery courier" means a person who
5 offers or undertakes to procure tickets or shares in lottery
6 games from a lottery retailer on behalf of another person, and
7 who does not have a bona fide social relationship with that
8 other person.

9 Sec. 4. Section 99G.24, subsection 7, Code 2024, is amended
10 by adding the following new paragraph:

11 NEW PARAGRAPH. *j.* The department determines, based upon
12 available information, that either the structure or activities
13 of the applicant's business is likely to violate provisions of
14 this chapter, or any regulation, policy, or procedure of the
15 division.

16 Sec. 5. Section 99G.30, Code 2024, is amended by adding the
17 following new subsections:

18 NEW SUBSECTION. 8. A person shall not do any of the
19 following:

20 *a.* Act or operate as a lottery courier.

21 *b.* Do business with a lottery courier.

22 NEW SUBSECTION. 9. A retailer shall not knowingly sell
23 tickets or shares in a lottery game to any of the following:

24 *a.* A lottery courier.

25 *b.* An employee or agent of a lottery courier.

26 Sec. 6. Section 99G.31, subsection 3, paragraph g, Code
27 2024, is amended by striking the paragraph and inserting in
28 lieu thereof the following:

29 *g.* A ticket or share issued by the division shall not
30 be purchased by and no prize shall be paid to any of the
31 following:

32 (1) A member of the board.

33 (2) An officer or employee of the department.

34 (3) An officer or employee of the state providing services
35 to the department to administer this chapter if such officer

1 or employee has access to confidential information which may
2 compromise the integrity of the lottery.

3 (4) A spouse, child, sibling, or parent residing as a member
4 of the same household in the principal place of residence of
5 any person described in subparagraphs (1) through (3).

6 Sec. 7. Section 99G.34, Code 2024, is amended by adding the
7 following new subsection:

8 NEW SUBSECTION. 9. Ticket order history; ticket inventory;
9 or any records that if disclosed could impair or adversely
10 impact the security, integrity, or fairness of a lottery game
11 or the security of lottery retailers.

12 DIVISION III

13 CIGARETTE AND TOBACCO TAXES AND REPORTS — ELECTRONIC FILING

14 Sec. 8. Section 453A.1, subsection 27, Code 2024, is amended
15 to read as follows:

16 27. "*State permit*" shall mean and include all permits issued
17 by the department to distributors, wholesalers, and retailers
18 under this chapter except the permits issued to retailers
19 approved by cities and counties pursuant to sections 453A.13
20 and 453A.47A.

21 Sec. 9. Section 453A.6, subsection 8, paragraph a, Code
22 2024, is amended to read as follows:

23 a. Pay directly to the department, in lieu of the tax
24 under subsection 1, a tax equal to three and six hundredths
25 cents on each cigarette dispensed from such machine. Payments
26 made under this paragraph shall be remitted to the department
27 electronically.

28 Sec. 10. Section 453A.8, subsection 2, Code 2024, is amended
29 to read as follows:

30 2. Orders for cigarette tax stamps, including the payment
31 for such stamps, shall be ~~sent direct~~ made to the department
32 electronically on a form to be prescribed by the director,
33 except as provided in subsection 6.

34 Sec. 11. Section 453A.13, subsection 2, paragraph a, Code
35 2024, is amended to read as follows:

1 a. The department shall issue state permits to distributors,
2 wholesalers, and cigarette vendors, and retailers that
3 make delivery sales of alternative nicotine products and
4 vapor products, subject to the conditions provided in this
5 subchapter. If an out-of-state retailer makes delivery
6 sales of alternative nicotine products or vapor products, an
7 application shall be filed with the department electronically
8 and a permit shall be issued for the out-of-state retailer's
9 principal place of business. Cities may ~~issue~~ approve retail
10 ~~permits to retailers~~ permit applications for applicants with
11 a place of business located within their respective limits.
12 County boards of supervisors may ~~issue~~ approve retail ~~permits~~
13 ~~to retailers~~ permit applications for applicants with a place of
14 business in their respective counties, outside of the corporate
15 limits of cities. Upon approval of a retail permit application
16 by a city or county, the department shall issue the permit to
17 the applicant on behalf of the city or county, in the manner
18 determined by the department. A city or county shall use the
19 electronic portal of the department to process retail permit
20 applications. A city or county that is unable to use the
21 electronic portal of the department may request permission from
22 the director to process retail applications by another method.

23 Sec. 12. Section 453A.13, subsection 2, paragraph c, Code
24 2024, is amended to read as follows:

25 c. ~~A city or county shall submit a duplicate of any~~
26 ~~application for a retail permit to the department within thirty~~
27 ~~days of the issuance.~~ The department shall submit the current
28 list of all retail permits issued to the department of health
29 and human services by the last day of each quarter of a state
30 fiscal year.

