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SENATE FILE 368  
BY COMMITTEE ON NATURAL RESOURCES  
AND ENVIRONMENT

(SUCCESSOR TO SF 276)

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

A BILL FOR

1 An Act relating to alcoholic beverages, by providing for the  
2 manufacture and sale of native distilled spirits and  
3 establishing a related permit fee, relating to the activities  
4 of the grape and wine development commission, and providing  
5 for the transfer of wine sale revenues to the grape and wine  
6 development fund.

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

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SF 368

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 Sec. 4. Section 123.53, Code 2005, is amended by adding  
24 the following new subsection:

25 NEW SUBSECTION. 3A. The treasurer of state shall transfer  
26 to the grape and wine development fund established in section  
27 175A.5 a sum of money equal to five percent of the gross  
28 amount of wine sales made by the division from the beer and  
29 liquor control fund on a monthly basis.

30 Sec. 5. Section 123.53, subsection 4, Code 2005, is  
31 amended to read as follows:

32 4. The treasurer of state, after making the transfer  
33 transfers provided for in subsection subsections 3 and 3A,  
34 shall transfer to the division from the beer and liquor  
35 control fund and before any other transfer to the general

1 fund, an amount sufficient to pay the costs incurred by the  
2 division for collecting and properly disposing of the liquor  
3 containers.

4 Sec. 6. Section 175A.3, subsection 1, paragraph a, Code  
5 2005, is amended to read as follows:

6 a. Establish and administer grape and wine development  
7 programs as provided in section 175A.4 and account for and  
8 expend moneys from the grape and wine development fund created  
9 pursuant to section 175A.5. Prior to authorizing an  
10 expenditure of moneys, the department shall consult with the  
11 grape and wine development commission. The commission shall  
12 make recommendations to the department regarding the  
13 expenditure of moneys to enhance and develop the native wine  
14 industry and to provide an infrastructure to encourage the  
15 growth of the native wine industry in this state.

16 Sec. 7. Section 175A.3, subsection 2, Code 2005, is  
17 amended by adding the following new paragraph:

18 NEW PARAGRAPH. f. Make recommendations to the department  
19 regarding a proposed expenditure of funds as provided in  
20 subsection 1, paragraph "a".

21 Sec. 8. Section 175A.5, subsection 1, Code 2005, is  
22 amended to read as follows:

23 1. A grape and wine development fund is created in the  
24 state treasury under the control of the department. The fund  
25 is composed of moneys appropriated by the general assembly and  
26 moneys available to and obtained or accepted by the department  
27 from the United States or private sources for placement in the  
28 fund. The fund shall include moneys deposited into the fund  
29 from the beer and liquor control fund as provided in section  
30 123.53, and from the wine gallonage tax as provided in section  
31 123.183.

32 EXPLANATION

33 This bill relates to the manufacture and sale of native  
34 distilled spirits, the activities of the grape and wine  
35 development commission, and the transfer of wine sale revenues

1 to the grape and wine development fund.

2 The bill provides that a manufacturer of native distilled  
3 spirits may sell, keep, or offer for sale native distilled  
4 spirits for off-premises consumption either through sales on  
5 the manufacturer's premises, or in a retail establishment  
6 operated by the manufacturer. The bill restricts any other  
7 form of sale to sales made to the alcoholic beverages division  
8 for wholesale disposition and sale by the division. The bill  
9 defines "native distilled spirits" to mean distilled spirits  
10 manufactured by a distillery located in Iowa in which at least  
11 80 percent of the raw materials consumed in the production of  
12 distilled spirits are Iowa-grown.

13 The bill provides that a manufacturer shall not sell more  
14 than 5,000 gallons of native distilled spirits on the premises  
15 of the manufacturer, or in a retail establishment operated by  
16 the manufacturer, annually. The bill specifies that unless a  
17 manufacturer has obtained a class "B" native distilled spirits  
18 permit, the manufacturer shall not allow native distilled  
19 spirits sold to be consumed upon the premises of the  
20 manufacturer, but that prior to sale they may be sampled on  
21 the premises where made, when no charge is made for the  
22 sampling.

23 The bill provides for two new permits applicable to native  
24 distilled spirits, both requiring a fee of \$25 for initial  
25 issuance and annual renewal. A class "A" native distilled  
26 spirits permit allows a manufacturer to sell, keep, or offer  
27 for sale the manufacturer's native distilled spirits, and a  
28 class "B" native distilled spirits permit allows a  
29 manufacturer to sell native distilled spirits at retail for  
30 consumption on the premises of the manufacturing facility, or  
31 in a retail establishment operated by the manufacturer. The  
32 bill provides that a manufacturer may be granted not more than  
33 one class "B" native distilled spirits license.

34 The bill provides that a "manufacturer" of native distilled  
35 spirits includes only those persons who process in Iowa the

1 Iowa-grown raw materials consumed in the production of  
2 distilled spirits. The bill also provides that the sale of  
3 native distilled spirits to the alcoholic beverages division  
4 for wholesale disposition and sale by the division shall be  
5 subject to the requirements of Code chapter 123 relating to  
6 liquor sales and distribution by the division.

7 The bill provides that a manufacturer of native distilled  
8 spirits is not considered a manufacturer pursuant to Code  
9 sections 123.41 and 123.43, which require a license allowing  
10 the manufacture, storage, and wholesale disposition and sale  
11 of alcoholic liquors to the division and to customers outside  
12 of the state. The bill makes conforming changes to Code  
13 chapter 123 relating to these provisions.

14 The bill also provides that the treasurer of state shall  
15 transfer on a monthly basis from the beer and liquor control  
16 fund to the grape and wine development fund established in  
17 Code section 175A.5 an amount equal to 5 percent of gross wine  
18 sale revenues. The amount transferred would be added to other  
19 amounts deposited into the fund and used to carry out grape  
20 and wine development programs as provided in Code section  
21 175A.4.

22 The bill additionally provides that the department of  
23 agriculture and land stewardship shall, prior to authorizing  
24 an expenditure of money from the grape and wine development  
25 fund, consult with the grape and wine development commission.  
26 The bill provides that the commission shall make  
27 recommendations to the department regarding the expenditure of  
28 moneys to enhance and develop the native wine industry, and to  
29 provide an infrastructure to encourage its growth in Iowa.

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