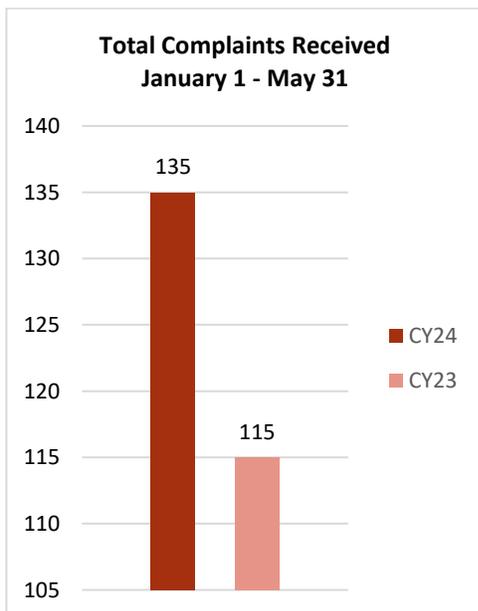
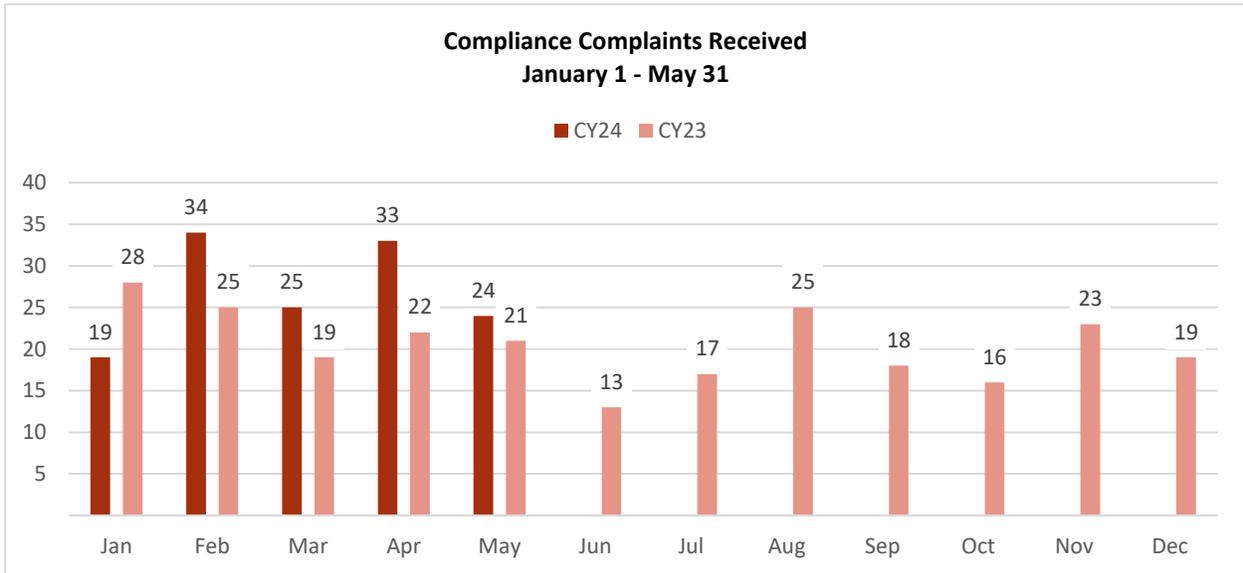


DATE: June 7, 2024
FR: Alcohol Regulation Unit – DeMario A. Luttrell, Bureau Chief
RE: State of Alcohol Regulation - For the period May 1 through May 31

The June 2024 Regulatory Compliance Report reflects Calendar Year summarized data.

COMPLIANCE COMPLAINTS

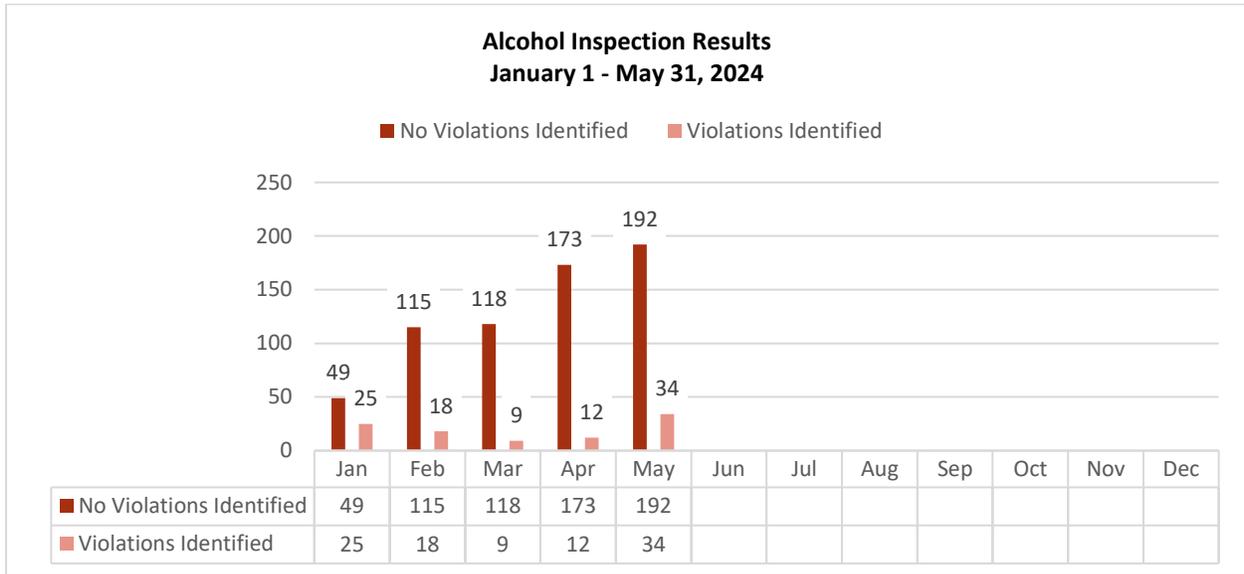
A comparison of compliance complaints received in CY24 to CY23 is shown in the chart below.



Top 5 Complaint Categories Resulting in Investigations Month of May 2024

- Selling / Serving Underage Person (Alcohol)
- Criminal Activity
- Bootlegging
- Overserving
- After Hours

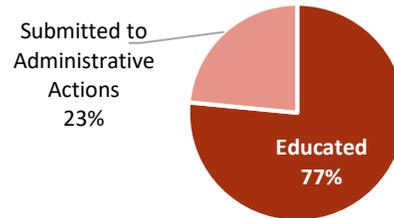
The charts below show alcohol inspection results for Calendar Year 2024.



