

# Arizona State Senate Issue Brief

December 9, 2024

#### Note to Reader:

The Senate Research Staff provides nonpartisan, objective legislative research, policy analysis and related assistance to the members of the Arizona State Senate. The Research Briefs series is intended to introduce a reader to various legislatively related issues and provide useful resources to assist the reader in learning more on a given topic. Because of frequent legislative and executive activity, topics may undergo frequent changes. Nothing in the Brief should be used to draw conclusions on the legality of an issue.

## **ARIZONA LIQUOR LICENSES**

#### **INTRODUCTION**

The regulation of liquor in Arizona precedes statehood. The 1864 Howell Code assessed liquor taxes on vendors of wines and distilled spirits and represented Arizona's first liquor regulations.<sup>1</sup> However, the ratification of the 18th Amendment and congressional passage of the Volstead Act of 1919 enacted a national Prohibition and eliminated the need for liquor regulation. With the repeal of the Volstead Act and the end of Prohibition in 1933, the 21st Amendment to the U.S. Constitution gave individual states the right to choose their own system for regulating alcoholic beverages.<sup>2</sup> Arizona placed the responsibility for liquor regulation with the Temperance Enforcement Commission under the State Tax Commission until 1939, when the Arizona Legislature established the Department of Liquor Licenses and Control (DLLC).<sup>3</sup>

The courts and the Legislature have stated that the objective and purpose for establishing the DLLC center on protecting the public health, safety and welfare. The Legislature, in Laws 1984, Chapter 322, defined the purpose of the DLLC: "...to regulate the liquor industry through the license control process, collect fees and taxes for the maintenance of government and enforce statutes in order to maintain the health and welfare of the community."<sup>4</sup> As such, the DLLC licenses, investigates and regulates the production, distribution and sale of alcoholic beverages throughout the state.<sup>5</sup> Separate from the DLLC is the Arizona State Liquor Board (Liquor Board), whose seven members are appointed by the Governor, subject to Senate confirmation.<sup>6</sup> The Liquor Board hears appeals on some of the Director of the DLLC's (Director's) disciplinary decisions and makes final decisions on the issuance of new liquor licenses when cities, towns or counties disapprove or make no recommendation.<sup>7</sup>

<sup>&</sup>lt;sup>1</sup><u>Howell Code (1864)</u>

<sup>&</sup>lt;sup>2</sup>U.S. Const. amends. <u>XVII</u> and <u>XXI</u> <sup>3</sup>Laws 1933, Ch. 76 and Laws 1939, Ch. 64

<sup>&</sup>lt;sup>4</sup> Laws 1984, Ch. 322

<sup>&</sup>lt;sup>5</sup> A.R.S. Title 4

<sup>&</sup>lt;sup>6</sup> <u>A.R.S. § 4-111</u>

 $<sup>^{7}</sup>$  A.R.S. §§ <u>4-112; 4-201;</u> and <u>4-210.02</u>

#### **LIQUOR LICENSES**

To regulate the production, distribution and sale of alcoholic beverages, the DLLC issues 21 license types, commonly referred to by a series number. For example, a microbrewery license is known as a Series 03 license. An application is required for any of the 21 licenses along with payment of required fees and surcharges, when applicable. Each license expires annually, except that a license may be renewed for a two-year period if no compliance penalties have been issued to the licensed location during the year before renewal.<sup>8</sup> A license is issued only after satisfactory showing of the applicant's capability, qualifications and reliability and, with the exception of wholesaler, producer, government or club licensees, that the public convenience requires and that the best interest of the community will be substantially served by the issuing the license.<sup>9</sup> A separate license is required for each specific type of business. All retail licenses must be displayed in a conspicuous public area of the premises that is readily accessible for inspection by any peace officer, distributor, wholesaler or member of the public.<sup>10</sup>

#### In-State Producer – Series 01

An in-state producer license is available for the manufacturing or production of spirituous liquor in Arizona. A person who holds a Series 01 license may sell beer produced by the producer if the producer also holds an on-sale retail license and the retail sale of the beer is on or adjacent to the producer's premises. Additionally, a producer may sell wine or distilled spirits produced by the producer at the producer's licensed premises.<sup>11</sup>

