

House Engrossed

Liquor; licensing; processes; procedures

State of Arizona
House of Representatives
Fifty-fifth Legislature
Second Regular Session
2022

HOUSE BILL 2660

AN ACT

AMENDING SECTIONS 4-203.03, 4-203.06, 4-205.04, 4-205.08 AND 4-207, ARIZONA REVISED STATUTES; AMENDING TITLE 4, CHAPTER 2, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 4-207.03; AMENDING SECTIONS 4-209 AND 4-210, ARIZONA REVISED STATUTES; AMENDING TITLE 4, CHAPTER 2, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 4-215; AMENDING SECTIONS 4-243, 4-243.03 AND 4-244, ARIZONA REVISED STATUTES; RELATING TO LIQUOR.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 4-203.03, Arizona Revised Statutes, is amended
3 to read:

4 4-203.03. Farm winery festival license; farm winery fair
5 license; fee

6 A. The director may issue on a temporary basis a farm winery
7 festival license that authorizes:

8 1. The sampling of the farm winery products on the farm winery
9 festival premises.

10 2. The sale of products for consumption on the farm winery festival
11 premises.

12 3. The sale of products in the original container for consumption
13 off the farm winery festival premises.

14 B. Before the director may issue a farm winery festival license, a
15 farm winery festival that is to occur at an otherwise unlicensed location
16 or at a location that is not fully within the licensee's existing licensed
17 premises must be approved by the county board of supervisors, or the
18 board's designee, if the event is to be held in an unincorporated area or
19 by the governing body of the city or town, or the governing body's
20 designee, if the event is to be held in a city or town. A denial by the
21 county, city or town must be forwarded to the director within sixty days
22 after the submission of an application to the county, city or town, unless
23 the applicant has requested more time for consideration of the
24 application.

25 C. The approval process prescribed in this section does not apply
26 to physical locations that are fully located within a premises that is
27 licensed pursuant to this title.

28 D. The director may issue one or more farm winery festival licenses
29 for each farm winery licensed pursuant to this title, for a total of up to
30 one hundred fifty calendar days for each farm winery. The director may
31 establish a fee for each day of each event for a farm winery festival
32 license.

33 E. Any farm winery may apply for a farm winery festival license
34 pursuant to this section.

35 F. A representative of the licensed farm winery may consume small
36 amounts of the products of the licensed farm winery on the festival
37 premises for the purpose of quality control. The wine may include wine
38 produced pursuant to section 4-205.04, ~~subsections~~ SUBSECTION D ~~and E~~ AND
39 SECTION 4-243.03.

40 G. The director may issue a farm winery fair license. With the
41 permission of state fair organizers or county fair organizers, any farm
42 winery may allow the sampling of farm winery products on the fair
43 premises, the sale of the products for consumption on the fair premises
44 and the sale of the products in original containers for consumption off of
45 the fair premises at any sanctioned state fair or county fair. The

1 director may establish a per-day fee for each event for a farm winery fair
2 license.

3 H. Section 4-201 does not apply to the licenses provided for under
4 this section.

5 Sec. 2. Section 4-203.06, Arizona Revised Statutes, is amended to
6 read:

7 4-203.06. Mixed cocktails; off-sale privileges; leases; fees;
8 declining a lease

9 A. Notwithstanding section 4-203, subsection E and section 4-210,
10 subsection A, paragraph 6, through December 31, 2025, bar and liquor store
11 licensees, through the department, shall lease to restaurant licensees the
12 privilege of selling mixed cocktails for consumption off the licensed
13 premises in accordance with section 4-244, paragraph 32, subdivision (d).
14 The lease shall be for a period of one year and shall be renewable for
15 successive terms of one year. The department shall establish a lease
16 amount that fairly recognizes, and is derived from, the commercial value
17 of the privilege to sell mixed cocktails for consumption off the licensed
18 premises. A BAR OR LIQUOR STORE LICENSEE MAY DECLINE TO LEASE THE
19 LICENSEE'S PRIVILEGE BY SURRENDERING THE PRIVILEGE TO THE DEPARTMENT.
20 DECLINING A LEASE DOES NOT AFFECT THE BAR OR LIQUOR STORE LICENSEE'S
21 PRIVILEGE OF SELLING MIXED COCKTAILS FOR CONSUMPTION OFF THE LICENSED
22 PREMISES.

23 B. Leases made pursuant to subsection A of this section are subject
24 to the following conditions:

25 1. A restaurant licensee may apply to the department on a form
26 prescribed and provided by the department for a lease pursuant to this
27 section. The department may establish and charge an application fee for
28 administrative and enforcement costs associated with this section.