31 Sec. 13. Section 453A.13, subsection 3, paragraph a, Code
32 2024, is amended to read as follows:

33 a. All permits provided for in **this subchapter** shall expire
34 on June 30 of each year. A permit shall not be granted or
35 issued until the applicant has paid the fees to the department

1 required in this subchapter for the next period ending on June
2 ~~30 next, to the department or the city or county granting the~~
3 ~~permit, the fees provided for in this subchapter.~~ The annual
4 state permit fee for a distributor, cigarette vendor, and
5 wholesaler is one hundred dollars when the permit is granted
6 during the months of July, August, or September. However,
7 whenever a state permit holder operates more than one place of
8 business, a duplicate state permit shall be issued for each
9 additional place of business on payment of five dollars for
10 each duplicate state permit, but refunds as provided in this
11 subchapter do not apply to any duplicate permit issued.

12 Sec. 14. Section 453A.13, subsection 5, unnumbered
13 paragraph 1, Code 2024, is amended to read as follows:

14 Permits shall be issued only upon applications accompanied
15 by the fee indicated above, and by an adequate bond as provided
16 in [section 453A.14](#), and upon forms furnished by the department
17 ~~upon written request. The failure to furnish such forms shall~~
18 ~~be no excuse for the failure to file the forms unless absolute~~
19 ~~refusal is shown.~~ Applications, any supporting documentation,
20 and the associated fees required by this section shall be
21 submitted to the department electronically. The forms shall
22 set forth all of the following:

23 Sec. 15. Section 453A.13, subsection 9, unnumbered
24 paragraph 1, Code 2024, is amended to read as follows:

25 Each permit issued shall describe clearly the place of
26 business for which it is issued, shall be nonassignable,
27 consecutively numbered, designating the kind of permit, and
28 shall authorize the sale of cigarettes, alternative nicotine
29 products, or vapor products in this state subject to the
30 limitations and restrictions herein contained. The retail
31 permits shall be upon forms furnished by the department ~~or on~~
32 ~~forms made available or approved by the department.~~

33 Sec. 16. Section 453A.14, subsection 1, unnumbered
34 paragraph 1, Code 2024, is amended to read as follows:

35 ~~No~~ A state or manufacturer's permit shall not be issued until

1 the applicant files a bond, with good and sufficient surety,
2 to be approved by the director, which bond shall be in favor of
3 the state and conditioned upon the payment of taxes, damages,
4 fines, penalties, and costs adjudged against the permit holder
5 for violation of any of the provisions of [this subchapter](#). The
6 bonds shall be on forms prescribed by the director and shall be
7 filed electronically. A bond filed under this section shall be
8 in one of the following amounts:

9 Sec. 17. Section 453A.14, subsection 2, Code 2024, is
10 amended to read as follows:

11 2. A person shall not engage in interstate business unless
12 the person files a bond, with good and sufficient surety in an
13 amount of not less than one thousand dollars. A bond required
14 by this subsection shall be on forms prescribed by the director
15 and shall be filed electronically. The amount of the bond
16 required of the person shall be fixed by the director, subject
17 to the minimum limitation provided in [this section](#). The bond
18 is subject to approval by the director and shall be payable to
19 the state in Des Moines, Polk county, and conditioned upon the
20 payment of taxes, damages, fines, penalties, and costs adjudged
21 against the person for violation of any of the requirements of
22 this subchapter affecting the person, on a form prescribed by
23 the director.

24 Sec. 18. Section 453A.15, subsection 7, Code 2024, is
25 amended to read as follows:

26 7. ~~The director may require by rule that~~ Any reports
27 required to be made under [this subchapter](#) shall be filed by
28 ~~electronic transmission~~ electronically.

29 Sec. 19. Section 453A.16, Code 2024, is amended to read as
30 follows:

31 **453A.16 Manufacturer's permit.**

32 The department may, upon application of any manufacturer,
33 issue without charge to the manufacturer a manufacturer's
34 permit. The application shall contain information as
35 the director shall prescribe and the application shall be

1 submitted to the department electronically. The holder of a
2 manufacturer's permit is authorized to purchase stamps from
3 the department, and must affix stamps to individual packages
4 of cigarettes outside of this state, prior to their shipment
5 into the state unless the cigarettes are shipped to an Iowa
6 permitted distributor or an Iowa permitted distributor's agent.