#### **Out-of-State Producer – Series 02**

An out-of-state producer license allows an out-of-state producer, exporter, importer or rectifier to engage in business in Arizona.<sup>12</sup> An out-of-state producer must comply with the alcoholic beverage statutes as if it were an in-state licensee.<sup>13</sup> An out-of-state producer or supplier of distilled spirits products may not sell its products to an Arizona wholesaler at a cost higher than the lowest price at which the item was sold by the producer or supplier, or any other person, to any wholesaler anywhere in any other state or in the District of Columbia, or to any other state or state agency that owns and operates a retail liquor store.14

#### Microbrewery – Series 03

A microbrewery licensee produces or manufactures at least 5,000 gallons, but less than 6,200,000 gallons of beer annually and may sell its beer produced or manufactured on the premises for consumption on or off the premises. Each location that engages in producing. manufacturing and bottling these products must obtain a separate microbrewery license. The holder of a microbrewery license may apply for and hold up to a total of seven bar (series 06), beer and wine bar (series 07) or restaurant (series 12) licenses whether the premises are located on or adjacent to the microbrewery or remotely from the microbrewery. The limit on the number of retail licenses applies on an aggregate basis to all microbreweries that are under common control of any person with control of the microbrewery. A microbrewery may make sales and deliveries of its beer directly to retail licensees that are under common ownership with the microbrewery in any amount and may also sell and deliver up to 93,000 gallons of its beer directly to other licensed retailers annually.

A licensed microbrewery that produces more than 1,240,000 gallons of beer in a single year may not apply for or receive any retail licenses, that are located remotely from a microbrewery. Additionally, such a microbrewery may not make

<sup>&</sup>lt;sup>8</sup> A.R.S. §§ <u>4-201</u> and <u>4-209</u>

<sup>&</sup>lt;sup>9</sup> <u>A.R.S. § 4-203</u> <sup>10</sup> <u>A.R.S. § 4-262</u>

<sup>&</sup>lt;sup>11</sup> A.R.S. §§ <u>4-209</u> and <u>4-243.02</u>

<sup>&</sup>lt;sup>12</sup> <u>A.R.S. § 4-209</u> <sup>13</sup> <u>A.R.S. § 4-250.01</u> <sup>14</sup> <u>A.R.S. § 4-250</u>

deliveries of beer it has produced or manufactured to any retail licensee except for those that are on or adjacent to the production premises.<sup>15</sup> A licensed microbrewery may be located on the same parcel of land as a farm winery (series 13) if the microbrewery and farm winery are located in separate buildings and licensed to different owners.<sup>16</sup>

#### Wholesaler – Series 04

A wholesaler may warehouse and distribute spirituous liquor for sale to licensed retailers. A wholesaler must purchase the spirituous liquor from the primary source of supply.<sup>17</sup>

#### Government – Series 05

A government license may be issued to any county, city, town, state university, community state agency, college, state board, state commission, National Guard or the Arizona Exposition and State Fair Board upon application. A license allows the holder to sell and serve spirituous liquor solely for consumption on the licensed premises. A separate license is required for each premises upon which spirituous liquors are served.<sup>18</sup>

#### Bar – Series 06

A bar license is an on-sale retailer's license that allows a licensee to sell all spirituous liquors primarily by individual portions to be consumed on the premises and in the original container for consumption on or off the premises. A bar licensee has remote order and delivery privileges and may maintain its own delivery service or contract with one or more registered alcohol delivery contractors for same day deliveries. A bar licensee may also prepare mixed cocktails togo for consumption off premises in accordance with applicable rules.<sup>19</sup> The bar license is a *quota* 

license and the DLLC must issue one additional bar license for every 10,000 person county population increase. The associated off-sale use, by total retail spirituous liquor sales, may not exceed 30 percent of the sales price of on-sale spirituous liquor. The holder of a bar license may simultaneously hold a beer and wine store (series 10) license at the same premises.<sup>20</sup>

