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CONTENT: Debut Issue | Spring 2024

4	Letter from the Editor
6	Cover Story: Defending & Defining Iowa's HospitalityLandscape
8	State Leaders on the Art of Hospitality
10	Grappling with Credit Card Fees
12	Strength Through National Partnerships
16	FTC Regulatory Overreach
19	Iowa Latino Hospitality Council Formed
20	New DOL Regulation
22	2024 Legislative Recap

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IOWA HOSPITALITY ADVOCATE

Iowa Hospitality Advocate is the official publication of the: Iowa Restaurant Association, Iowa Restaurant Association Education Foundation, Iowa Hotel & Lodging Association and Iowa Latino Hospitality Council.

It is produced three times a year and is distributed to hospitality industry professionals across the state of Iowa. Editorial features cover business, legislative, and other trends impacting Iowa members & proprietors.

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News

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Letter From the Editor

Welcome to the debut issue of the Iowa Hospitality Advocate magazine. We are the only publication exclusively covering the industry trends, insights and news that matter to Iowa's hospitality business owners and operators.

Formerly published as the Food and Beverage Iowa Business Quarterly, the rebranded publication combines the research and resources of the Iowa Restaurant Association and Iowa Hotel & Lodging Association. Our stated missions to "protect, promote, educate, and advocate" on behalf of our respective industries are embodied within the new name, focus, and look of this publication.

In our debut issue, you will find relevant (and actionable) research on the current state of lowa's hospitality industry. From legislative updates that directly impact your business, to the latest trends and success stories, we're excited to share our findings with you. Iowa's hospitality industry plays a significant economic role within the state's economy. Our 6,000+ eating and drinking establishments will generate more than \$6 Billion in sales this year. Iowa's 999 hotel and lodging locations are expected to generate \$4 Billion. Combined, our industries employ more than 150,000 Iowans and generate hundreds of millions in state and local taxes. Hospitality is the state's second largest private sector employer (following healthcare.) And while each of our industry segments face distinctive challenges and opportunities, we also contend with many shared issues.

We are all seeking resources to recruit and retain quality employees, address exorbitant credit card fees, and find regulatory relief. We also all know there is power in numbers and a collective advocacy voice. Our Associations will always maintain our autonomy in terms of leadership, funding, and legislative agenda, but this publication represents the first of what will be many collaborative efforts between our organizations.

The hospitality industry isn't just about serving food or providing accommodations; it's about creating experiences, making memories, and celebrating life's moments. The Iowa Hospitality Advocate will not only offer valuable business insights it will also showcase, elevate, and celebrate those who provide it.

Looking forward to our work together.

Jessica Dunker | President & CEO

Iowa Restaurant Association | Iowa Hotel & Lodging Association **Sysco**°

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Hospitality noun

hos·pi·tal·i·ty
plural: hospitalities

1: hospitable treatment, reception, or

disposition

2: the activity or business of providing services to guests in hotels, restaurants, bars **SYNONYMS:** warmth, cordiality, geniality, friendliness, kindness

-Meriam-Webster

"Iowa nice" has become an integral part of our state's identity and the hospitality industry is its most public face.

The Hawkeye state's restaurateurs, hoteliers and bar owners know it's our job to provide travelers and guests with memorable experiences that go beyond mere transactions. Whether it's a warm welcome extended at a reception desk or providing exceptional service at a locally owned restaurant, hospitality isn't just what we sell, it's a cornerstone of our communities.

We often say in the Association office, "you can't escape the math." And the numbers behind the state's hospitality scene back this up.

Iowa lodging is a \$4 billion industry, sparking a total economic impact of \$9.4 billion and contributing more than \$1 billion in tax revenue at the state and local levels. The restaurant industry is even larger with \$6.4 billion being spent annually at Iowa's eating and drinking establishments with every dollar spent in an Iowa restaurant pumping \$1.85 back into the state's economy.

Iowa's hospitality industry takes seriously our role in serving up "Iowa nice," as well as our significant contribution to the state's economy. We understand it is a privilege to work in businesses that allow us to help others celebrate life's special moments while providing meaningful careers to more than 150,000 Iowans. It is an opportunity we don't intend to squander.