7 Sec. 20. Section 453A.17, subsection 1, Code 2024, is
8 amended to read as follows:

9 1. Every distributing agent in the state, now engaged,
10 or who desires to become engaged, in the business of storing
11 unstamped cigarettes which are received in interstate commerce
12 for distribution or delivery only upon order received from
13 without the state or to be sold outside the state, shall
14 file with the department electronically, an application for
15 a distributing agent's permit, on a form prescribed by the
16 director, ~~to be furnished upon written request. The failure~~
17 ~~to furnish shall be no excuse for the failure to file the same~~
18 ~~unless an absolute refusal is shown.~~ Said form shall set
19 forth the name under which such distributing agent transacts
20 or intends to transact such business as a distributing agent,
21 the principal office and place of business in Iowa to which
22 the permit is to apply, and if other than an individual, the
23 principal officers or members thereof and their addresses. The
24 director may require any other information in said application.
25 No distributing agent shall engage in such business until
26 such application has been filed and fee in the sum of one
27 hundred dollars paid for the permit and until the permit has
28 been obtained. Such permit shall expire on June 30 following
29 the date of issuance. All of the provisions of the last
30 two paragraphs of [section 453A.14](#), relative to bonds, are
31 incorporated herein and by this reference made applicable to
32 distributing agents. Upon failure to furnish adequate bond
33 as required, the permit shall be revoked without hearing. An
34 application shall be filed and a permit obtained for each place
35 of business owned or operated by a distributing agent.

1 Sec. 21. Section 453A.18, Code 2024, is amended to read as
2 follows:

3 **453A.18 Forms for records and reports.**

4 The department shall ~~furnish or~~ make available in electronic
5 form, without charge, to holders of the various permits, forms
6 ~~in sufficient quantities~~ to enable permit holders to make the
7 reports required to be made under [this subchapter](#). The permit
8 holders shall furnish at their own expense the books, records,
9 and invoices, required to be used and kept, but the books,
10 records, and invoices shall be in exact conformity to the forms
11 prescribed for that purpose by the director, and shall be kept
12 and used in the manner prescribed by the director. However,
13 the director may, by express order in certain cases, authorize
14 permit holders to keep their records in a manner and upon forms
15 other than those prescribed. The authorization may be revoked
16 at any time. A report, book, record, invoice, and any other
17 document required to be submitted to the department under this
18 subchapter shall be submitted electronically.

19 Sec. 22. Section 453A.23, subsections 1 and 2, Code 2024,
20 are amended to read as follows:

21 1. Subject to [this subchapter](#), a retailer's permit may be
22 issued by the department to any dining car company, sleeping
23 car company, railroad or railway company. The permit shall
24 authorize the holder to keep for sale, and sell, cigarettes
25 at retail on any dining car, sleeping car, or passenger car
26 operated by the applicant in, through, or across the state of
27 Iowa, subject to all of the restrictions imposed upon retailers
28 under [this subchapter](#). The application for the permit shall
29 be in the form and contain the information required by the
30 director and each application submitted under this section
31 shall be submitted to the department electronically. Each
32 permit is good throughout the state. Only one permit is
33 required for all cars operated in this state by the applicant,
34 but a duplicate of the permit shall be posted in each car
35 in which cigarettes are sold and no further permit shall be

1 required or tax levied for the privilege of selling cigarettes
2 in the cars. ~~No cigarettes~~ Cigarettes shall not be sold in
3 the cars without having affixed thereto stamps evidencing the
4 payment of the tax as provided in this subchapter.

5 2. As a condition precedent to the issuing of a retailer's
6 permit for railway car, the applicant shall file with the
7 department a bond in favor of the state for the benefit of
8 all parties interested in the amount of five hundred dollars
9 conditioned upon the payment of all taxes, fines and penalties
10 and costs in this subchapter. A bond filed under this
11 subsection shall be on forms prescribed by the director and
12 shall be filed electronically.

13 Sec. 23. Section 453A.24, subsection 2, Code 2024, is
14 amended to read as follows:

15 2. The director may require by rule that common carriers
16 or the appropriate persons provide monthly reports to the
17 department detailing all information the department deems
18 necessary on shipments into and out of Iowa of cigarettes
19 and tobacco products as set forth in this subchapter I and
20 subchapter II of this chapter. ~~The director may require by~~
21 ~~rule that the reports~~ A report required to be submitted by the
22 director pursuant to this section shall be filed by electronic
23 transmission electronically.

24 Sec. 24. Section 453A.35, subsection 1, paragraph a, Code
25 2024, is amended to read as follows:

26 a. With the exception of revenues credited to the health
27 care trust fund pursuant to paragraph "b", the proceeds derived
28 from the sale of stamps and the payment of fees and penalties
29 provided for under this chapter, and the permit fees received
30 from all state permits issued by the department, shall be
31 credited to the general fund of the state.