#### **Beer and Wine Bar – Series 07**

A beer and wine bar license is an on-sale retailer's license that allows a licensee to sell beer and wine primarily by individual portions for consumption on the premises and, in the original containers, for consumption on or off the premises.<sup>21</sup> A beer and wine bar licensee has remote order and delivery privileges and may maintain its own delivery service or contract with one or more registered alcohol delivery contractors for same day deliveries. The beer and wine bar license is a *quota* license and the DLLC must issue one additional beer and wine bar license for every additional 10,000 person county population increase. The associated off-sale use, by total retail spirituous liquor sales, may not exceed 30 percent of the sales price of on-sale spirituous liquor. The holder of a beer and wine bar license may simultaneously hold a beer and wine store (series 10) license or a restaurant (series 12) license at the same premises.<sup>22</sup>

#### Conveyance – Series 08

A conveyance license allows: 1) an operating railroad company to sell all spirituous liquors in individual portions or in the original containers on its passenger trains; 2) an operating airline company to sell or serve spirituous liquors solely in individual portions on its passenger planes; or 3) a boat operating in Arizona waters to sell all spirituous liquors in individual portions or in the original containers for consumption on the boat. Boat operators must designate a dock as the home

<sup>&</sup>lt;sup>15</sup> <u>A.R.S. § 4-205.08</u> <sup>16</sup> <u>A.R.S. § 4-250.09</u> <sup>17</sup> A.R.S. §§ <u>4-209</u> and <u>4-243.01</u> <sup>18</sup> A.R.S. §§ <u>4-205.03</u> and <u>4-209</u> <sup>19</sup> A.R.S. §§ <u>4-205.03</u> and <u>4-209</u>

<sup>&</sup>lt;sup>19</sup> A.R.S. §§ <u>4-101; 4-209; and 4-244</u>

 $<sup>^{20}</sup>$  A.R.S. §§  $\underline{4\text{--}203}$  and  $\underline{4\text{--}206.01}$   $^{21}$  A.R.S. §§  $\underline{4\text{-}101}$  and  $\underline{4\text{-}209}$   $^{22}$  A.R.S. §§  $\underline{4\text{-}203}$  and  $\underline{4\text{-}206.01}$ 

port for the boat and each boat must have a displacement of no more than 50 tons, a passenger capacity of 80 or more persons and a current coast guard certification. Boat operators may not sell liquor in dock earlier than 30 minutes prior to departure or later than 30 minutes after docking.<sup>23</sup>

#### Liquor Store – Series 09

A liquor store license is an off-sale retailer's license that allows a licensee to sell all spirituous liquor, in the original unbroken package, for consumption off the premises.<sup>24</sup> A liquor store licensee has remote order and delivery privileges and may maintain its own delivery service or contract with one or more independent contractors or registered alcohol delivery contractors for same day deliveries. A liquor store licensee may also prepare mixed cocktails to-go for consumption off premises in accordance with applicable rules. The liquor store license is a quota license and the DLLC must issue one additional liquor store license for every 10,000 person county population increase. The holder of a liquor store license may simultaneously hold a beer and wine bar (series 07) license at the same premises. A liquor store license applicant or licensee may also apply for the associated sampling privileges.<sup>25</sup>

#### **Beer and Wine Store – Series 10**

A beer and wine store license is an off-sale retailer's license that allows the licensee to sell beer and wine, in the original unbroken package, for consumption off the premises. A beer and wine store licensee has remote order and delivery privileges and may maintain its own delivery service or contract with one or more independent contractors or registered alcohol delivery contractors for same day deliveries. A beer and wine store license applicant or licensee may also apply for the associated sampling privileges. A

beer and wine store premises of less than 5,000 square feet must dedicate at least 75 percent of retail shelf space to the sale of spirituous liquor to be eligible for sampling privileges.<sup>26</sup>

#### Hotel-Motel – Series 11

A hotel-motel license allows any Arizona hotel or motel to sell and serve spirituous liquor solely for consumption on the licensed premises if the hotel or motel has a restaurant where food is served on the premises.<sup>27</sup>

#### **Restaurant – Series 12**

A restaurant license may be issued to any restaurant in Arizona that is regularly open for the serving of food to guests for compensation, has suitable kitchen facilities connected with the restaurant for keeping, cooking and preparing foods required for ordinary meals, and derives at least 40 percent of its gross revenue from the sale of food. A restaurant licensee may sell and serve spirituous liquor for consumption on the licensed premises. A restaurant licensee has remote order and delivery privileges and may maintain its own delivery service or contract with one or more registered alcohol delivery contractors for same day deliveries. A restaurant licensee may apply for a permit to sell beer growlers of up to one gallon which may be dispensed at the time of sale in a clean, sealed container composed of a material approved by a national sanitation organization that displays a government warning label provided sales do not exceed 10 percent of total liquor sales.