Iowa Hotel Occupancy Rates Still Down from 2019

In the most recent performance studies, Iowa ranked **49th** in the nation for projected percentage for Hotel Occupancy Rates. The average US hotel occupancy was expected to be **nearly 64%**.

Iowa rates fell short **down -4.1%** from the **55.5%** occupancy in 2019.

53.2% Projected 2023 Occupancy

* Oxford Economics Analysis and AHLA

Lodging Industry Looks to Rebuild Workforce

Nationwide the hotel industry has only been able to rehire **60%** of the employees it lost in 2020 due to the pandemic. A January 2024 survey found that more than **67.6%** were grappling with staffing shortages. This has created an environment for record wages. Nationally, the average hotel worker makes **\$23 per hour**. In Iowa the average hotel employee makes **\$20 per hour**.

*AHLA State of the Industry Report and ZipRecruiter

Iowa Restaurant Sales Up, But Profits Remain Elusive

While overall restaurant sales are projected to rise in 2024, the higher cost of doing business will continue to constrain margins. 27% of operators expect to be more profitable, and 45% expect to be as profitable in 2024 as they were in 2023, 28% expect to be less profitable.

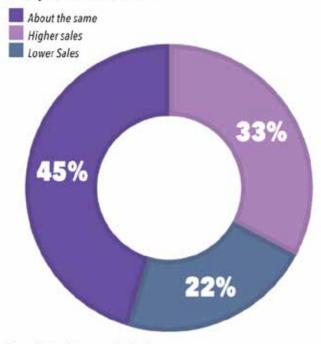
Recruiting and Retaining Talent Top Concern Across Sectors

Top Concern of Restaurant Operators

Recruiting Employees	33%
Sales Volume	17%
The Economy	14%
Food Costs/Availability	8%
Labor Costs	8%

^{*}January 2024 survey by National Restaurant Association

Operators' sales volume expectation in 2024 compared with 2023



Source: National Restaurant Association

State Leaders on the Art of Hospitality

Hospitality extends beyond providing service, it is the art of creating welcoming environments where guests feel valued and cared for. This holds true regardless of the sector. We asked the chairs of the state's three leading hospitality industry Boards to share their thoughts on the meaning of hospitality.



"True hospitality goes beyond just being a host to your visitors and guests, true hospitality means having the right people on our teams—people who believe in the essence of great service. True hospitality comes from a culture of excellence, and possessing the desire to exceed guest expectations, every time. This requires a unique skillset to anticipate guests' needs, and wants, even before they know what that looks like themselves."

Scott Math | Board Chair, Iowa Hotel & Lodging Association Vice President of Technology, Heart of America Group

38+ years working in nearly every facet of the organization including hotels, restaurants, and corporate roles.

"Hospitality is being made to feel welcome in a place you've never even been. I love the old small-town bars, where the bartender knows everyone's name and their favorite drink. These are the places where you're only a stranger once, because after your first visit, the staff has figured you out and when they see you again, they'll have that drink set up on the bar for you before you even take a seat."

Alexis Lundgren | Board Chair, Iowa Restaurant Association Operations Manager, Trackside Bar & Grill

18 years of industry experience including the years she spent "growing up" in her family-owned business.



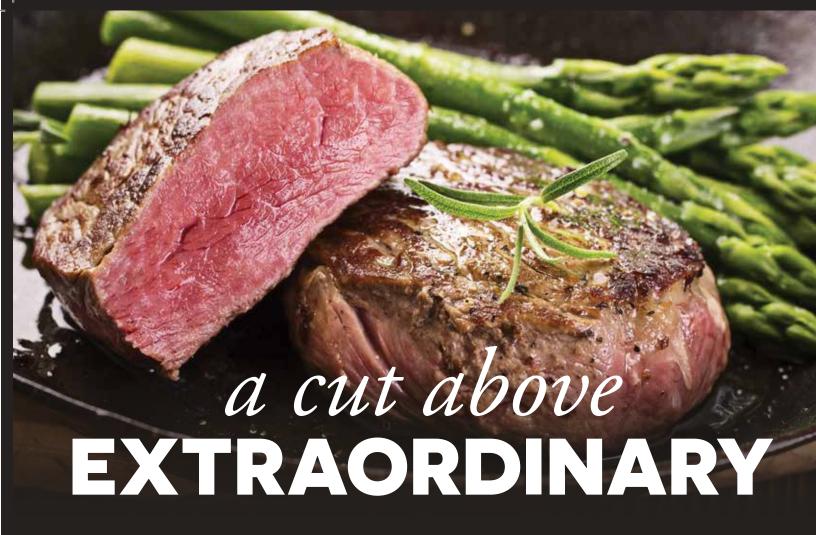


"Hospitality is inviting people into your home (business) and doing everything within your power to ensure that they enjoy their time there. For us, the summer is what it's all about. Every year we are excited to start a new season.