32 Sec. 25. Section 453A.35, subsection 2, Code 2024, is
33 amended to read as follows:

34 2. All permit fees provided for in this chapter and
35 collected by the department on behalf of cities in the issuance

1 of permits granted by the cities shall be ~~paid~~ remitted by
2 the department to the treasurer of the city where the permit
3 is effective, ~~or to another city officer as designated by the~~
4 ~~council,~~ and shall be credited to the general fund of the
5 city. Permit fees so collected by the department on behalf of
6 counties shall be ~~paid~~ remitted to the county treasurer of the
7 county where the permit is effective.

8 Sec. 26. Section 453A.39, subsection 2, paragraph a, Code
9 2024, is amended to read as follows:

10 a. All cigarette samples shall be shipped only to a
11 distributor that has a permit to stamp cigarettes or little
12 cigars with Iowa tax. All cigarette samples must have a
13 cigarette stamp. The manufacturer shipping samples under this
14 section shall send an affidavit to the director stating the
15 shipment information, including the date shipped, quantity, and
16 to whom the samples were shipped. The distributor receiving
17 the shipment shall send an affidavit to the director stating
18 the shipment information, including the date shipped, quantity,
19 and from whom the samples were shipped. These affidavits shall
20 be duly notarized and submitted to the director at the time of
21 shipment and receipt of the samples. The distributor shall
22 pay the tax on samples by separate remittance along with the
23 affidavit. The affidavit and remittance required under this
24 paragraph shall be submitted to the department electronically.

25 Sec. 27. Section 453A.40, subsection 2, Code 2024, is
26 amended to read as follows:

27 2. Persons subject to the inventory tax imposed under this
28 section shall take an inventory as of the close of the business
29 day next preceding the effective date of the increased tax rate
30 of those items subject to the inventory tax for the purpose of
31 determining the tax due. These persons shall report the tax
32 on forms provided by the department of revenue and remit the
33 tax due within thirty days of the prescribed inventory date.
34 The report and remittance required under this subsection shall
35 be submitted to the department electronically. The department

1 of revenue shall adopt rules as are necessary to carry out this
2 section.

3 Sec. 28. NEW SECTION. 453A.41 Submitting documents —
4 alternative method.

5 A person subject to this subchapter who is required to submit
6 an application, bond, fee, report, return, remittance, or other
7 documentation electronically and who is unable to do so, may
8 request permission from the director to make the submission
9 using an alternative method.

10 Sec. 29. Section 453A.45, subsection 5, paragraphs b and c,
11 Code 2024, are amended to read as follows:

12 *b.* The report shall be made on forms provided by the
13 director. ~~The director may require by rule that the A report~~
14 required under this subsection shall be filed by electronic
15 transmission electronically.

16 *c.* Common carriers transporting tobacco products into
17 this state shall file with the director reports of all such
18 shipments other than those which are delivered to public
19 warehouses of first destination in this state which are
20 licensed under the provisions of [chapter 554](#). Such reports
21 shall be filed electronically with the department on or before
22 the tenth day of each month and shall show with respect to
23 deliveries made in the preceding month all of the following:

- 24 (1) The date.
25 (2) The point of origin.
26 (3) The point of delivery.
27 (4) The name of the consignee.
28 (5) A description and the quantity of tobacco products
29 delivered.

30 (6) Such other information as the director may require.

31 Sec. 30. Section 453A.46, subsection 1, paragraph a,
32 subparagraph (1), Code 2024, is amended to read as follows:

33 (1) On or before the twentieth day of each calendar month
34 every distributor with a place of business in this state shall
35 file a return with the director showing for the preceding

1 calendar month the quantity and wholesale sales price of each
2 tobacco product brought, or caused to be brought, into this
3 state for sale; made, manufactured, or fabricated in this state
4 for sale in this state; and any other information the director
5 may require. Every licensed distributor outside this state
6 shall in like manner file a return with the director showing
7 for the preceding calendar month the quantity and wholesale
8 sales price of each tobacco product shipped or transported to
9 retailers in this state to be sold by those retailers and any
10 other information the director may require. Returns shall
11 be made upon forms ~~furnished or~~ made available in electronic
12 form and prescribed by the director and shall contain other
13 information as the director may require. Each return shall be
14 accompanied by a remittance for the full tax liability shown
15 on the return, less a discount as fixed by the director not to
16 exceed five percent of the tax. Within three years after the
17 return is filed or within three years after the return became
18 due, whichever is later, the department shall examine it,
19 determine the correct amount of tax, and assess the tax against
20 the taxpayer for any deficiency. The period for examination
21 and determination of the correct amount of tax is unlimited in
22 the case of a false or fraudulent return made with the intent
23 to evade tax, or in the case of a failure to file a return.