Top 5 Violations Identified by Inspection Month of May 2024

- Smokefree Air Act
- Failure to Display License
- Infusing
- Illegal Gambling
- Employ a Person Under 16/18 to Sell/Serve Alcohol

Alcohol Inspection Violations Outcomes January 1 - May 31, 2024



ALCOHOL INVESTIGATIONS

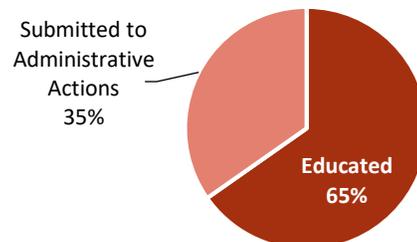
INVESTIGATIONS COMPLETED

In January through May, 2024, 95 investigations were completed as compared to 68 investigations completed in January through May, 2023. Investigations outcomes for Calendar Year 2024 are detailed in the chart to the right.

TAX COMPLIANCE PARTNERSHIP

Alcohol compliance investigations conducted by the Alcohol Regulation Unit resulted in Iowa Department of Revenue sales tax liability assessments in Calendar Year 2024 totaling \$599,510. (Data provided by the IDR Compliance Division.)

Alcohol Investigations Outcomes January 1 - May 31, 2024



ALCOHOL TAX AUDITS

ALCOHOL TAX AUDIT PROGRAM

The Tax Audit Program is a three-level system:

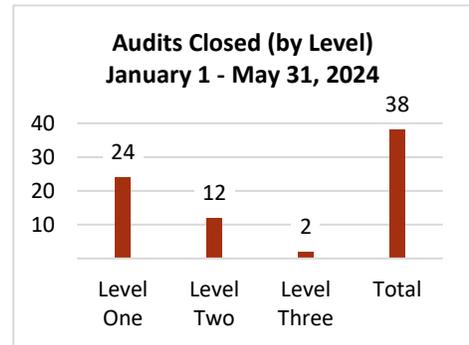
Level 1 – Three month’s records review

Level 2 – One year’s records review

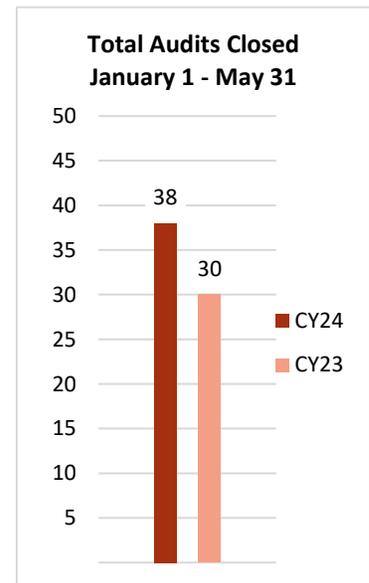
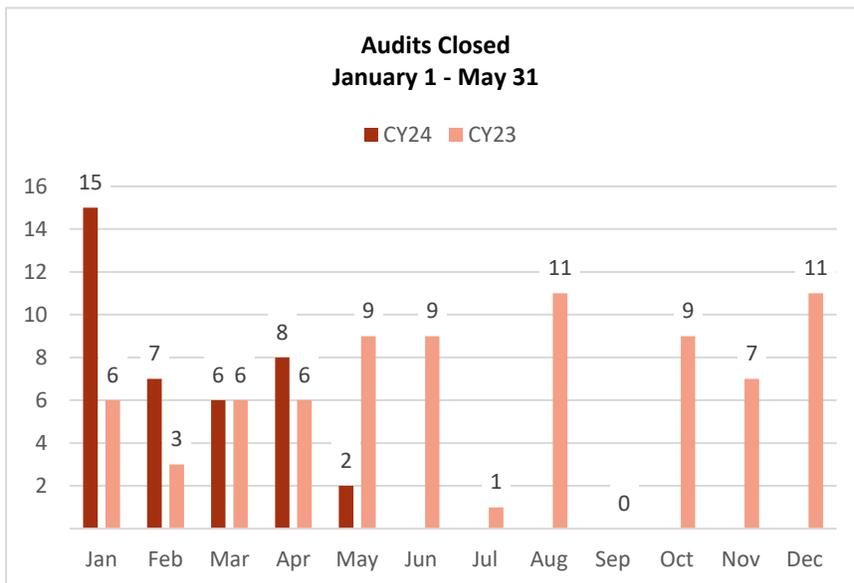
Level 3 – More than 1 year’s records review

The purpose of the three-level system is to conduct audits more efficiently by focusing efforts on the more complex Level 2 and Level 3 audits. The Level 1 audits allow the Division to reach more licensees and permittees in the state.

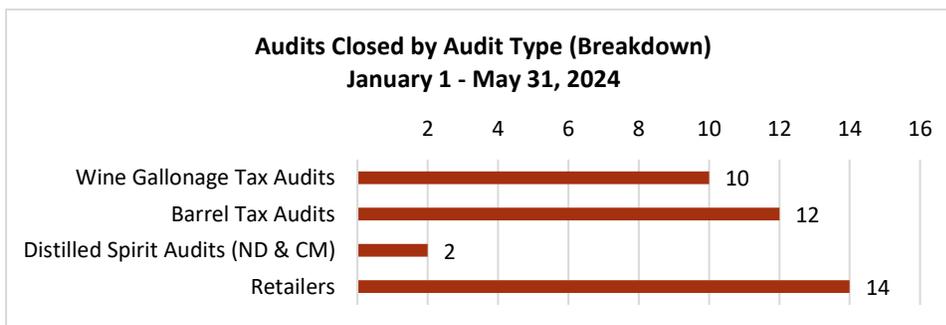
Audits Closed by Level in Calendar Year 2024 is shown in the chart to the right.