A restaurant licensee may apply for mixed cocktail to-go privileges: 1) leased from a bar (series 06) or liquor store (series 09) through December 31, 2025; or 2) via permit, beginning January 1, 2026. The mixed cocktail to-go privileges allow the restaurant to prepare mixed cocktails for consumption off the premises in accordance with applicable rules. A restaurant licensee may also lease off-sale privileges from a

<sup>&</sup>lt;sup>23</sup> A.R.S. §§ <u>4-205.07</u> and <u>4-209</u> <sup>24</sup> A.R.S. §§ <u>4-101</u> and <u>4-209</u> <sup>25</sup> A.R.S. §§ <u>4-203</u>; <u>4-206.01</u>; and <u>4-244</u>

 $<sup>^{26}</sup>$  A.R.S. §§  $\underline{4\text{-}101;}$   $\underline{4\text{-}203;}$   $\underline{4\text{-}206.01;}$  and  $\underline{4\text{-}209}$   $^{27}$  A.R.S. §§  $\underline{4\text{-}203;}$   $\underline{4\text{-}205.01;}$  and  $\underline{4\text{-}209}$ 

bar, beer and wine bar or liquor store located within the same county. During the time of the lease, the bar, beer and wine bar or liquor store may not sell spirituous liquor for off-premises consumption, excluding mixed cocktail to-go privileges. Total off-privilege sales, including mixed cocktails, may not exceed 30 percent of the sales price of on-sale spirituous liquors by the licensee at the premises.<sup>28</sup>

#### Farm Winery – Series 13

A farm winery licensee may produce between 200 and 40,000 gallons of wine annually. Each location that engages in producing or manufacturing wine must obtain a separate farm winery license.

Farm winery licensees may: 1) sell and deliver wine to licensed wholesalers; 2) serve wine produced or manufactured on the premises for the purposes of sampling; 3) sell wine to a physically present consumer in the original container for consumption on or off the premises.; and 4) purchase and sell wine that is produced, packaged and labeled by another farm winery for sampling and for consumption on or off the premises only if the sale is to a physically present customer, not to exceed 20 percent of the farm winery's sales by volume. If the farm winery produces between 200 and 20,000 gallons of wine annually, the winery may: 1) sell and deliver its wine directly to consumers and retailers; and 2) sell and deliver wine that the farm winery produces to consumers off the premises that is ordered by telephone, mail, fax or catalogue or through the internet or by other means.

The holder of a farm winery license may simultaneously hold a restaurant (series 12) license on the farm winery premises or other retail premises. A farm winery licensee may also hold a craft distiller (series 18) license and provide sampling and sales of distilled spirits on the same premises as the wine sampling and

retail sales. The DLLC may issue a farm winery license and microbrewery (series 13) license to the same parcel of land if the farm winery and microbrewery are located in separate buildings and licensed to different owners.<sup>29</sup>

#### Club – Series 14

A club licensee may sell and serve all spirituous liquors for consumption only within the licensed establishment and only to bona fide club members and their guests. A club licensee may not hold any other spirituous liquor license. Clubs include veteran and fraternal organizations and golf, social and airline clubs.<sup>30</sup>