24 Sec. 31. Section 453A.46, subsection 7, Code 2024, is
25 amended by striking the subsection and inserting in lieu
26 thereof the following:

27 7. A return and remittance required to be submitted under
28 this subchapter shall be filed electronically.

29 Sec. 32. Section 453A.47A, subsection 6, Code 2024, is
30 amended to read as follows:

31 6. *Issuance.* Cities may approve retail ~~permits~~
32 ~~to permit applications of~~ retailers located within their
33 respective limits. County boards of supervisors may ~~issue~~
34 approve retail ~~permits to permit applications of~~ retailers
35 located in their respective counties, outside of the corporate

1 limits of cities. ~~The city or county shall submit a duplicate~~
2 ~~of any application for a retail permit to the department within~~
3 ~~thirty days of issuance of a permit.~~ Upon approval of a retail
4 permit application by a city or county, the department shall
5 issue the permit to the applicant on behalf of the city or
6 county, in the manner determined by the department. A city
7 or county shall use the electronic portal of the department
8 to process retail permit applications. A city or county that
9 is unable to use the electronic portal of the department
10 may request permission from the director to process retail
11 applications by another method. The department shall submit
12 the current list of all retail permits issued to the department
13 of health and human services by the last day of each quarter of
14 a state fiscal year.

15 Sec. 33. Section 453A.47A, subsection 7, paragraph a,
16 unnumbered paragraph 1, Code 2024, is amended to read as
17 follows:

18 All permits provided for in [this subchapter](#) shall expire on
19 June 30 of each year. A permit shall not be granted or issued
20 until the applicant has paid the fees ~~provided for to the~~
21 department required in [this section](#) for the next period ending
22 on June 30 next, to the city or county granting the permit. The
23 fee for retail permits is as follows when the permit is granted
24 during the month of July, August, or September:

25 Sec. 34. Section 453A.47A, subsection 9, unnumbered
26 paragraph 1, Code 2024, is amended to read as follows:

27 Retail permits shall be issued only upon applications,
28 accompanied by the fee indicated above, made upon forms
29 furnished by the department ~~upon written request.~~ ~~The failure~~
30 ~~to furnish such forms shall be no excuse for the failure to~~
31 ~~file the form unless absolute refusal is shown.~~ Applications,
32 any supporting documentation, and the associated fees
33 required by this section shall be submitted to the department
34 electronically. The forms shall specify:

35 Sec. 35. Section 453A.47A, subsection 10, paragraph b, Code

1 2024, is amended to read as follows:

2 *b.* Every retailer shall, when requested by the department,
3 make additional reports as the department deems necessary and
4 proper and shall at the request of the department furnish full
5 and complete information pertaining to any transaction of the
6 retailer involving the purchase or sale or use of tobacco,
7 tobacco products, alternative nicotine products, or vapor
8 products. A report required to be submitted to the department
9 pursuant to this subsection shall be filed electronically.

10 Sec. 36. NEW SECTION. 453A.52 Submitting documents —
11 alternative method.

12 A person subject to this subchapter who is required to submit
13 an application, bond, fee, report, return, remittance, or other
14 documentation electronically and who is unable to do so, may
15 request permission from the director to make the submission
16 using an alternative method.

17 Sec. 37. Section 453C.1, subsection 10, Code 2024, is
18 amended to read as follows:

19 10. "*Units sold*" means the number of individual cigarettes
20 sold in the state by the applicable tobacco product
21 manufacturer, whether directly or through a distributor,
22 retailer, or similar intermediary or intermediaries, during the
23 year in question, ~~as measured by excise taxes collected by the~~
24 ~~state on~~ in packs bearing required to bear the excise stamp of
25 the state or ~~on~~ in the case of roll-your-own tobacco containers
26 on which a tax is due pursuant to chapter 453A. The department
27 of revenue shall adopt rules as are necessary to ascertain
28 the amount of state excise tax paid on the cigarettes of such
29 tobacco product manufacturer for each year.

30 Sec. 38. Section 453D.5, subsection 1, Code 2024, is amended
31 to read as follows:

32 1. No later than twenty calendar days after the end of
33 each calendar quarter, and more frequently if so directed by
34 the director, each stamping agent and distributor shall submit
35 information as the director requires to facilitate compliance

1 with this chapter, including but not limited to a list by brand
2 family of the total number of cigarettes, or, in the case of
3 roll-your-own tobacco, the equivalent stick count, for which
4 the stamping agent or distributor affixed stamps during the
5 previous calendar quarter or otherwise paid the tax due for
6 the cigarettes. The stamping agent and distributor shall
7 maintain, and make available to the director, all invoices and
8 documentation of sales of all nonparticipating manufacturer
9 cigarettes and any other information relied upon in reporting
10 to the director for a period of five years. Violations of this
11 subsection are subject to civil penalties as established in
12 section 453A.31, subsection 1, paragraph "b". Any information
13 submitted pursuant to this subsection shall be submitted to the
14 director electronically.