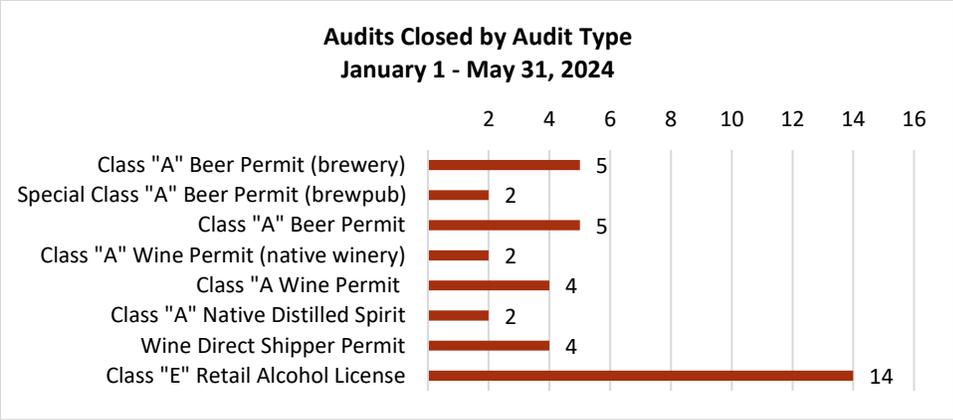


A comparison of Audits Closed by calendar year is shown in the charts below.



Audits Closed by Audit Type in Calendar Year 2024 are shown in the two charts below.



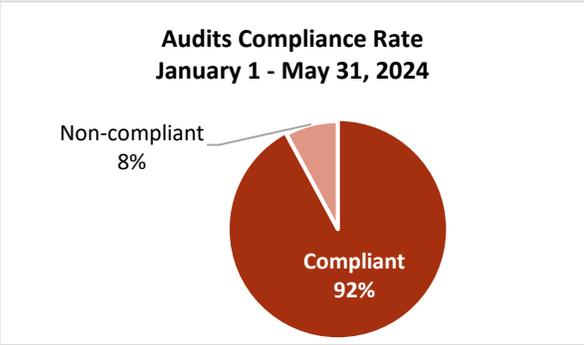


ALCOHOL TAX AUDITS COMPLIANCE

Two audits were closed in May 2024, with a compliance rate of 100%. Non-compliant is defined as audits where additional barrel, wine gallonage, and Iowa sales tax liabilities are identified and assessed.

All audits conducted incorporate education in laws, rules, and the reporting of gallons.

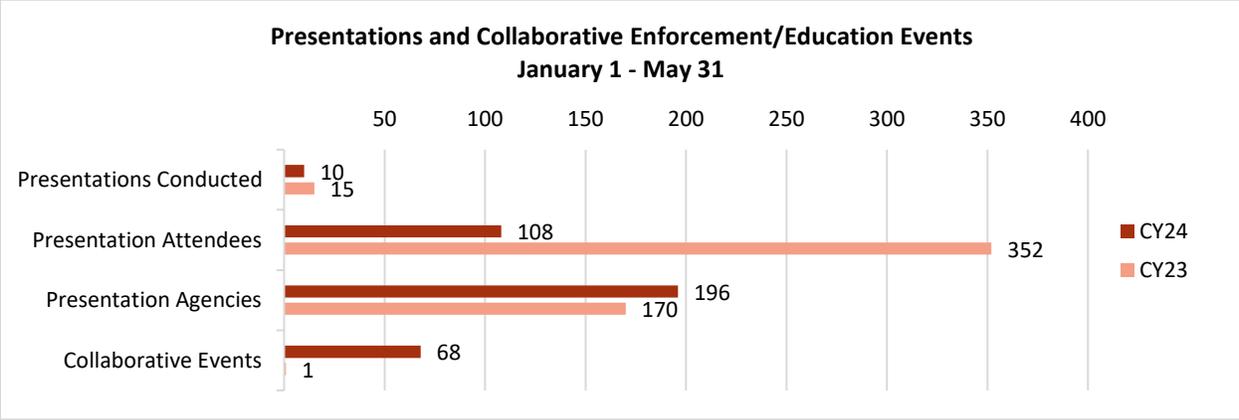
The compliance rate for Calendar Year 2024 is shown in chart to the right.



**EDUCATION AND OUTREACH
OF LAW ENFORCEMENT AND LOCAL OFFICIALS**

Presentations and Collaborative Enforcement/Education

The Education and Outreach Program is designed to address the educational needs of non-licensee stakeholders to include law enforcement, prosecutors, city and county clerks, and other local authorities. This program is focused on providing educational content that is designed to strengthen collaboration with IDR. Comprehensive, detailed presentations cover regulatory rules and laws, and best practices on a range of topics specific to local authorities. A comparison of program results for CY24 and CY23 is contained in the chart below.

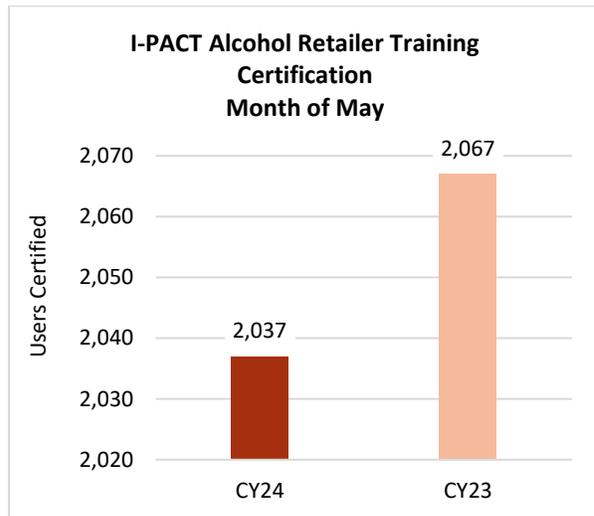


EDUCATION AND OUTREACH OF RETAILERS

I-PACT Alcohol Retailer Training Certification

A comparison of I-PACT Alcohol Retailer Training Certification results for May is contained in the chart to the right.

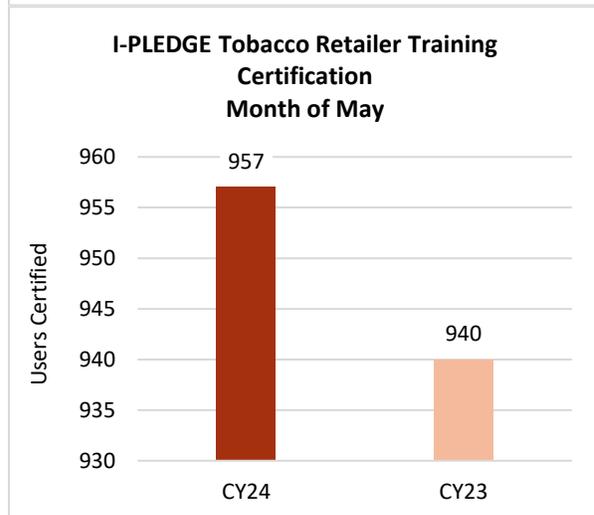
A decrease of 30 users were certified in CY24 May as compared to CY23 May.



