

## MEMORANDUM

**TO:** Stephen Larson, Administrator, Alcoholic Beverages Division

**FR:** Stephanie Strauss, Legislative Liaison, Alcoholic Beverages Division

**RE:** Alcoholic Beverages Division 2022 Departmental Bill

---

The Alcoholic Beverages Division's 2022 departmental bill is an act that builds upon the themes of the joint Licensing Reform Initiative conducted by ABD and the Department of Public Safety in 2018-2019 which culminated in a [report of recommendations](#) submitted to the General Assembly on March 18, 2019.

In particular, the bill seeks to further streamline the alcohol licensing process and make it easier for businesses and organizations to interact with state government. This is accomplished by:

- Allowing the automatic renewal of certain license and certificate types provided the licensee/certificate holder has remained in compliance with all applicable laws, rules, and regulations during the previous year.
- Creating Sunday sales equity across all retail license/permit classifications.
- Reducing the number of licenses/permits required to sell alcoholic liquor, wine, and beer to-go from three to one.
- Simplifying the criteria used to determine certain license fees.
- Combining two separate permits obtained by charities so that they only need to obtain one permit to conduct special events.
- Streamlining the keg registration process to make it easier for beer retailers and to reduce time and resources expended by ABD.
- Making other nonsubstantive technical changes to make the law easier to understand and enforce.

The following is a section-by-section explanation of the proposed changes in the bill.

### Division I - Alcoholic Beverage Control

**Section 1.** Clarifies that deliveries of alcoholic beverages by eligible retailers are to be made on the same day that the alcoholic beverages are removed from the retailer's licensed premises. This change will clearly differentiate delivery versus direct shipment of alcoholic beverages, which occurs over a longer period of time.

**Sections 2 through 4.** Replaces the word "sticker" with "label" in the keg registration process. ABD has developed an online keg registration system that allows beer retailers to print labels on demand, rather than requesting and purchasing physical stickers from ABD. This new process will make it easier for beer retailers to obtain keg registrations and will considerably reduce time and resources expended by ABD.

Additionally, removes the requirements that keg deposits are forfeited if the registration sticker/label on the keg is defaced, that forfeited deposits are to be remitted to ABD, and that ABD adopt rules outlining the forfeiture remittance process. To date, ABD has no record of ever receiving forfeited deposits.

**Section 5.** Removes the requirement that holders of a wine direct shipper permit post a \$5,000 bond as a condition of licensure. ABD believes that the bond requirement for this permit type is unnecessary. Removal of the bond requirement will reduce time and resources expended by ABD.

### **Division II - Automatic Renewals**

**Section 6.** Conforming change with section 7 of the bill. The language of subsection 123.34(1) is transferred to new subsection 123.35(1) except for the requirement that ABD provide 60-day notice of license/permit/certificate expiration. This requirement creates a legal obligation for ABD to verify that the licensee/permittee/certificate holder actually received the notice. This verification can be difficult and can delay the license/permit/certificate renewal process. ABD intends to continue sending a courtesy 60-day expiration notification even if the legal requirement is removed.

**Section 7.** Creates a new Code section that allows for the automatic renewal of class “E” liquor licenses, brewer’s/vintner’s/distiller’s certificates of compliance, and wine direct shipper permits. This automatic renewal would occur without local authority or ABD approval provided the licensee/permittee/certificate holder has consented to automatic renewal and has remained in compliance with all applicable federal, state, and local laws, orders, ordinances, rules, resolutions, and health and fire regulations.

These license/permit/certificate types were chosen to be eligible for automatic renewal because historically they have presented the least issues at time of renewal. By allowing these to automatically renew, it will allow ABD staff to focus on other license/permit types that require more scrutiny.

**Section 8.** Establishes an effective date of January 1, 2023 for automatic renewal. This will give ABD additional time to properly update its licensing system to accommodate automatic renewal, as well as work with the Department of Revenue to update its GovConnectIowa system as necessary.

### **Division III - Alcoholic Beverage Control Revenues**

**Section 9.** Establishes a \$1 million annual transfer of liquor sales revenue to the Iowa Department of Public Health, plus an additional amount as determined by the General Assembly. The purpose of this transfer is to ensure that IDPH continues to receive funding used for distribution to counties for substance abuse prevention programs after elimination of the Sunday sales privilege fee proposed in section 28 of the bill. Since 2012, ABD has transferred approximately \$900,000 annually to IDPH as a result of fees collected for the Sunday sales privilege.

**Section 10.** Conforming change with section 12 of the bill.

**Section 11.** Updates subsection 123.143(2) to reflect current processes. All beer permit fees are deposited into the Beer and Liquor Control Fund and all barrel taxes are deposited directly into the General Fund.