#### Special Event – Series 15

A special event license is a temporary license that may be issued only to a government entity, a political party, a campaign committee supporting a candidate for public office or a ballot measure or a nonprofit entity. A special event license authorizes: 1) the sale of spirituous liquor for consumption on the special event premises; or 2) a charitable auction for the sale of spirituous liquor for consumption off premises. The issuance of the license is subject to the approval of the local governing body where the event is being held, unless the license is for a physical location that is fully within already licensed premises. A special event license applicant may contract with a special event contractor for assistance in selling and serving spirituous liquor at the special event. A licensee holding a current active series 06, 07, 11 or 12 license may serve as the special event contractor for a special event without any additional requirements. Other special event contractors may be required by the DLLC to complete an approved training course. A special event license may be issued concurrently with a farm winery, craft distillery or microbrewery festival (series 16) license.<sup>31</sup>

<sup>&</sup>lt;sup>28</sup> A.R.S. §§ <u>4-203.06</u>; <u>4-203.07</u>; <u>4-205.02</u>; <u>4-209</u>; and <u>4-244</u>

<sup>&</sup>lt;sup>29</sup> A.R.S. §§ <u>4-205.04</u> and <u>4-205.09</u>

<sup>&</sup>lt;sup>30</sup> A.R.S. \$ <u>4-101</u> and <u>4-205</u> <sup>31</sup> <u>A.R.S. \$ 4-203.02</u>

#### Festival/Fair – Series 16

A wine, craft distillery or microbrewery festival license is a temporary license that allows a farm winery (series 13), craft distillery (series 18) or microbrewery (series 3) licensee to provide sampling of products on festival premises, sell its products for consumption on the premises and sell its products in the original containers for consumption off the festival premises. Issuance of the festival license is subject to the approval of the local governing body where the event is being held, unless the license is for a physical location that is fully within already licensed premises.

winery, Α farm craft distillery or microbrewery fair license may be issued with county or state fair organizer permission. The fair license allows a farm winery, craft distillery or microbrewery to provide samples of products on the fair premises, sell its products for consumption on the fair premises and sell its products in original containers for consumption off the fair premises.<sup>32</sup>

#### **Direct Shipment License – Series 17**

A direct shipment license may be issued to any winery that holds a federal basic permit issued by the U.S. Alcohol and Tobacco Tax and Trade Bureau (U.S. TTB) and a current license to produce wine issued by any state. A winery with a direct shipment license may annually sell and ship up to 12 nine-liter cases of wine. The wine may be ordered by any means, for personal use only, and may be shipped only to a residential or business address, excluding a licensed premises. The direct shipment license is valid for one year. A farm winery (series 13) that produces 20,000 gallons of wine or less in the proceeding calendar year is exempt from the direct shipment licensing requirements and may ship wine directly to purchasers in Arizona.<sup>33</sup>

#### Craft Distillery – Series 18

A craft distillery licensee may produce or manufacture up to 20,000 gallons of distilled spirits per calendar year. A craft distillery licensee may: 1) make sales and deliveries to licensed wholesalers; 2) serve distilled spirits that are produced or manufactured on the premises for the purpose of consumption on the premises and charge for samples on the premises; 3) sell distilled spirits that are produced or manufactured on the premises in the original container for consumption off the premises to physically present consumers ; 4) make sales and deliveries of distilled spirits that the produced or manufactured on the premises to consumers off the premises if the sale is ordered by telephone, mail, fax, catalogue, the internet or by other means, under specified conditions. A craft distillery licensee that produces up to 3,566 gallons of distilled spirits in a calendar year may sell and deliver its products to on-sale and offsale retailers.

Additionally, a craft distillery licensee may hold one bar (series 06) or restaurant (series 12) license on or adjacent to the licensed premises, under specified circumstances. A craft distillery licensee may also hold a farm winery (series 13) license on the same parcel of land and provide sampling and sales of wine on the same premises as the sampling and retail sales.<sup>34</sup>

#### **Remote Tasting Room – Series 19**

A remote tasting room license may only be acquired as an attachment to a currently held farm winery (series 13) or craft distillery (series 18) license, including out-of-state farm winery and craft distillery licenses (series 02). Farm wineries and craft distillers may have two remote tasting room licenses linked to its master license. A remote tasting room licensee may: 1) sell at the premises wine or distilled spirits produced or manufactured by the master license and produced or manufactured from other master licenses of the

<sup>&</sup>lt;sup>32</sup> A.R.S. §§ <u>4-203.03</u>; <u>4-205.11</u>; and <u>4-205.14</u> <sup>33</sup> <u>A.R.S. § 4-203.04</u>