I-PLEDGE Tobacco Retailer Training Certification

A comparison of I-PLEDGE Tobacco Retailer Training Certification results for May is contained in the chart to the right.

An increase of 17 users were certified in CY24 May as compared to CY23 May.



I-PLEDGE TOBACCO, ALTERNATIVE NICOTINE & VAPOR PRODUCT ENFORCEMENT PROGRAM

Tobacco Compliance Checks

Tobacco underage-buy compliance checks are completed in partnership with local law enforcement and the Iowa State Patrol. Compliance checks are conducted during the months of October through June each fiscal year.

A comparison of tobacco compliance check results for FY24 and FY23 from October through May are listed in the chart to the right.

The compliance rate is the same in FY24 and FY23.

	FY24	FY23
Compliant	3,071	2,945
Non-compliant	285	259
Total	3,356	3,204
Compliance Rate	92%	92%

* FY24 compliance check data is subject to change.

IOWA ABD AGE-TO-PURCHASE APP

Iowa Mobile ID can be accepted as a valid form of ID at businesses throughout the state by using the Iowa ABD Age-to-Purchase App from the Alcoholic Beverages Division of the Iowa Department of Revenue.

- Iowa Mobile ID is available in the Apple Store and Google Play.
- The app allows residents to keep a digital version of their Iowa-issued driver’s license or ID on their smartphone.
- The app is free and optional for all Iowans to download.
- The Iowa Mobile ID is a companion to the physical card and does not replace it.
- Iowans should still carry their physical ID card.

Security

Through the use of a QR code, Iowa’s Mobile ID creates a contactless and more secure way to verify identity. In addition, it allows Iowans to be in greater control of their information as users approve requests for each transaction before any information is shared.

Age-to-Purchase App Usage Month of May		
Validations	CY24	CY23
Physical ID	25,324	7,265
Mobile ID	7	*0

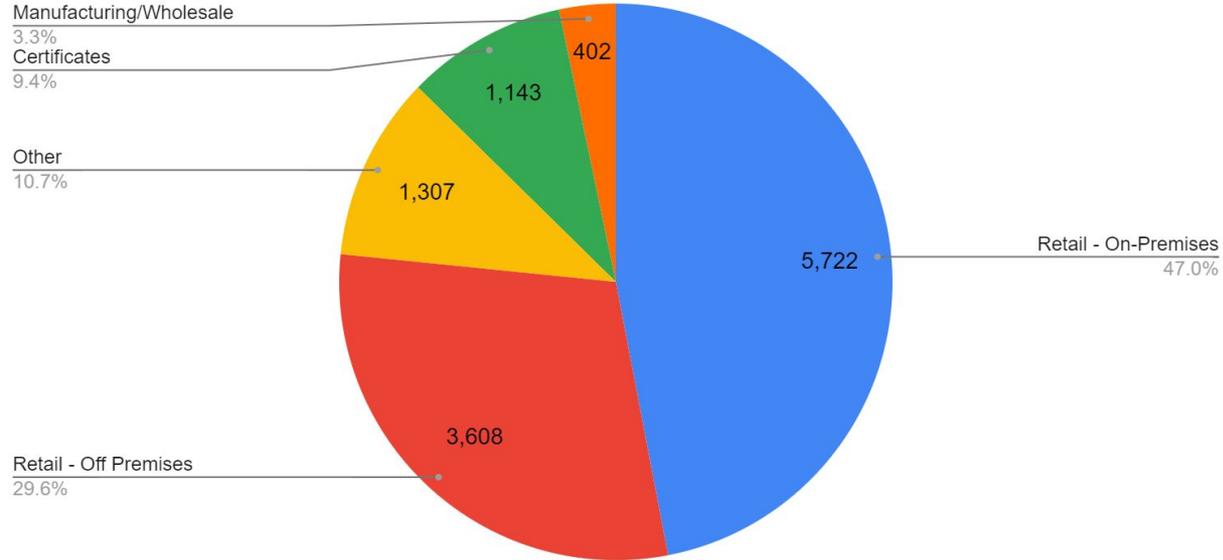
* Functionality not available during CY23 May.

Age-to-Purchase App Usage January 1 – May 31		
Validations	CY24	CY23
Physical ID	79,994	70,781
Mobile ID	35	*0

* No mobile ID functionality available during this timeframe.

All Licenses, Permits, Certificates

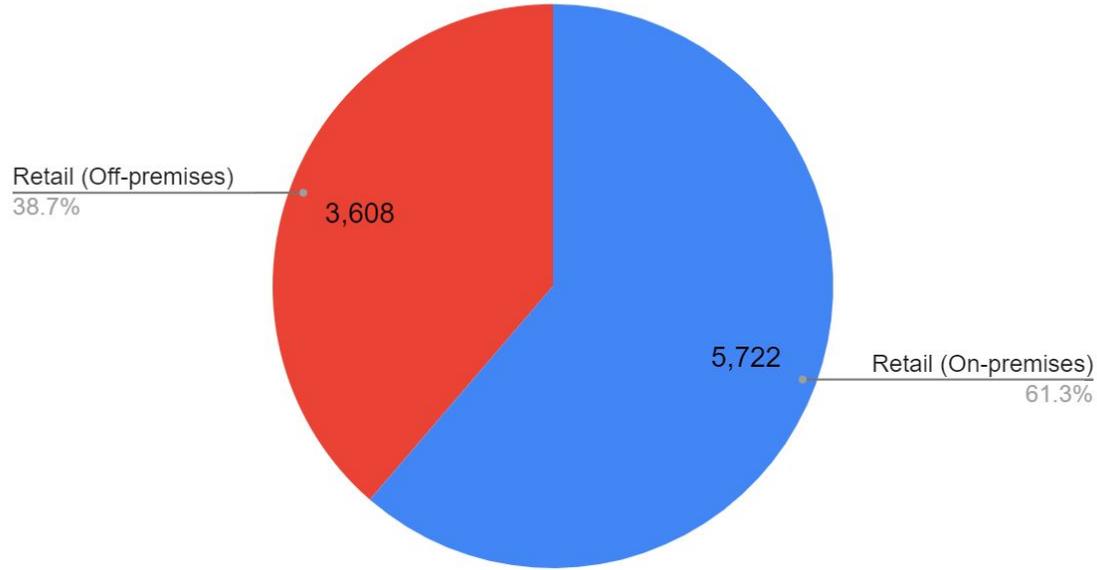
(Active Licenses as of 6/25/24)