15 Sec. 39. EFFECTIVE DATE. This division of this Act takes
16 effect January 1, 2025, for returns, payments, remittances,
17 reports, books, records, invoices, and any other document
18 required to be electronically filed with or submitted to the
19 department on or after that date.

20 DIVISION IV

21 ALCOHOLIC BEVERAGES

22 Sec. 40. Section 123.3, subsections 10 and 32, Code 2024,
23 are amended to read as follows:

24 10. "*Canned cocktail*" means a mixed drink or cocktail
25 primarily composed of alcoholic liquor that is premixed and
26 packaged in a metal can and contains more than one-half of one
27 percent of alcohol by volume but not more than fifteen percent
28 of alcohol by volume. A mixed drink or cocktail mixed and
29 packaged in a metal can pursuant to section 123.49, subsection
30 2, paragraph "d", subparagraph (3), shall not be considered a
31 canned cocktail.

32 32. "*Mixed drink or cocktail*" means an alcoholic beverage,
33 composed in whole or in part of alcoholic liquor or wine, that
34 is combined with other alcoholic beverages or nonalcoholic
35 beverages or ingredients including but not limited to ice,

1 water, soft drinks, or flavorings.

2 Sec. 41. Section 123.5, subsection 3, Code 2024, is amended
3 to read as follows:

4 3. Members of the commission shall be chosen on the basis
5 of managerial ability and experience as business executives.
6 ~~Not more than two members of the commission may be the holder~~
7 ~~of or have an interest in a permit or license to manufacture~~
8 ~~alcoholic liquor, wine, or beer or to sell alcoholic liquor,~~
9 ~~wine, or beer at wholesale or retail~~ directly or indirectly;
10 individually; as a member of a partnership or an association;
11 as a member, owner, or stockholder, except as an institutional
12 investor, of a corporation or other entity; or as a relative to
13 a person by blood or marriage within the second degree do any
14 of the following:

15 a. Hold a permit or license to manufacture alcoholic
16 beverages or sell alcoholic beverages at wholesale or retail.

17 b. Have an interest in the manufacture of or dealing in
18 alcoholic beverages or in an enterprise or industry in which
19 alcoholic beverages are required.

20 c. Receive a commission or profit on the purchase or sale of
21 alcoholic beverages by any person.

22 d. Have an interest in or mortgage or deed of trust on any
23 land or building where alcoholic beverages are manufactured for
24 sale, offered for sale, or sold or in any personal property
25 used for the manufacturing or sale of alcoholic beverages.

26 Sec. 42. Section 123.5, Code 2024, is amended by adding the
27 following new subsections:

28 NEW SUBSECTION. 3A. In addition to the requirements of
29 chapter 68B, members of the commission shall not do any of the
30 following:

31 a. Hold any other office or position under the laws of this
32 state, or any other state or territory or of the United States.

33 b. Directly or indirectly use the office of the member
34 to influence, persuade, or induce any person to adopt their
35 political views or to favor any particular candidate for an

1 elective or appointive public office.

2 *c.* Directly or indirectly, solicit or accept, in any manner
3 or way, any money or other thing of value for any person
4 seeking an elective or appointive public office, or to any
5 political party or any group of persons seeking to become a
6 political party.

7 NEW SUBSECTION. 6. This section does not prohibit a
8 commission member from lawfully purchasing and keeping
9 alcoholic beverages in the possession of the commission member.

10 Sec. 43. Section 123.13, Code 2024, is amended by striking
11 the section and inserting in lieu thereof the following:

12 **123.13 Prohibitions — director and employees.**

13 1. For purposes of this section, "*director*" means the
14 director of the department.

15 2. The requirements of this section are in addition to the
16 requirements of chapter 68B.

17 3. The director shall not directly or indirectly;
18 individually; as a member of a partnership or an association;
19 as a member, owner, or stockholder, except as an institutional
20 investor of a corporation or other entity; or as a relative to
21 a person by blood or marriage within the second degree do any
22 of the following:

23 *a.* Have an interest in the manufacture of or dealing in
24 alcoholic beverages, or in an enterprise or industry in which
25 alcoholic beverages are required.

26 *b.* Receive a commission or profit from the purchase or sale
27 of an alcoholic beverage by any person.

28 *c.* Have an interest in, or mortgage or deed of trust on, any
29 land or building where alcoholic beverages are manufactured for
30 sale, offered for sale, or sold, or in any personal property
31 used in the manufacture or sale of alcoholic beverages.

