



IOWA HOUSE DEMOCRATS

BILL & AMENDMENT SUMMARY

Alcohol Beverage Control HF 668

Status of Bill: House Floor
Committee: Commerce (22-0)
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Lead Democrat: Rep. Hall
Floor Manager: Rep. Carlson

Background

In 1933, the 21st Amendment repealed Prohibition and gave states the authority to regulate the production, importation, distribution, sale, and consumption of alcohol within state borders. A three-tier system was created to control prior corruption and social problems from Prohibition by eliminating tied-house abuses that prevented retailers from making their own business decisions. As a result, beer, wine, and liquor were sold through independent distributors.

The “three-tier system” comprises of: (1) manufacturers/producers (i.e. distillers, brewers, wineries, and importers), (2) wholesalers/distributors, and (3) retailers. Individuals and companies are typically legally licensed and permitted to conduct business within only one tier. Manufacturers and producers are permitted to sell alcoholic products only to wholesalers and distributors. Wholesalers and distributors are permitted to sell only to retailers. Retailers are the only entities licensed to sell to consumers. Currently, Iowa law adheres to the above system and has strict regulations relating to the purchase and selling of alcoholic beverages.

Last year, the Alcohol Beverage Division (ABD) submitted a required study per SF 516 (87th General Assembly). This study provided an extensive review of Iowa’s tied house laws and provided foundation for the legislature to determine whether current tied laws adequately met modern market place needs while protecting Iowan’s public health, safety, and welfare.

Bill Summary

Based on ABD’s study, HF 688 would make the following changes related to tied house laws and Iowa’s current three-tier system:

- Allow an alcoholic beverage manufacturer or wholesaler to have an interest in an alcoholic beverage retailer provided the retailer does not sell the manufacturer’s or wholesaler’s product.
- Create an exception to the above limitation to allow individuals engaged in the business of manufacturing (nonnative) wine to sell his/her wine products at their principal office by obtaining a special class “C” liquor control license and a class “B” wine permit. Additionally, another retail licensee or permittee operating at a (nonnative) wine manufacturer’s principal office would also be able to sell his/her wine.
- Allow cross-tier ownership through investments as long as the majority of the person’s investment portfolio is not businesses that manufacture, bottle, wholesale, or sell at retail alcoholic beverages.
- Allow cross-tier employment as long as the employee is not an officer, owner, director or exercises any control or influence over the sale or purchase of alcoholic beverages.
- Add a new limit on native breweries ability to sell at wholesale. Currently, native breweries are allowed to sell an unlimited amount of beer at wholesale to retailers. This bill would add an annual wholesale cap of 30,000 barrels.

Amendment Summary

H-1010 (Carlson): This amendment clarifies HF 668 language by (1) placing the ‘institutional investor’ definition under Ch. 123 (Alcohol Beverage Control) Code definitions; (2) replaces “manufacturer” with “person” relating to a person’s principal office; and (3) places a 30,000 annual wholesale cap on native breweries for consumption off the premises to a licensee or permittee selling beer at retail.

Ver Schuer, Alison [LEGIS]\G:\Caucus Staff\AVS\Commerce\2019 Session\HF 668 - Alcohol Beverage Control Bill Summary.docx\March 13, 2019\10:27 AM