



March 9, 2022

Re: Opposition to HF 2525, An act providing for the direct shipment of alcoholic liquor.

Dear Chair Hein and Ways and Means Committee Members:

On behalf of the Wine and Spirits Wholesalers of America¹ (WSWA), whose members include wine and spirit wholesalers and brokers across the country and in Iowa, we respectfully submit these comments in opposition to HF 2525 which would authorize in- and out-of-state alcoholic liquor manufacturers to ship liquor or native distilled spirits directly to Iowa consumers.

HF 2525 would cause a loss in tax revenue and overwhelm enforcement agents.

Because Iowa does not have a law requiring the common carriers that transport direct-to-consumer (DTC) alcohol shipments to report each shipment to the state, there is no way for enforcement agents to identify illegal shipments and, thus, ensure that taxes are not collected. Other control states with common carrier reporting laws, such as Virginia, found that nearly 40 percent of all alcohol shipments were unlicensed and, thus, untaxed. See [WSWA's Common Carrier Reporting Findings and Enforcement Actions](#) for more examples of tax revenue losses.

The loss of tax revenue coupled with the increase in licenses for the Iowa enforcement agents to review and audit equates to an unfunded mandate. In fact, in 2021 Virginia had to add an additional \$1 million to its budget to hire more personnel for DTC enforcement.

HF 2525 would harm Iowa's distillers and retailers.

HF 2525 would not benefit Iowa's in-state distillers. Instead, large spirit companies that have the infrastructure and can afford to ship across the country will take sales away from Iowa's distillers and retail stores. Iowa consumers can already take advantage of the state's special order program to order products not listed with the Division.

Moreover, HF 2525 exempts out-of-state shippers from Iowa's bottle deposit program, undercutting local licensees and negatively impacting the local redemption fund.

¹ WSWA is the trade association that represents wine and spirits wholesalers large and small across America. Founded in 1943, WSWA includes more than 350 member companies in 50 states and the District of Columbia. Our members distribute more than 80 percent of all wines and spirits sold at wholesale in the United States. Across the country wholesalers employ approximately 87,000 people who receive nearly \$7.5 billion in wages annually.

HF 2525 would increase underage access.

The shipment of alcohol directly to consumers' houses increases the likelihood of underage access as there is little to no oversight of the final delivery of the product by a common carrier. A study by the Journal of Pediatrics and Adolescent Medicine found that 45 percent of alcohol orders placed by underage purchasers were successfully received.² Additionally, "age verification at delivery was inconsistently conducted and, when attempted, failed about half the time." Only 11 percent of online alcohol purchase attempts made by underage buyers were rejected.

In an investigation into DTC shipments in [Kansas](#), two shipments were delivered to underage individuals. In fact, one box of liquor was handed to a 7-year-old. In [Maine](#), a local retailer testified that a shipment of spirits was handed to his five-year-old. Moreover, nothing in HF 2525 would prohibit a common carrier from delivering a package of spirits to one of Iowa's 60 college campuses.

HF 2525 circumvents Iowa's current regulatory system.

The direct shipment of alcohol circumvents Iowa's regulatory control over all spirits entering the state and the sale and distribution of those spirits to consumers—a system that has successfully balanced consumer health and safety with access for over 80 years. Shipments from the country's 2,300 distilleries would limit Iowa's regulators' ability to ensure taxes are properly collected, IDs are checked, and illicit alcohol is not getting into the hands of consumers. Iowa's enforcement agents would be completely overwhelmed if they become responsible for reviewing and auditing hundreds of out-of-state distilleries holding Iowa shipping licenses.

In 2021, 18 states, the Uniform Law Commission, and the American Legislative Exchange Council decided against enacting spirits DTC laws because of the abovementioned concerns. We respectfully request that you vote to oppose HF 2525.

Sincerely,



Chelsea Crucitti
Senior Director, State Affairs
Wine & Spirits Wholesalers of America

² [Williams RS, Ribisl KM. Internet Alcohol Sales to Minors. Arch Pediatr Adolesc Med. 2012.](#)