More than half of young people find their first job in our industry and it's important for operators to take advantage of those work situations to teach the art of hospitality. Our high school programs are important, but so is learning in the workplace. Hospitality is both a gift and a skill that can be taught."

Millisa Reynolds | Board Chair, Iowa Restaurant Association Education Foundation Hospitality General Manager, The Marina District

25+ years of industry experience in Okoboji where hospitality and tourism are the lifeblood of the community.







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Iowa's Hospitality Industry Grapples with Soaring Credit Card Fees



In 2023, Iowa's hospitality industry (lodging, eating, and drinking establishments) paid a combined \$275 Million in credit card fees. For many operators card fees are one of their top three monthly expenses. This is not an Iowa-specific problem. With fees ranging from 2% to 2.25% of every purchase, U.S. fees are some of the highest globally and are significantly higher than those in the European Union. What's more, in 2023 fees paid by U.S. operators increased by a whopping 16% over 2022.

The biggest questions for lowa hospitality operators "Why do these fees have to be paid as a percentage of my sale?"; "What additional services are my customers and I receiving on a \$1,000 swipe versus a \$10 swipe?"; and "Wouldn't a flat rate on each swipe be a fairer system?"

The practice and the problems are so deeply entrenched in the way we conduct business, and the credit card companies are so powerful, that it's hard to know where to start trying to solve the problem.

Delegations of Iowa hoteliers and restaurateurs have traveled to Des Moines and Washington DC to press both state and federal lawmakers to step in and provide relief. While elected leaders have offered few ideas on how to accomplish this, our industries have joined coalitions of retail groups proposing potential solutions at both the state and federal levels.

No Credit Card Fees on State Sales Tax

At the state level, the IRA and IHLA have joined forces with other retailers to call for legislation forbidding card companies from charging fees on the sales and other tax portions of any ticket or bill. Our message to state lawmakers? "Why do we have to pay for the privilege of acting as the state's tax collector?" Twenty-eight other states have addressed this concern with vendor allowances, but none has told the credit card companies to remove the fee from the tax.

If passed, this would save Iowa's restaurant and hotel industries nearly \$20 million in card fees annually.

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Federal Proposal Increases Competition

Last year the Credit Card Competition Act was introduced by Congress. The bipartisan legislation would increase competition in the credit card network market by requiring large banks to offer businesses a choice of at least two processing networks. The breaking of the monopolistic hold of Visa and MasterCard would, in theory, drive prices down.

Critics, including the American Bankers Association, argue that the proposed legislation could have negative consequences. They suggest that reduced interchange fees could lead to cuts in credit card rewards programs and the imposition of new fees by banks to offset lost revenue. However, proponents argue that lower fees could translate to lower prices for consumers, outweighing potential drawbacks.

16% of restaurant operators charge patrons a credit card surcharge

Hoteliers have less discretion on adding credit card fee surcharges as most brands dictate whether these charges are allowed or mandated

National Partnerships Strengthen Iowa Hospitality Advocacy Efforts

The Iowa Restaurant Association and Iowa Hotel & Lodging Association are independent sister organizations that share resources but maintain financial, volunteer leadership and advocacy autonomy. Both groups are integrally involved with their respective national trade associations, extending their influence well beyond Iowa's borders. Iowa delegations from both the restaurant and hotel industries annually participate in DC fly-ins where they join operators from across the country sharing collective industry concerns with Federal leaders. These national partnerships extend well beyond policy work into educational, operational, and promotional initiatives as well.

THE SECRET INGREDIENT
TO OUR INDUSTRY'S
ADVANCES WITH
POLICYMAKERS IS YOU.