	June 2024
Retail - On-Premises	5,722
Retail - Off Premises	3,608
Other	1,307
Certificates	1,143
Manufacturing/Wholesale	402
Total	12,182

On-premise vs. Off-premises Retail Alcohol Licenses

(Active Licenses as of 6/25/24)



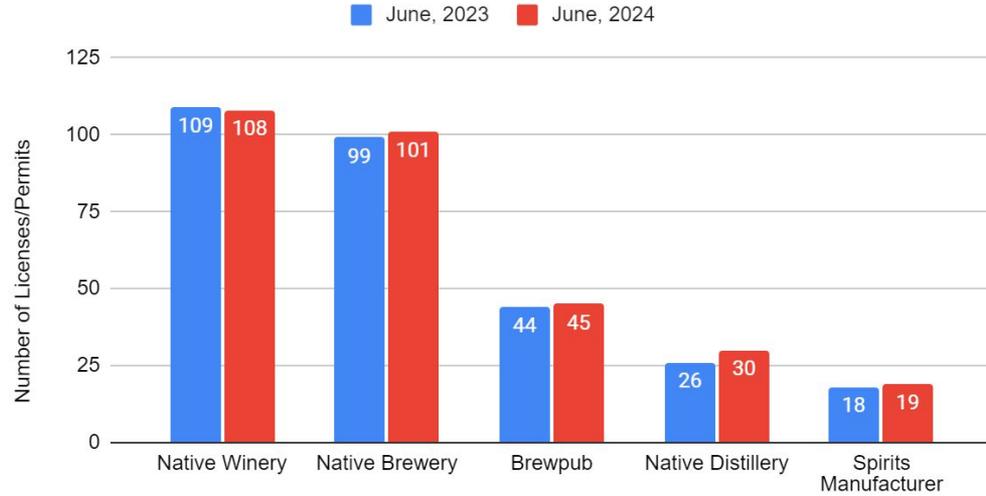
	June 2024
Retail (On-premises)	5,722
Retail (Off-premises)	3,608
Total	9,330

Retail (On-Premises): allows sales of alcohol to be consumed on the premises, example bars/restaurants

Retail (Off-Premises): allows the sales of alcohol to be consumed off the premises, example grocery/convenience stores

Alcoholic Beverage Manufacturing in Iowa

(Active Licenses/Permits as of 6/25/24)



	June 2023	June 2024
Native Winery	109	108
Native Brewery	99	101
Brewpub	44	45
Native Distillery	26	30
Spirits Manufacturer	18	19
Totals	296	303

Special Events (36-hr, 5-day, and 14-day Licenses)			
	June 2023	June 2024	% Change
36-hr	39	38	-2.6%
5-day	664	801	20.6%
14-day	31	27	-12.9%
Totals	734	866	

Native Manufacturer 5-day retail licenses (HF2648)	
Native Brewery	3
Native Distillery	0
Native Winery	6

Auto Renewals : 1,746 licensees enrolled



Department of Revenue

Alcohol & Tax Operations Division, Operations & Finance

June 27, 2024

Ankeny, IA

FY24 Finance Results (through May)

- **Liquor Sales, 0.5% increase**

 - \$408.6 million total liquor sales revenue

 - \$3.9 million increase compared to FY23

- **\$416.1 million total revenue earned, 1.12% increase**

 - Split Case fee; \$2.5 million, 20.42% increase

 - Bottle Deposit and Surcharge; \$5.0 million, 6% increase

- **Operational Metrics**

 - Decreases; Bottles (0.67%), Picks (-5.22%)

 - Increases; Cases 0.17%, Deliveries 5.9%, Orders 9.0%

 - Days Comparison +1 YTD ; month of June will be (-2)