32 4. An employee of the department shall not license, permit,
33 or participate in the licensing or permitting of a person,
34 business, or organization that requires a license or permit
35 under the laws and rules governing alcoholic beverages, if the

1 employee has an ownership interest related to that person,
2 business, or organization.

3 5. An employee of the department shall not enforce any
4 law or rule governing alcoholic beverages against a person,
5 business, or organization that requires a license or permit
6 under the laws and rules governing alcoholic beverages, if the
7 employee has an ownership interest related to that person,
8 business, or organization.

9 6. The director or an employee violating this section or
10 any other provisions of this chapter shall, in addition to any
11 other penalties provided by law, be subject to suspension or
12 discharge from employment.

13 7. This section does not prohibit the director or an
14 employee of the department from lawfully purchasing and keeping
15 alcoholic beverages in the possession of the director or the
16 employee.

17 Sec. 44. Section 123.30, subsection 3, paragraph b,
18 subparagraph (2), subparagraph division (c), Code 2024, is
19 amended to read as follows:

20 (c) The holder of a special class "C" retail alcohol
21 license shall be authorized to sell wine and beer to patrons
22 by the individual drink for consumption on the premises only.
23 However, wine and beer in original unopened containers may also
24 be sold for consumption off the premises. In addition, a mixed
25 drink or cocktail that does not contain alcoholic liquor may be
26 sold for consumption off premises subject to the requirements
27 of section 123.49, subsection 2, paragraph "d".

28 Sec. 45. Section 123.31C, subsection 1, Code 2024, is
29 amended to read as follows:

30 1. A person holding a special class "C" retail native
31 wine license may sell beer and native wine only at retail for
32 consumption on or off the premises. Sales of beer and native
33 wine for consumption off the premises made pursuant to this
34 section shall be made in original containers except as provided
35 in subsection 5. A sale of a mixed drink or cocktail that does

1 not contain alcoholic liquor may be sold for consumption off
2 the premises subject to the requirements of section 123.49,
3 subsection 2, paragraph `d`.

4 Sec. 46. Section 123.39, subsection 1, paragraph b,
5 subparagraph (3), Code 2024, is amended to read as follows:

6 (3) Any change in the ownership or interest in the business
7 operated under a ~~retail alcohol~~ license, permit, or certificate
8 of compliance which change was changes were not previously
9 reported in a manner prescribed by the director within ~~thirty~~
10 forty-five days of the change and subsequently approved by the
11 local authority, when applicable, and the department.

12 Sec. 47. Section 123.49, subsection 2, paragraph d,
13 subparagraph (3), Code 2024, is amended to read as follows:

14 (3) Mixed drinks or cocktails mixed on premises covered by
15 a class "C" or special class "C" retail alcohol license, or a
16 special class "C" retail native wine license, for consumption
17 off the licensed premises may be sold if the mixed drink or
18 cocktail is immediately filled in a sealed container and is
19 promptly taken from the licensed premises prior to consumption
20 of the mixed drink or cocktail. A mixed drink or cocktail
21 that is sold in a sealed container in compliance with the
22 requirements of this subparagraph and rules adopted by the
23 department shall not be deemed an open container subject to the
24 requirements of [sections 321.284](#) and [321.284A](#) if the sealed
25 container is unopened and the seal has not been tampered with,
26 and the contents of the container have not been partially
27 removed.

28 Sec. 48. EFFECTIVE DATE. This division of this Act, being
29 deemed of immediate importance, takes effect upon enactment.

30 EXPLANATION

31 The inclusion of this explanation does not constitute agreement with
32 the explanation's substance by the members of the general assembly.

33 This bill relates to the duties and responsibilities of the
34 department of revenue (department) including sports wagering,
35 the lottery, cigarette and tobacco taxes, and alcoholic

1 beverages.

2 DIVISION I — SPORTS WAGERING. The bill specifies all
3 winnings from sports wagering are considered Iowa earned
4 income and subject to Iowa and federal income tax laws. If
5 sports wagering winnings are subject to federal income tax
6 withholding, the bill requires Iowa state income tax be
7 withheld from the winnings.

8 DIVISION II — LOTTERY. The bill defines a "lottery courier"
9 to mean a person who offers or undertakes to procure tickets
10 or shares in lottery games from a lottery retailer on behalf
11 of another person, and who does not have a bona fide social
12 relationship with that other person. The bill also defines
13 "bona fide social relationship". The bill prohibits a person
14 to operate as a lottery courier or to do business with a
15 lottery courier. The bill prohibits a retailer from knowingly
16 selling a lottery ticket to a lottery courier. A person who
17 does business with a lottery courier may have the lottery
18 retail license of the person suspended or revoked under Code
19 section 99G.27.

