



TO: Members of the Iowa General Assembly
FR: Tyler Ackerson, Legislative Liaison, Iowa Department of Revenue
DATE: February 9, 2024
RE: Overview - Department's 2024 Omnibus Bill

DIVISION I: CONFIDENTIALITY OF RECORDS

The Department is required to submit lengthy appeal records to Iowa courts that often require an extensive, time-consuming redaction process in order to comply with both the Department's confidentiality process, as well as the court's public record. This requires the Department to expend a large amount of resources reviewing and redacting documents that may or may not ever be viewed by the public.

The proposed change would allow the Department to submit an unredacted record to the court under seal, allowing the confidential information in the record to be protected from unlawful disclosure but also remain useful to the judge assigned to the case. This would also allow the Department to submit a single record to the court, rather than an unsealed, redacted record and a sealed, unredacted version of the record to the court. The public will still have access to all publicly available records via the open records request process with the Department, but there would be no need for the Department to redact documents unless the records are actually requested by the public.

The proposed change would be effective upon enactment.

DIVISION II: SPORTS WAGERING

The proposed change establishes a withholding requirement on winnings in excess of \$5,000 from sports wagering authorized under Code chapter 99F that applies to all recipients. This \$5,000 withholding threshold aligns with the federal threshold, which will make it easier for licensees authorized to conduct sports wagering to administer and taxpayers to understand.

DIVISION III: LOTTERY

1. Sections 5-7: The proposed changes clarify that the operation of a lottery courier is prohibited. This aligns with the longstanding requirement since the inception of the Lottery in Iowa that in-person transactions on the premises of a brick-and-mortar lottery retailer are required in order to purchase lottery products.
2. Section 8: Iowa Code section 99G.31(3)(g) prohibits the purchase of lottery tickets or shares by, and the payment of any prize to, specified individuals. The proposed change would expand the prohibition to include all employees of the Department, certain other state employees who provide services to the Department to administer the Iowa Lottery and have access to confidential information which may compromise the integrity of the Lottery, and certain family members

(spouse, child, sibling, or parent) of prohibited persons residing in the same household as the prohibited person.

3. Section 9: In recent years, state lotteries across the country have seen an increase in activities by well-funded groups that have made public records requests for information about the remaining inventory of tickets in certain games. The groups then use the information to perform mathematical calculations to determine if they can effectively shorten their odds of winning one or more top prizes in certain lottery games through the purchase of mass ticket quantities.

The proposed change would make the lottery-specific records in Iowa Code section 99G.34 sought by these groups confidential under Iowa law.

DIVISION IV: CIGARETTE AND TOBACCO TAXES AND REPORTS – ELECTRONIC FILING

1. Sections 10-38 and 40: The proposed changes modify the method by which persons subject to chapter 453A submit required applications, fees, reports, returns, remittances, and other documentation to the Department. These changes require such submissions to be made electronically to the Department. This aligns with the Department's ongoing implementation of GovConnectIowa, a single e-Services portal that allows customers to submit documents and make payments electronically.

As a part of the proposed changes, applications for tobacco retailer permits would be required to be submitted electronically via GovConnectIowa rather than on paper to cities and counties. Cities and counties would retain the authority to approve tobacco retailer applications and would continue to receive the associated permit fees.

The provisions of Division IV related to electronic filing would have a delayed effective date of January 1, 2025.

2. Section 39: Iowa entered the Non-Participating Manufacturers (NPM) Adjustment Settlement in August 2023. The Settlement resolved ongoing arbitration over Iowa's enforcement of its tobacco laws going back to 2005. It also resolved certain disputes with tobacco companies for future years. As part of this Settlement, Iowa agrees to diligently enforce its tobacco laws with respect to sales of cigarettes that do not bear an Iowa cigarette stamp but should have an Iowa stamp (i.e. sales of cigarettes made by internet, through unstamped tribal sales, or contraband brought into Iowa from other states to be sold (e.g. Missouri cigarettes illegally brought into Iowa for sale)).

The proposed change makes necessary modifications to the definition of "units sold" for purposes of administering the Master Settlement Agreement (MSA) and the NPM Adjustment Settlement. The proposed change modifies the definition to include cigarettes sold that are *required* to bear

Iowa cigarette tax stamps instead of the current definition, which only includes cigarettes that *actually* bear the tax stamp.

DIVISION V: ALCOHOLIC BEVERAGES

1. Sections 42-44: The proposed changes clarify the types of prohibited interests applicable to the Department director as well as not more than two members of the Iowa Alcoholic Beverages Commission. Additionally, the proposed changes institute a recusal requirement for Department employees engaged in alcohol licensing or regulatory work who also have an interest in a business that holds, or is seeking to hold, an alcohol license.
2. Section 45: Currently, businesses holding retail alcohol licenses are required to submit ownership updates within 30 days of any change. The proposed change extends this requirement to encompass all alcohol licenses, permits, and certificates of compliance issued by the Department. This change also aligns with federal requirements for ownership updates for those businesses holding permits issued by the Alcohol and Tobacco Tax and Trade Bureau (TTB).