<sup>&</sup>lt;sup>34</sup> A.R.S. § 4-205.10

same series; and 2) sell to a physically present consumer wine or distilled spirits produced by the master license and by other master licenses of the same series in the original container for consumption on or off premises. The sale of wine or distilled spirits produced or manufactured by other master licenses of the same series may not exceed 20 percent of total sales by volume. Licensees applying for a remote tasting room license must first obtain approval by the local governing body of the remote tasting and retail premises.35

The DLLC may issue a remote tasting room license to a farm winery or craft distillery for a tasting room that is located on the same property as another remote tasting room license if: 1) each remote tasting room license is held by a different person; and 2) each license is located in separate premises that are licensed separately. Remote tasting room licenses may share a common indoor and outdoor area for tasting and consumption of its products.<sup>36</sup>

#### **Alternating Proprietorships** - Series 20

The DLLC may approve applications for grouping two or more spirituous liquor producer (series 01), craft distiller (series 18), farm winery (series 13) or microbrewery (series 03) licenses at one location under a plan of alternating proprietorships, if the licensee has received U.S. TTB approval and all participants operate under U.S. TTB regulations and guidelines.<sup>37</sup>

#### Custom Crush—Series 21

A custom crush license is an agreement between a host farm winery and a tenant farm winery to produce wine on behalf of the tenant. A person otherwise qualified to receive a farm winery (series 13) license may enter into a custom crush arrangement where a licensed winery produces or manufactures wine from grapes or other fruit supplied by that person. The winery

receiving the fruit must be licensed by the U.S. TTB and the DLLC. Each person supplying the grapes or other fruit must first apply for and receive a farm winery license and report to the DLLC all volumes of wine from its custom crush arrangements, which must not be allocated to the gallonage of the receiving farm winery if the supplying farm winery has an active basic permit issued by the U.S. TTB.<sup>38</sup>

#### **On-Sale v. Off-Sale**

Some liquor licensees are categorized as having off-sale and on-sale privileges.

An off-sale retailer is any person operating a bona fide regularly established retail liquor store selling spirituous liquor, wine and beer and any established retail store selling other commodities. The spirituous liquor must be sold in the original unbroken package and be taken for consumption off premises.

An on-sale retailer is any person selling spirituous liquor in the original container for consumption on or off the premises or in individual portions for consumption on the premises.<sup>39</sup>

#### **Retail Order and Delivery**

Any retailer with off-sale privileges, except a bar, beer and wine bar or restaurant, may take orders and deliver spirituous liquor off the licensed premises to a person in Arizona.

A bar, beer and wine bar, liquor store, beer and wine store or restaurant, may take orders and deliver spirituous liquor if the spirituous liquor is packaged by the licensee, loaded for delivery at the licensed premises and delivered in Arizona on the same business day.

The delivery person must verify the age of the person accepting the delivery through the display of identification and receive the person's signature. The licensee is responsible for any violation in connection with the order and delivery of

 $<sup>{}^{38}</sup>_{39} \frac{\text{A.R.S. § 4-205.04}}{\text{A.R.S. § 4-101}}$ 

spirituous liquor. If applicable, a licensee with proper authorization may deliver mixed cocktails or beer growlers. All containers of spirituous liquor must be tamperproof sealed and labeled with an age-restricted label.<sup>40</sup>

#### Mixed Cocktails To-Go

A mixed cocktail is any drink combined at the premises of an authorized licensee that contains a spirituous liquor combined with at least one other ingredient, such as additional spirituous liquors, fruit or vegetable juice, mixers, cream, flavored syrup or other ingredients, except water, and that when combined contains more than one-half of one percent of alcohol by volume.

A bar (series 06) or liquor store (series 09) licensee may prepare mixed cocktails for off premises consumption. A restaurant (series 12) licensee may lease the mixed cocktails to-go privilege from a bar or liquor store through December 31, 2025. Beginning January 1, 2026, a restaurant may prepare a mixed cocktail for off premises consumption if issued a permit by the DLLC. The sale of mixed cocktails for off premises consumption at a bar or restaurant may not exceed 30 percent of the licensee's on-sale spirituous liquor sales at that location. The sale of a mixed cocktail for consumption off premises at a restaurant must be accompanied by the sale of menu food items for consumption on or off the licensed premises.