20 The bill updates and expands the circumstances where a
21 ticket shall not be purchased by or a prize awarded to certain
22 persons. The bill adds a state employee who has access to
23 confidential information which may compromise the integrity of
24 the lottery to the list of persons prohibited from purchasing a
25 lottery ticket or claiming a lottery prize.

26 The bill makes the following lottery information
27 confidential: ticket order history; ticket inventory; or any
28 records that if disclosed could impair or adversely impact
29 the security, integrity, or fairness of a lottery game or the
30 security of lottery retailers.

31 DIVISION III — CIGARETTE AND TOBACCO TAXES AND REPORTS —
32 ELECTRONIC FILING. The bill updates the definition of "units
33 sold" when measuring individual cigarettes sold in the state
34 to mean packs required to bear the excise stamp of the state,
35 and updates "units sold" for roll-your-own tobacco to mean

1 roll-your-own tobacco on which tax is due pursuant to Code
2 chapter 453A.

3 The bill specifies that cities and counties may approve
4 tobacco-related retail permits but the department shall issue
5 the permit to the applicant on behalf of the city or county.
6 The bill requires the city or county to use the electronic
7 portal of the department to process retail permit applications.
8 If a city or county is unable to use the electronic portal
9 of the department, the city or county may request permission
10 from the director of revenue to process retail applications by
11 another method.

12 The bill provides that all tobacco-related permit fees shall
13 be collected by the department, and the department shall credit
14 the fees to the city or county where the permit is in effect.

15 The bill requires cigarette and tobacco tax returns,
16 reports, invoices, bonds, and payments to be filed with or
17 submitted to the department electronically beginning on or
18 after January 1, 2025. A person required to make a submission
19 electronically by the bill may request permission from the
20 director of revenue to make the submission in another manner.

21 DIVISION IV — ALCOHOLIC BEVERAGES. The bill modifies the
22 definition of "canned cocktail" to include a mixed drink or
23 cocktail primarily composed of alcoholic liquor. The bill
24 expands the definition of "mixed drink or cocktail" to include
25 alcoholic beverages composed of wine in whole or in part that
26 are combined with other alcoholic beverages or nonalcoholic
27 beverages or ingredients.

28 The bill specifies that members of the alcoholic beverages
29 commission (members) shall not hold any other office or
30 position under the laws of this state or any other state. The
31 bill prohibits a member of the commission from influencing or
32 persuading others to adopt political views of the member or
33 favor any particular elective or appointive candidate. The
34 bill specifies that not more than two members shall have any
35 interest in alcohol-related enterprises.

1 The bill prohibits the director of the department of revenue
2 from having any interest in alcohol-related enterprises.

3 The bill prohibits an employee of the department of
4 revenue to license, permit, or participate in the licensing
5 or permitting of a person, business, or organization under
6 the laws governing alcoholic beverages, if the employee has
7 an ownership interest related to that person, business, or
8 organization.

9 The bill prohibits an employee of the department of revenue
10 from enforcing any law or rule governing alcoholic beverages
11 against a person, business, or organization, if the employee
12 has an ownership interest related to that person, business, or
13 organization.

14 The bill provides the director or an employee who violates
15 the bill shall, in addition to any other penalties provided by
16 law, be subject to suspension or discharge from employment.

17 The bill does not prohibit a member or the director of
18 revenue or an employee of the department of revenue from
19 lawfully purchasing and keeping an alcoholic beverage for
20 personal use.

21 The bill authorizes the holder of a special class "C" retail
22 alcohol license to sell for consumption off premises a mixed
23 drink or cocktail that does not contain alcoholic liquor
24 subject to the requirements of Code section 123.49(2)(d).

25 The bill authorizes the holder of a special class "C" retail
26 native wine license to sell for consumption off the premises a
27 mixed drink or cocktail that does not contain alcoholic liquor
28 subject to the requirements of Code section 123.49(2)(d).

29 The bill amends Code section 123.39(1)(b)(3) to update the
30 terminology used in the subparagraph to match the terminology
31 used in the lead-in under Code section 123.39(1)(b). For a
32 business operating under a license, permit, or certificate of
33 compliance, the bill extends the time the director of revenue
34 is to be notified of any change in ownership that has not
35 previously been reported from 30 days to 45 days.

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1 The bill authorizes a special class "C" retail alcohol
2 license or a special class "C" retail native wine license
3 to mix drinks or cocktails on premises for consumption off
4 the premises if the mixed drink or cocktail is sealed in a
5 container and taken off the premises prior to consumption.
6 The division takes effect upon enactment.