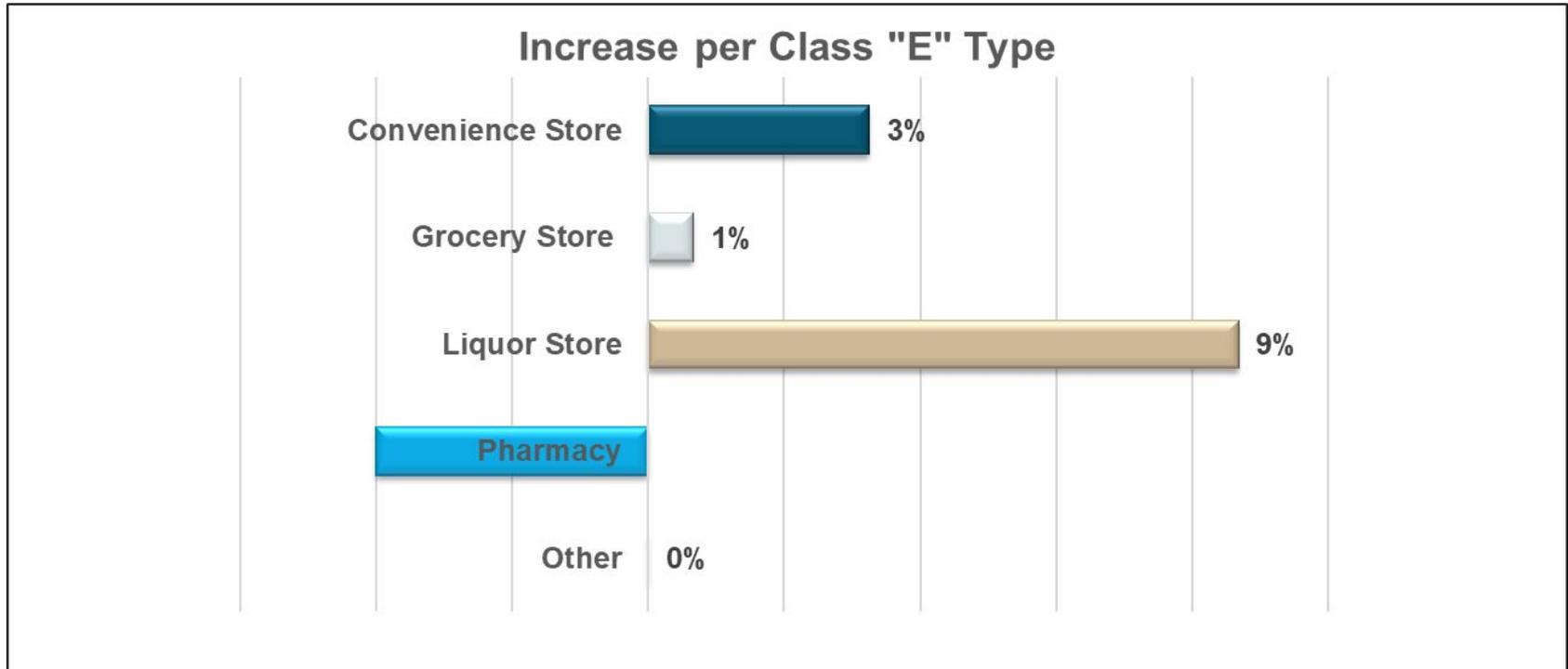
- **Transfer Totals**

 - FY24 estimate, \$151.5 million

 - \$139.0 million transferred ; estimate could be impacted by weather & sales

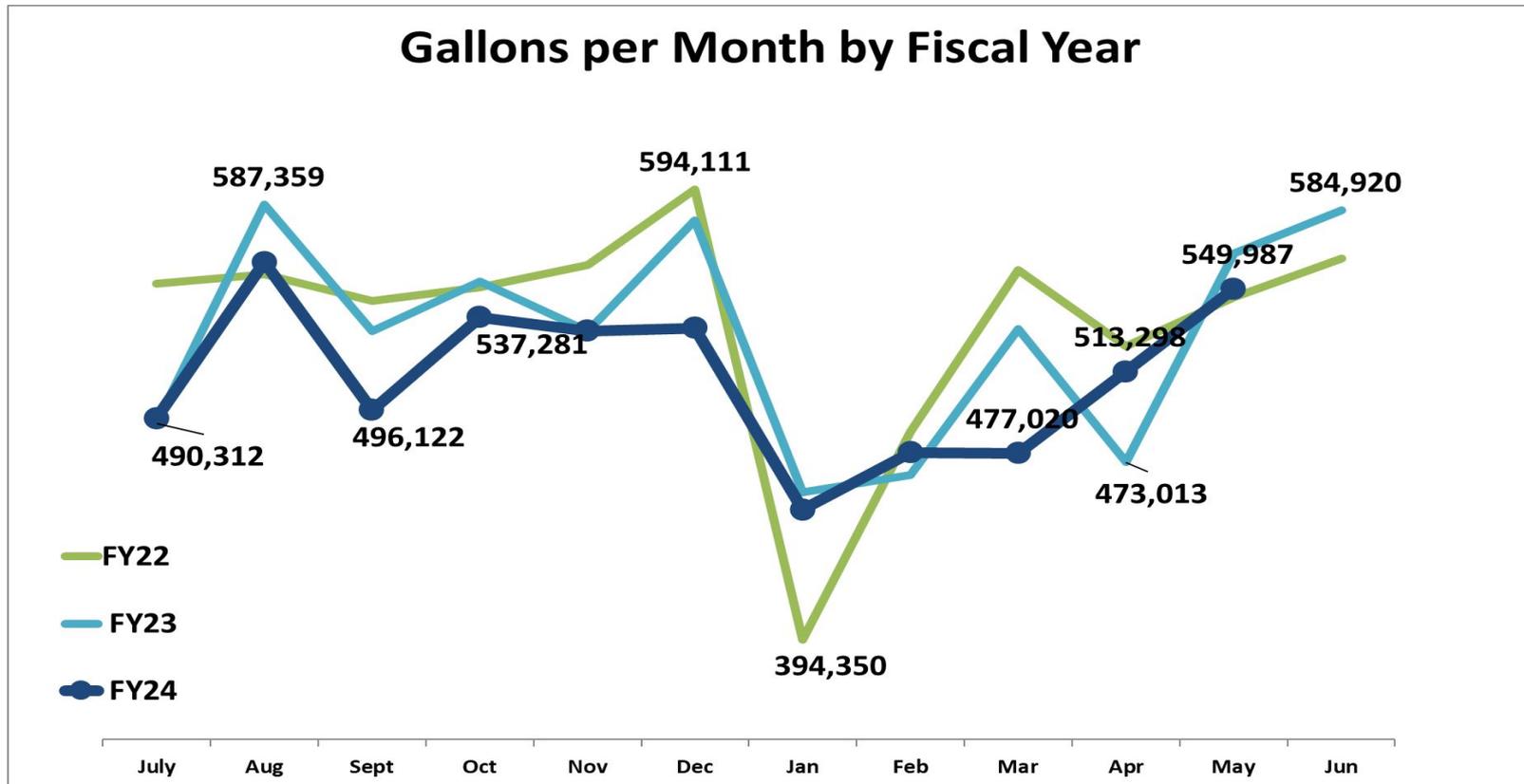
Class “E” Retail Population, 2,092 Total

- **2** new licenses since last meeting in April
- Since July '23, 60 new; Convenience Store 38, Liquor Store 23, Grocery 3



Gallons Analysis (through May)

- 5.6 million gallons sold, **(-2.6%)** decrease, **150K**





Department of Revenue

Legislative Update

Iowa Alcoholic Beverages Commission
Meeting

June 27, 2024

Disclaimer

Please be advised that the information in this presentation contains informal opinions and are only applicable to the factual situations referenced and to the statutes in existence as of the date of this presentation.

The Iowa Department of Revenue may take a contrary position in the future to what is stated today. Any oral or written guidance or opinion by Department personnel not pursuant to a Petition for Declaratory Order under Iowa Administrative Code rule 701—7.24 is not binding upon the Department.