**Section 12.** Creates a new subsection that reflects current processes. Retail beer permit fees are collected by ABD during the application process and are then remitted to the appropriate local authority where the retailer beer permit premises is located.

**Section 13.** Conforming change with section 9 of the bill. Updates section 125.59 to reference the new \$1 million annual transfer being created in section 123.17.

**Section 14.** Repeals section 123.97 because it is redundant with section 123.17.

**Section 15.** Establishes an effective date of January 1, 2023 for the new \$1 million annual transfer in order to conform with the same effective date of the elimination of the Sunday sales privilege and associated fee.

#### **Division IV - Class "E" Liquor Control Licenses**

**Section 16.** Allows for the off-premises sale of beer and wine as an inherent privilege of the class "E" liquor license. Today, retailers wishing to sell alcoholic liquor, wine, and beer to-go must obtain three separate licenses/permits. This proposal will allow for the off-premises sale of all three types of alcoholic beverages under one license.

**Section 17.** Streamlines the criteria used to determine the fee for a class "E" liquor control license. Today, the fee is determined by the population of the city where the licensed premises is located, the square footage of the licensed premises, and whether the business sells gasoline. The proposed change would eliminate the sale of gasoline as a criteria, codify the fee structure currently described in ABD's administrative rules, and result in a fee reduction of \$2,500-\$3,500 for licensees.

**Section 18.** Establishes an effective date of January 1, 2023 for the changes to the class "E" liquor license in sections 15 and 16 of the bill. This will give ABD additional time to properly update its licensing system to accommodate the changes, as well as work with the Department of Revenue to update its GovConnectIowa system as necessary.

#### **Division V - Special Licenses and Permits**

**Sections 19 and 20.** Conforming changes with section 23 of the bill. Updates the name of the charity auction permit in section 123.32(1)(b) and removes the reference to the charity event permit.

**Section 21.** Eliminates the 6-month duration for retail licenses/permits. ABD believes the 8-month duration better reflects the intent of a "seasonal" license/permit. The fee for the 8-month duration would be reduced to one-half of the fee for a 12-month license/permit. This means that for the class "C" liquor license (on-premises sale of alcoholic liquor, wine, and beer) - the most-issued classification of 8-month retail license - the fee would decrease by \$130, \$205.83, or \$281.67 depending on the population of the city where the licensed premises is located.

**Section 22.** Conforming change with section 23 of the bill. Updates the name of the charity auction permit in section 123.39(1)(a)(2).

**Section 23.** Combines the charity beer, spirits, and wine event permit with the charity beer, spirits, and wine auction permit and removes the legal requirement that persons must be physically present in order to participate in charity auction events. Charity events will be allowed to serve alcoholic beverages for on-premises consumption and sell alcoholic beverages at auction for off-premises consumption with a single permit. Removing the in-person requirement will allow charity auction events to allow attendees to participate online.

**Sections 24 and 25.** Conforming change with section 23 of the bill. Updates the name of the charity auction permit in section 123.179(6) and strikes 123.179(7) due to elimination of the charity event permit.

**Section 26.** Conforming change with section 23 of the bill. Strikes the Code section creating the charity event permit. This Code section is no longer necessary due to the combination of the charity auction and charity event permits.

**Section 27.** Establishes an effective date of January 1, 2023 for the changes to the charity permits. This will give ABD additional time to properly update its licensing system to accommodate the changes.

#### **Division VI - Sunday Sales**

**Section 28.** Conforming change with section 29 of the bill. Removes the requirement that 5-day and 14-day licensees/permittees pay an additional fee to sell on Sundays.

**Section 29.** Eliminates the requirement that certain retail liquor licensees apply for the Sunday sales privilege and pay an additional 20% fee. Currently, eight classifications of retail licenses/permits are required to apply and pay for the privilege of Sunday sales, while four classifications receive Sunday sales as an inherent privilege of the license/permit. Because of this discrepancy and the General Assembly's homogenization of the allowable hours of sale on Sundays with other days of the week in 2021, ABD believes including Sunday sales as an inherent privilege of all retail licenses/classifications will streamline the licensing process and eliminate potential confusion for alcohol retailers.

**Sections 30 through 35.** Conforming changes with the elimination of the Sunday sales privilege in section 29 of the bill.

**Section 36.** Establishes an effective date of January 1, 2023 for the elimination of the Sunday sales privilege. This will give ABD additional time to properly update its licensing system to accommodate the change, as well as work with the Department of Revenue to update its GovConnectIowa system as necessary.