-Jeff Lobdell Chair, National Restaurant Association President & Founder, Restaurant Partners Management

99

National Restaurant Association



The Iowa Restaurant Association is one of the longest-standing members of the National Restaurant Association. Two of the most important programs the organizations promote together are ServSafe and ProStart. The IRA is an affiliate of the NRA and has a contract which makes it possible to collaborate and jointly benefit on membership, advocacy, and revenue-generating opportunities.

American Hotel & Lodging Association



The Iowa Hotel & Lodging Association is a state partner of the American Hotel & Lodging Association. In addition to collaborating on Federal issues that align with the IHLA's member priorities, the IHLA recently began promoting the AHLA 's Hospitality and Tourism Management high school curriculum alongside ProStart.

Asian American Hotel Owners Association (AAHOA)



AAHOA is an IHLA Gold level sponsor and is the presenting sponsor of the Association's Annual Legislative Leader Award. Conversely, the IHLA is an allied member of AAHOA. The organizations collaborate on state and federal issues.



Ravi Patel
Ravi Patel, president of Hawkeye Hotels,
Iowa City, serves on the American Hotel &
Lodging Association Board.



Matt Johnson

For the past 20 years, Iowa has had the honor of holding at least one seat on the national board of directors. Matt Johnson of Barley's in Council Bluffs is completing his first term.

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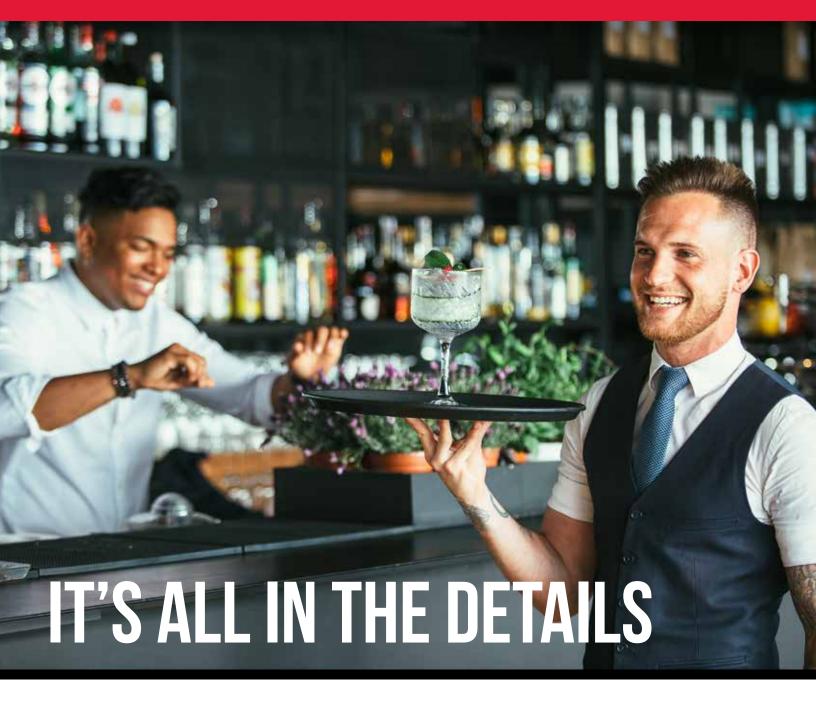




Meet The Instructor

Instructor Amy Stevens is a current bar owner who brings 27 years of teaching and 15+ years of hospitality industry experience to the classroom.

*Made possible by a grant through the Iowa Governor's Traffic Safety Bureau



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ServSafe Alcohol Training Now Provides Affirmative Defense Protection



In April Governor Reynolds signed legislation expanding the training options which grant affirmative defense provisions for participating hospitality businesses. As a result, ServSafe Alcohol, a nationally recognized responsible alcohol service program taught across the state by the Iowa Restaurant Association, will begin to provide businesses with this protection as of July 1st.

Affirmative defense may be used once every four years. It allows a business to avoid civil prosecution if an alcohol sale-to minor violation occurs in your establishment. To take advantage of the affirmative defense, the employee guilty of the violation must have been ServSafe Alcohol certified prior to the time the offense occurred. However, the affirmative defense cannot be used if the employee sold to a minor under the age of 18. Only the business is eligible to avoid a civil penalty; the guilty employee will still be subject to a criminal fine.