A licensee that prepares a mixed cocktail for off premises consumption must transfer the cocktail to a clean container with a maximum capacity of up to 32 ounces. The container must be tamperproof sealed and display a government warning label and the licensee's logo or name.<sup>41</sup>

#### Sampling Privileges

State law provides for two types of sampling privileges categorized as either permanent or temporary.

Permanent sampling privileges are available to a liquor store (series 09) or beer and wine store (series 10) licensee that applies for a separate sampling privilege. The sampling privilege allows an unlimited number of days for spirituous liquor sampling on the licensed premises. Each sample is limited to three ounces of beer or cooler-type products, one and one-half ounces of wine and one ounce of distilled spirits per person, per brand, per day. Sampling rights are nontransferable.

Temporary sampling privileges are available for a maximum of 12 days per year per wholesaler or producer per off-sale retail location, with permission of the retailer and the DLLC. Temporary sampling must be limited to two wholesalers or producers at any one off-sale retailer's premises on any day, must not exceed three hours on any day per approved sampling and must meet other statutory requirements. Each sample is limited to three ounces of beer, one and one-half ounces of wine or one ounce of distilled spirits per person per day for consumption on the premises and up to 72 ounces of beer and two ounces of distilled spirits per person per day for consumption off the premises.<sup>42</sup>

#### **Transferable Licenses**

The bar (series 06), beer and wine bar (series 07) and liquor store (series 09) licenses are the only licenses that are transferable. These licenses may be transferred from one person to another, and from one location to another within the same county, provided the transfer meets the original application requirements. Any ownership change of a licensee's business, directly or indirectly, as defined by rule is deemed a transfer.<sup>43</sup>

#### Stackable Licenses

In several instances, statute authorizes the DLLC to issue multiple liquor licenses to a single location, known as license stacking. Applicants may apply for stackable licenses on a single application and each license may remain in active

<sup>&</sup>lt;sup>40</sup> <u>A.R.S. § 4-203</u> <sup>41</sup> A.R.S. §§ <u>4-101</u>; <u>4-203.06</u>; <u>4-203.07</u>; and <u>4-244</u>

<sup>&</sup>lt;sup>42</sup> A.R.S. §§ <u>4-206.01</u> and <u>4-243</u> <sup>43</sup> A.R.S. § <u>4-203</u>

status simultaneously. Typically, the stacked licenses must be owned by and issued to the same licensee. In other cases, licenses are only stacked by proximity, not by ownership or operation at the same location.44

#### **Quota Licenses**

Bar (series 06), beer and wine bar (series 07) and liquor store (series 09) licenses have traditionally been known as quota licenses. This means that no additional series 06, 07 or 09 licenses are available.

License issuance is based on population of each county. County populations are based on Office of Economic Opportunity estimates as of July 1 each year The DLLC must issue one new bar, beer and wine bar and liquor store license for each additional 10,000 persons in a county each year. The Director may waive issuing any series of new licenses in a county for one year if no request has been made to the DLLC for the issuance of a new license of that series.

If more than one person applies for an available quota license, a priority of applicants must be determined by a random selection method prescribed by the Director of DLLC. A person issued an additional quota license must pay an additional issuance fee equal to the license's fair market value.45

#### 300-Foot Rule

Retail liquor licenses may not be issued if, at the time of the original application, the retail premises is within 300 horizontal feet of a school or the fenced recreational area adjacent to a school. This prohibition does not apply to a government (series 05) license, hotel-motel (series 11) license, restaurant (series 12) license, special event (series 15) license, farm winery, craft distiller festival or microbrewery festival or microbrewery fair (series 16) license, playing area of a golf course issued a liquor license, beer and

wine (series 07 and 10) license at a nonprofit performing arts theater with a permanent seating capacity of at least 250 persons.