Enacted Legislation

1. [HF2448](#) - Additional trainings providing the affirmative defense for sales to minors
2. [HF2605](#) - Additional enforcement authority to address the combination of alcohol and THC
3. [HF2648](#) - Temporary off-site retail alcohol licenses for native manufacturers; alternating proprietorship arrangements for native distilleries
4. [HF2669](#) - New permit and regulations allowing the purchase and resale of wine from private collections
5. [HF2673](#) - Transfer of liquor sales revenue for substance use disorder programs
6. [SF2385](#) - Boards and commissions omnibus

HF2448

- Allows the director to approve additional training programs that qualify for the affirmative defense when sales are made to a minor
 - Training providers will apply for director consideration
- The affirmative defense can be used **once every four years** to avoid administrative action being taken against a retailer's license
 - Employee must have a valid certificate of completion from IPACT or other director-approved training program **at the time of the violation**
- Effective July 1, 2024

HF2605

- Adds provisions to Iowa Code chapter 123 explicitly prohibiting the combination of alcohol and THC, as well as any isomers, derivatives, or analogs of THC, at all three tiers of the three-tier system
 - **Not a new prohibition**
 - Allows IDR to take direct administrative action against alcohol licensees found to be in violation
 - Previously had to rely on a criminal citation from law enforcement
- Effective July 1, 2024

HF2648

- Allows native breweries, native wineries, and native distilleries to obtain 5-day retail alcohol licenses for locations not connected to their manufacturing facilities
 - Limited to **six** 5-day licenses in a calendar year
 - Retail license classifications available are the same as what's available to be connected to the manufacturing facility
 - All licensing requirements still apply to 5-day applications (dramshop insurance, local authority approval, etc.)
- Effective July 1, 2024
 - Applications for 5-day licenses can be submitted prior to July 1, 2024.

HF2648 (cont.)

- Allows native distilleries (class “A” native distilled spirits license holders) to enter into an alternating proprietorship arrangement (APA)
 - APAs allow the sharing of space and equipment between two or more distillers
 - Not allowed for holders of a manufacturing license (CM)
- APAs must be approved by the TTB prior to a state-level license being issued
- Effective July 1, 2024

HF2669

- Allows for the purchase and resale of wine from private collections
 - All wine purchased must be in original, unopened containers and must be labeled indicating it's from a private collection
- Wine wholesalers may purchase wine from private collections and sell the wine to wine retailers
- New Wine Auction Permit (AP)
 - Allows the holder to purchase wine from private collections
 - Wine is sold via auction to wine wholesalers or wine retailers
 - Up to 24 auctions per 12-month license term
- Tax is due on:
 - Wine sold by wine wholesalers to retailers
 - Wine sold by a wine auction permittee to retailers
- Effective July 1, 2024

HF2673

- Increases the minimum guaranteed amount the Department of Health and Human Services (HHS) receives from liquor sales revenue from \$2 million to \$3 million
- Eliminates a separate \$1 million transfer to HHS for distribution to county substance use disorder and prevention programs
- Effective July 1, 2025

SF2385

- Changes the role of the Alcoholic Beverages Commission from acting as a policy-making body to serving in an advisory capacity to the director and department
 - The commission can no longer review and affirm, reverse, or amend all actions of the director under Iowa Code chapter 123
 - Instead, the commission may “provide advice and make recommendations regarding the actions of the director” under chapter 123
 - The commission is no longer required to approve the adoption of administrative rules carrying out chapter 123
 - Instead, the commission may provide advice on rulemaking
- Commission meetings no longer required to occur quarterly
 - Other boards and commissions also had mandatory meeting frequency removed
 - Must still meet by July 1 each year to choose a chairperson
 - Otherwise meet at the call of the chair or director, or when 3 members file a written request for a meeting

SF2385 (cont.)

- Creates a new State Government Review Committee
 - Purpose: Review the usefulness, performance, and efficacy of each board, commission, committee, council, panel, review team, or foundation of the state (collectively, “board”)
 - 9 members:
 - 3 senators (2 majority party, 1 minority party)
 - 3 representatives (2 majority party, 1 minority party)
 - 1 employee of the Governor’s Office
 - The director of the Department of Management or designee
 - The director of the Department of Inspections, Appeals, and Licensing or designee

SF2385 (cont.)

- Committee must establish a schedule so that one-fourth of all boards are reviewed each calendar year
 - Every board must be reviewed once between 2025 and 2029
 - Every board then reviewed once every 4 years
- Each board bears the burden of demonstrating to the committee a public need for its continued existence

SF2385 (cont.)

- A board scheduled for review must submit a report to the committee 30 days before the scheduled review date including, but not limited to, the following information:
 - The board's primary purpose and its goals and objectives
 - The board's past and anticipated workload, the number of staff required to complete that workload, and the board's total number of staff
 - The board's past and anticipated budgets and its sources of funding
 - The number of members that compose the governing board or other governing entity of the board and member compensation, if any.

SF2385 (cont.)

- After completing a review of a board, the committee must prepare and submit a report of findings and recommendations to the legislature, the governor, and the affected board by **December 21** of each year
 - Report will also be made publicly available on the legislature's website
- Recommendations must indicate how or whether implementation of the recommendations would do each of the following:
 - Improve efficiency in the management of state government
 - Improve services rendered to citizens of the state
 - Provide for the least restrictive regulations by repealing current regulations and replacing them with less restrictive regulation that adequately protect the public
 - Improve the effectiveness of the services performed by the boards of the state
 - Avoid duplication of effort by state agencies or boards

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Department of Revenue

Thank you!

Questions?



AGENDA

Native Distillery & Iowa Spirits Manufacturers Meeting

June 10, 2024

11:00 am – 12:30 pm

In-person at the Ankeny office 1918 SE Hulsizer Rd.

OR

Join virtually using the meeting link below

<https://meet.google.com/wgt-kupu-hbc?authuser=0&hs=122>

- I. Introductions – Stephen Larson, Division Administrator
- II. Meeting Purpose – Leisa Bertram, Bureau Chief, Alcohol Operations
- III. Status Update on the new Listing Manual
- IV. Discussion
 - Inbound inventory receiving policies and procedures
 - Special handling charges
 - Control State Scorecard
- V. Commissioner Sara Winkleman
 - Feedback
- VI. Open Discussion – Q & A
- VII. Closing Remarks – Leisa Bertram, Alcohol Operations Bureau Chief

Native Distillery / Iowa Spirit Manufacturers Meeting Recap 06/10/24

IDR In-Person Attendance:

Mary Mosiman, Director of Iowa Department of Revenue
Stephen Larson, Division Administrator Alcohol & Tax Operations
Leisa Bertram, Bureau Chief of Alcohol Operations
Nicole Scebold, Product Management Lead Alcohol & Tax Operations
Erin Verduyn, Product Management Alcohol & Tax Operations
Monica Lundstrom, Product Management Alcohol & Tax Operations
Lauren Connelly, Product Management Alcohol & Tax Operations
Jamie Richard, Product Management Alcohol & Tax Operations
Kortney Kyle, Inbound/Receiving Alcohol & Tax Operations
Jackie Bowlin, Inbound/Receiving Alcohol & Tax Operations
Spencer Moorehouse, Bureau Chief of Alcohol & Tax Compliance
Lisa Gibson, Public Service Manager Alcohol & Tax Compliance
Tyler Ackerson, Legislative Liaison Research & Policy Division
Scott Peterson, Ruan
Jared Longfield, Ruan Warehouse Operations Manager