ServSafe Alcohol Training was developed by the hospitality industry for the hospitality industry. Covering essential topics ranging from ID verification to legal obligations, this program equips employees with the knowledge and skills necessary to navigate the complexities of alcohol service safely. ServSafe Alcohol Training not only stands to protect your business, but also prioritizes the safety of both patrons and employees.

Representative Shannon Lundgren and Senator Chris Cournoyer floor managed the bill across the finish line in both chambers.

Governor's Traffic Safety Bureau Grant Substantially Reduces Training Costs for Iowa Hospitality Industry

Any Class-C liquor license holder now has access to reduced cost responsible alcohol service training. The Governor's Traffic Safety Bureau granted funds to the Iowa Restaurant Association to offer ServSafe Alcohol classes across the state. Communities or businesses that can confirm 15 or more hospitality professionals can schedule a certified instructor to travel onsite to teach this nationally recognized certification course. The four-hour class includes a proctored exam. Those who pass the test receive a three-year certification. Students or their employers are charged a \$10 per person materials fee. All other costs are covered by the grant. For more information on bringing a course to your establishment contact Katelyn Adams kadams@restaurantiowa.com. Any business with a Class C liquor license may host a course onsite.



FTC Regulatory Overreach Hits Iowa Hospitality Hard



ver the past 12 months, the hospitality industry has been feeling increasingly targeted by the Federal Trade Commission (FTC). The agency has proposed a seemingly neverending series of regulatory actions that far exceed their authority—and the hotel and restaurant industries are too often finding ourselves on the losing end.

On the hotel side, the FTC and the Justice
Department's Antitrust Division recently joined
forces to weigh in on a case involving hotel room
pricing algorithms—calling into question how
hotels can best determine demand-based pricing.
They also issued a rule disallowing the use of noncompete clauses in any industry.

But neither of these have the potential to wreak the level of havoc that the agency's proposed "junk fee" rules will. From ending resort fees in hotels to eliminating large-party fees, delivery surcharges, and even credit card processing charges in restaurants, **the FTC's proposal exhibits a complete lack of understanding of how the hospitality industry operates.**

These so-called "junk fees" are legitimate charges for additional services or conveniences that customers willingly choose. Case in point—delivery fees. For years, customers have been willing to pay a little extra for the convenience of having their food brought to their door. But if the FTC rule stands, these fees could disappear, forcing restaurants to raise menu prices across the board—meaning even on-premise customers would cover the cost of delivery.

Perhaps the most troubling aspect of the FTC's action is their complete disregard for the realities of the restaurant industry. Their estimated compliance cost of \$3.5 billion would hit small independent operators especially hard, potentially eating up 10% of their total income. And raising menu prices only exacerbates already soaring credit card swipe fees.

In the end, it's hard to escape the conclusion that the FTC has no intention of working with operators to find reasonable solutions. Instead, they're imposing one-size-fits-all rules, well outside of their purview, that will do more harm than good. It's time for the FTC to reconsider its approach and listen to the voices of those who are most affected by its actions.

The Iowa hospitality industry's three national partners have been rallying against these and other misguided federal agency actions. Iowa operators can participate in both state and federal outreach programs. Learn more at their websites restauantiowa.com and hotellodingingiowa.com.



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Iowa Latino Hospitality Council Formed



In an effort better engage with Iowa's Latino hospitality business owners, the Iowa Restaurant Association Board of Directors approved the formation of a standalone charitable organization committed exclusively to meeting the unique needs of this major subset of Iowa's hospitality industry.

The Iowa Latino Hospitality Council was formally created in April with the assistance of seed funding from the National Restaurant Association's Kitchen Cabinet Program. Kitchen Cabinet helps state restaurant associations pursue local projects in order to better engage with, and/or elevate, specific industry segments or local issues.

The Iowa Latino Hospitality Council's initial efforts will be to adapt and create bilingual educational programs for Latino business owners and their teams. The organization will also focus on building community for the owners with one another,

as well as the hospitality community as a whole, through local meetings and events.

The initial Board of Directors includes (pictured above):

Chair Gloria Henriquez, owner of Tullpa Restaurant in Des Moines, Vice Chair Antonio Berber, owner of Fiesta Mexican Restaurant in West Des Moines, Treasurer Blanca Plascencia owner of El Fogon in West Des Moines, and Director Monica May of MP Project Management, Inc. in Des Moines.