If a transferrable spirituous liquor license is validly issued for a premises and, on the date an application is filed for a transfer for the premises, it is within 300 feet of a school or the fenced recreational area adjacent to a school, the license may be transferred person to person and the license remains in full force until termination, unless renewed. A person may be issued a liquor license of the same class for a premises that has a transferrable or nontransferable license if, on the date of application for a license on the same premises, it is within 300 feet of a school or fenced recreational area adjacent to a school and the license remains in full force until termination, unless renewed. If a beer and wine store (series 10) license is validly issued for a premises and, on the date an application is filed for a liquor store (series 09) license for the premises, it is within 300 feet of a school or fenced recreational area adjacent to a school, the liquor store license may be issued and the license remains in full force until termination, unless renewed.

The governing body of a city or town, on a case-by-case basis, may approve an exemption from the 300-foot rule for a school that is located in an area designated an entertainment district.<sup>47</sup>

#### LIQUOR LICENSES CHART

The accompanying chart illustrates each of the 21 different series of Arizona liquor licenses, the authorizing statutes and whether the license has on or off-sale privileges, is transferable or may be stacked.

<sup>&</sup>lt;sup>44</sup> DLLC: Multiple Licenses FAQ <sup>45</sup> <u>A.R.S. § 4-206.01</u>

<sup>47</sup> A.R.S. § 4-207

Series	Туре	Statute	Retail Privileges	Transferable	Stackable With
01	In-State Producer	A.R.S. § 4-209	On-sale, requires retail license	No	6, 7, 12
02	Out-of-State Producer	A.R.S. § 4-209	N/A	No	N/A
03	In-State Microbrewery	A.R.S. §§ 4-205.08 and 4-205.09	On and Off-sale	No	6, 7, 12, 13
04	Wholesaler	A.R.S. § 4-209	N/A	No	N/A
05	Government	A.R.S. § 4-205.03	On-sale	No	N/A
06	Bar	A.R.S. §§ 4-206.01 and 4-209	On and Off-sale	Yes	1, 3, 10, 18
07	Beer and Wine Bar	A.R.S. §§ 206.01 and 4-209	On and Off-sale	Yes	1, 3, 9, 10, 12
08	Conveyance	A.R.S. § 4-205.07	On-sale	No	N/A
09	Liquor Store	A.R.S. §§ 4-206.01 and 4-209	Off-sale	Yes	7
10	Beer and Wine Store	A.R.S. § 4-209	Off-sale	No	6, 7
11	Hotel-Motel	A.R.S. §§ 4-205.01 and 4-205.06	On-sale	No	N/A
12	Restaurant	A.R.S. § 4-205.02	On-sale	No	1, 3, 7, 13, 18
13	In-State Farm Winery	A.R.S. §§ 4-205.04 and 4-205.09	On and Off-sale	No	3, 12, 13, 18
14	Club	A.R.S. § 4-205	On-sale	No	N/A
15	Special Event	A.R.S. §§ 4-203.02; 4-204.03; and 4-205.10	On and Off-sale	No	Any in-state liquor licensed premises and series 16
16	Festival/Fair	A.R.S. §§ 4-203.02; 4-203.03; 4-205.11; and 4-205.14	On and Off-sale	No	Any in-state liquor licensed premises and series 15
17	Direct Shipment	A.R.S. § 4-203.04	N/A	No	2, 2W, 2L
18	In-State Craft Distillery	A.R.S. § 4-205.04	On and Off-sale	No	6, 12, 13
19	Remote Tasting Room	A.R.S. §§ 4-205.04; 4-205.09; and 4-205.10	On and Off-sale	No	19
20	Alternating Proprietorships	A.R.S. § 4-243.03	N/A	No	N/A
21	Custom Crush	A.R.S. § 4-205.04	N/A	No	N/A

#### **ADDITIONAL RESOURCES**

- Arizona Department of Liquor Licenses and Control (Phoenix Office) 800 W. Washington, 5<sup>th</sup> Floor Phoenix, AZ 85007 602-542-5141 www.azliquor.gov
- Arizona Department of Liquor Licenses and Control Statutes: <u>Arizona Revised Statutes, Title 4</u>
- Arizona Department of Liquor Licenses and Control, Office of the Auditor General, July 2022, <u>Report No. 22-105</u>