IDR Virtual Attendance:

Chuck Crabtree, Alcohol & Tax Compliance
John Pauli, Commissioner

Supplier In-Person Attendance:

Blue Ox Spirits, Gil Coosner
Dehner Distillery, Amy
Dehner Distillery, Cody Thompson
Dehner Distillery, Joseph Dehner
Iowa Distilling Company, Kyle Doyle
John Ernest Distillery, Jose Lopez
Red Boot Distillery, Stuart Oxe
Revelton Distilling Company, Matt Schweiger
Revelton Distilling Company, Rob Taylor

Supplier Virtual Attendance:

173 Craft Distillery, Doug Summerfield
173 Craft Distillery, Tyler Byington
Cats Eye Distillery, Eugene Nassif
Cats Eye Distillery, Jason Baker
Cedar Ridge Distillery, Jeff Quint
Cedar Ridge Distillery, Murphy Quint
Cedar Ridge Distillery, Jamie Siefken
Cedar Ridge Distillery, Andy Klimesh
Century Farms Distillery, Amanda Bare

Green Frog Distillery, Elizabeth Patterson
Green Frog Distillery, John Patterson
Lonely Oak Distillery, Pat Hoffmann
Modern Matriarch Distillery, Doreen Blakely
Midwest Liquor Company, Tim Walpole
Mississippi River Distilling Company, Ryan Burchett
O So Good Winery & Distillery, Karie Ostwinkle
Revelton Distilling Company, Christi Taylor
S&B Farms Distillery, Sara Winkleman
Foundry, Scott Bush
Foundry, Andrew Tomes
Wych Dr Distilling, Tim Wych

Summary:

- The purpose of this meeting is to talk about any pain points you are having, address any concerns, provide guidance on current policies, and collaborate to come up with solutions that all parties are in agreement with. The goal is to provide the same communication to all parties and try to address any areas that may need additional clarity or understanding.
- The IDR Listing Manual is currently being updated with the alignment rebranding as well as reviewing and updating any procedural changes. All suppliers use this same listing manual. Once this new listing manual is released, it will replace the 2022 listing manual that is currently in place. The listing manual will be accessible on the IDR website and on the shop portal.
- We are continuing to experience non-compliant Inbound shipments.
 - Case code labels- This is when items are received in the warehouse without the proper labeling to store and pick them for orders. The labels need to be affixed per the listing manual and use the correct code.
 - Refund stickers
 - The IA refund sticker is a part of the [Iowa Department of Natural Resource's bottle deposit law](#). The listing manual addresses the need to have these stickers affixed and cites the bottle deposit law.
 - Compliance on labels and stickers- All items are checked upon receipt by Ruan receiving personnel. Any item found to not have proper labels or stickers is quarantined. Someone from the IDR Inbound inventory team will then reach out to the supplier. Today there are two options to correct the stickering issues, we allow brokers or suppliers to come in and re-sticker, or the product is put on a waiting list and Ruan will re-sticker. Refund stickers can be purchased from IDR. A roll of 1,750 stickers is \$10.00. This charge will be taken off of the next bailment period payment.

- Mixed pallets
 - Multiple products coming in completely mixed on pallets, the warehouse needs to disassemble the entire pallet, in these cases the supplier is charged the time it takes Ruan to complete the rework of the pallet. It was suggested that if it takes more than 30 minutes to receive a pallet in, the supplier will be charged to recoup the time it cost us to correct the issue.
 - This is a common issue across the entire supplier community and not just a native issue.
- Special handling charges are applied if products do not meet inbound shipping bottle deposit requirements, case code labeling requirements, and pallet requirements. This charge is the actual cost determined using the negotiated hourly rate of the third party the division has contracted with for warehousing services.
- The Control State Scorecard can be used to find all information on inbound products including special handling charges, receiving, and carrier information. If you are not signed up for the control state scorecard, please contact Jackie at receiving@iowaabd.com and Jackie will make sure you have access.
- IDR will host a meeting with the Native Distilleries and the Iowa Spirit Manufacturers semi-annually. A select team will begin scheduling one-on-one visits with each of the native distilleries and Iowa spirit manufacturers.
- Erin Verduyn verduyn@iowaabd.com is the key products contact for all Native Distilleries and Iowa Spirit Manufacturers. Chuck Crabtree ccrabtree@iowaabd.com is the key contact for licensing and all licensing related questions for Native Distilleries and Iowa Spirit Manufacturers.

Comments from the Audience:

- There needs to be a policy shift or change for added charges for sending products in, being small they still need to compete. -Sara Winkleman, S&B Farms Distillery
- Native distilleries should be allowed to self-distribute to get their products to retailers quicker. -Eugene Nassif, Cats Eye Distillery
- Suggestion that IDR open up one day a week for local suppliers to deliver incoming POs to the warehouse and have flexibility with min and max levels. -Rob Taylor, Revelton Distilling Company
- Hot Shot deliveries suggested by -Rob Taylor, Revelton
- Suggestion to have a “natives” council that meets throughout the year to discuss issues they may have. -Stuart Oxer, Red Boot Distillery

- How barrel picks are handled makes Iowa uncompetitive, this process needs to be reviewed as well as how products are being shipped in and out. -Rob Taylor, Revelton Distilling Company
- Is it possible for Native Distilleries to submit electronic transfers to IDR for their native distillery products that will be used for on-premise sales/consumption at their Class 'C' retail alcohol licensed premises instead of having to obtain those products from a Class 'E' retail licensee? -Doug Summerfield, 173 Craft Distillery
- Lesia from ABD and Rob Taylor from Revelton discussed a fair and equitable way to develop and charge a fee to any supplier that it takes Ruan more than 0.5 hours to sort/organize/handle due to reasons such as a mixed pallet and/or general Disorganization.
- There was a general consensus and concern from the Native Distillery community that dock times continue to be abnormally long. In addition, there was also a concern of the delay between when products were being delivered to ABD and the long delay before said products were posted into the ABD portal for purchase.