Iowa Restaurant Association and Iowa Hotel & Lodging Association President and CEO Jessica Dunker is serving as the group's secretary in a non-voting capacity.

If you know anyone you think might be interested in helping build this group, please contact Jessica Dunker at jdunker@restaurantiowa.com.

Leadership Positions Open ——

There are currently three key non-profit organizations serving Iowa Hospitality segments—the Iowa Restaurant Association, the Iowa Hotel & Lodging Association, and the Iowa Restaurant Association Education Foundation. All three are governed by volunteer Boards made up of members of industry. Each Board is featured on the individual websites of the organizations. If you would like to recommend someone for consideration on one of the Boards, or have interest in serving yourself, please contact Jessica Dunker at jdunker@restaurantiowa.com. Iowa hospitality leadership groups set statewide priorities on legislation that's pursued, grant opportunities, and interaction with state agencies. Much of the work they do likely has a direct impact on your business. Check out the Board pages: restaurantiowa.com | hotellodgingiowa.com | iraef.org

New DOL Regulation
July 1st Salaried Employees Making Less than \$43,888 Must Receive Overtime; **Second Increase Mandated January 1st**



The Department of Labor (DOL) last month announced its final rule relating to overtime regulations. The new rule increases by 65% the minimum salary threshold for eligibility under the Fair Labor Standards Act (FLSA). This adjustment takes the threshold from \$35,568 to \$58,656.

The pay requirement is being rolled out in stages. By July 1, 2024, anyone making a salary of less than \$43,888 will qualify for overtime pay. By January 1, 2025, anyone making a salary of less than \$58,656 will qualify. Another notable departure from past practices, the agency's final rule includes provisions for an automatic update to the overtime threshold every three years. This is a huge burden for small business, particularly for rural Iowa restaurants, bars, and lodging establishments where market-competitive wages may

not meet these minimums. This new one-size-fits-all rule mandates that, unless explicitly exempted, employees under the new threshold and covered by the FLSA, must receive overtime pay at a rate not less than 1½ times their regular pay rate for hours worked beyond 40 in a workweek.

From the time it was proposed, the higher threshold has drawn criticism from state and national hospitality organizations, as well as other business groups.

AHLA Interim President & CEO Kevin Carey stated about the new mandate, "This rule is part of a growing list of aggressive federal regulatory efforts that are making it even harder for hoteliers to operate their businesses in this challenging environment. The impacts of this regulation will risk the elimination of jobs and make it more difficult for employees to pursue the existing pathways to success and career growth that the industry offers. We fear many hoteliers will have no option other than to eliminate managerial jobs that are long-established paths to advancement. AHLA is reviewing all available options, including litigation, for defeating this ill-advised regulation."

Similar concerns were expressed by the National Restaurant Association and the Restaurant Law Center. Sean Kennedy, executive vice president of Public Affairs for the National Restaurant Association voiced concern over the automatic updates, "... (we) pushed back on a significant increase following so soon after an increase just four years ago. Business conditions have changed significantly for restaurant operators in that time. It's unfortunate that DOL did not heed our concerns, especially as it relates to regional discrepancies and the burden of automatic increases every three years."

Iowa hospitality operators should immediately review their current pay structures and employee classifications. It's crucial for employers to assess which employees may become eligible for overtime pay under the revised thresholds and adjust their compensation and scheduling practices accordingly.

An FAQ on employer requirements and eligibility under the new rule can be found at dol.gov.

Nominations Open for Hospitality Industry Awards

Recognizing Iowa's hospitality industry professionals through meaningful awards programs is an important part of the missions of both the Iowa Restaurant Association and the Iowa Hotel & Lodging Association. Help us find these shining stars by nominating your employees, peers, mentors, and others in the industry for 2024 recognition.

- Every year the Iowa Restaurant Association honors the outstanding hospitality operators, employees, purveyors, and more at the Celebrating Excellence Awards Ceremony. Nominations for fourteen award categories are taken year-round at restaurantiowa.com.
- The Iowa Hotel & Lodging Association gives eight awards annually. Nominations are taken year-round for hotelier, general manager, employer and innovator of the year as well as others. Winners are recognized at an annual awards luncheon. Nominate at hotellodgingiowa.com.
- Women comprise over half of Iowa's 155,000 hospitality workforce. Each year, 40 outstanding female professionals are honored for their innovative leadership and significant contributions across various aspects of the hospitality industry. Nominations are open at restaurantiowa.com.
- The importance of team members who have made lifelong careers at a single establishment cannot be overstated. The Association team will travel to your restaurant to present non-owner team members who have worked in a single establishment for 20+ years with this honor. Contact ezimmerman@ restaurantiowa.com

IHLA 2nd Annual Awards Luncheon October 2, 2024 | 11 a.m. to 1 p.m. Hilton Garden Inn | Johnston Celebrating Excellence Awards November 18, 2024 Iowa Events Center | Des Moines

For information on sponsorship opportunites contact: Stacy Kluesner, skluesner@restaurantiowa.com or Faith Dorn, fdorn@hotellodgingiowa.com



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Iowa's Hospitality Associations Make Progress Set Strategy for State Legislative Priorities

The 2024 Iowa legislative session was significant for both the Iowa Restaurant Association and Iowa Hotel & Lodging Association. At the outset of the year, both groups laid out priorities and plans for proactive legislative proposals. Each held leadership meetings with both Chambers early in the session. The two groups also collaborated to host the Inaugural Taste of Iowa Hospitality Reception, which attracted over one-third of the legislature. The 2025 reception is already in the books for January 28, 2025.

While both groups made headway on some goals and advanced several priorities to the desk of Governor Reynolds, we also found ourselves grappling with unexpected issues, such as THC insurance proposals. An uphill battle remains for both groups' proposed tax reduction and swipe fee relief recommendations. We will utilize the summer and fall months to engage with legislators across the state, in our businesses, to lay the groundwork for our 2025 priorities.



Groundwork Being Laid

End Double Taxation: The IHLA has language which would exempt from the state sales and use tax the sales price of lodging supplies sold to a lodging provider in order to properly prepare a guest room. We will meet with legislators to share the impact of passage.



Groundwork Being Laid

Eliminate 4th Tier Spirit Sales: The Iowa Restaurant Association has language which would allow any retailer who meets minimum order standards to purchase directly from the state—bringing spirit sales inline with Iowa's three-tier alcohol system.



COALITION BUILDING

No Swipe Fees on Sales Tax: The Association, along with other small business groups, began to educate legislators on the rising cost of swipe fees in our businesses. A future collective legislative goal is disallowing card companies from charging swipe fees on the state sales tax portion of a credit card transaction.

2024 Legislative Recap

PASSED



Work Drive Permit: This bill now extends to 14 ½ and 15-year-olds the same privileges as a school drive permit. This is a tremendous win for the hospitality industry which gives 1 in 3 Iowans their first job.

PASSED



Music Licensing Company Rules of Engagement: The new law requires music licensing representatives to make appointments during normal business hours, identify themselves and prohibits them from making threatening verbal or written communications, as well as implying that they are from a regulatory or law enforcement agency.

PASSED



Expansion of Affirmative Defense Training: The new language has expanded to include in-person training programs such as ServSafe Alcohol. With this bill, a business may avoid civil prosecution if an alcohol sale-to-minor (18-20 years old) violation occurs in their establishment (which may be used once in a four year period). Previously only Iowa ABD training offered this protection.

PASSED



THC Restrictions: Although we didn't weigh in on this, the industry was generally supportive of age-of-sale restrictions and mg per serving definitions for consumable hemp products such as seltzers. The bill limits age-of-sale to 21 along with quantity restrictions being set at 4 mg per serving and 10 mg per container.

PASSED



Complaint Based Hotel Inspections: Supported a legislative proposal from the Iowa Department of Inspections and Appeals to bring current language up-to-date with current practice. Moving forward rather than mandating annual routine inspections, the state will focus on complaint-based inspections.

PASSED



Private Wine Auction Privileges: Retail alcohol licensees may now purchase and resell wine offered from an individual collector's private wine sale or auction.

STOPPED



THC Service Liability Insurance: Legislators had proposed an excise tax on consumable hemp products served in restaurants and bars (onlyo. An expansion of DRAM definitions to include THC was also proposed, as was the creation of new "GRAM" liability requirements for restaurants and bars. All legislation was stalled but the Associations believe ideas should be studied in the off session.



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www.restaurantiowa.com