29 2. On the director approving the application of a restaurant
30 licensee, the director shall randomly select a bar or liquor store license
31 for the lease of the bar or liquor store licensee's mixed cocktail
32 off-sale privileges to the restaurant licensee through the
33 department. THE DEPARTMENT SHALL IMMEDIATELY NOTIFY THE SELECTED BAR OR
34 LIQUOR STORE LICENSEE OF ITS SELECTION. THE BAR OR LIQUOR STORE LICENSEE
35 HAS THIRTY DAYS TO NOTIFY THE DEPARTMENT IF THE LICENSEE ACCEPTS OR
36 DECLINES THE LEASE. THE FAILURE OF A BAR OR LIQUOR STORE LICENSEE TO
37 RESPOND TO THE DEPARTMENT'S NOTICE OF ITS SELECTION SHALL INDICATE THE BAR
38 OR LIQUOR STORE LICENSEE IS DECLINING TO ENTER INTO THE LEASE AND IS
39 SURRENDERING ITS PRIVILEGE.

40 3. The department shall establish a process to facilitate and
41 approve the lease conveyance and to govern the leases, including the
42 following:

43 (a) A standard form of lease.

44 (b) The term of the lease, which shall be one year except for the
45 first year of the lease. During the first year of the lease, the director

1 may set a lease term that is less than ~~a~~ ONE year in order to align the
2 lease renewal date with the renewal date of the restaurant license. The
3 lease payment amount for the first year may be prorated.

4 (c) The amount of the lease established by the director pursuant to
5 subsection A of this section.

6 (d) The responsibilities of the lessor and lessee.

7 (e) The lease may be transferred to another restaurant licensee if
8 a new restaurant licensee purchases the business of the original lessee
9 during the term of the lease.

10 (f) The privileges conveyed to the lessee during the term of the
11 lease will continue if the bar or liquor store lessor has its license
12 suspended or revoked.

13 (g) If the bar or liquor store lessor sells its license during the
14 term of the lease, the purchaser of the bar or liquor store license
15 becomes the new lessor.

16 (h) This title and rules adopted pursuant to this title apply to
17 both the lessor and lessee.

18 (i) During the term of the lease, all violations and liability for
19 liquor service under the lease shall be attributed only to the restaurant
20 licensee leasing the mixed cocktail off-sale privilege. The restaurant
21 licensee leasing the off-sale privilege is not responsible for violations
22 committed by the lessor.

23 4. The director may deny approval of a lease based on the proposed
24 location or history of the proposed lessee.

25 5. The restaurant licensee shall pay to the department all lease
26 payments in full in advance.

27 6. The department of liquor licenses and control may adopt a
28 procedure to pay the lease amount to the lessor and may use the department
29 of administration to facilitate the payments.

30 7. During the term of the lease, all violations and liability for
31 the liquor service under the lease shall be attributed only to the
32 restaurant licensee leasing the privilege. Pursuant to section 4-210, the
33 director may immediately suspend a lease for any violation of this title
34 or any rule adopted pursuant to this title by the restaurant licensee.
35 The restaurant licensee leasing the off-sale privilege is not responsible
36 for violations committed by the lessor.

37 8. During the term of the lease, a bar or liquor store lessor may
38 continue to sell spirituous liquor as authorized by the bar or liquor
39 store license and mixed cocktails for off-premises consumption pursuant to
40 section 4-244, paragraph 32, subdivision (d).

41 9. The restaurant licensee leasing the off-sale privilege is
42 subject to the limit on off-sale use by the restaurant licensee's total
43 spirituous liquor sales as prescribed in section 4-206.01, subsection G.

1 C. If a restaurant licensee does not renew a lease, the director
2 shall return the bar or liquor store lessor to the random selection
3 process pursuant to subsection B, paragraph 2 of this section.

4 D. If a bar or liquor store lessor has its license suspended or
5 revoked, the director shall transfer the lease to another bar or liquor
6 store licensee at the end of the lease term pursuant to subsection B,
7 paragraph 2 of this section.

8 E. A BAR OR LIQUOR STORE LICENSEE MAY DECLINE A LEASE BY EITHER:

9 1. NOTIFYING THE DEPARTMENT IN WRITING WITHIN THIRTY DAYS AFTER
10 BEING NOTIFIED THAT THE LICENSEE WAS SELECTED BY THE DEPARTMENT.

11 2. FAILING TO RESPOND TO THE DEPARTMENT NOTICE THAT THE LICENSEE
12 HAS BEEN SELECTED TO LEASE TO A RESTAURANT LICENSEE.

13 F. A BAR OR LIQUOR STORE LICENSEE DECLINING A LEASE IS FINAL AND
14 MAY NOT BE REVERSED. ON A BAR OR LIQUOR STORE LICENSEE DECLINING A LEASE
15 AND SURRENDERING ITS PRIVILEGE, THE DEPARTMENT SHALL CONVEY THE PRIVILEGE
16 OF SELLING MIXED COCKTAILS FOR OFF-PREMISES CONSUMPTION TO THE RESTAURANT
17 LICENSEE THAT IS APPROVED FOR THE LEASE.

18 G. THE DEPARTMENT SHALL REVOKE ANY PRIVILEGE CONVEYED TO A
19 RESTAURANT LICENSEE UNDER THIS SECTION IF THE RESTAURANT LICENSEE FAILS TO
20 PAY PRESCRIBED LEASE OR RENEWAL FEES.

21 H. A RESTAURANT LICENSEE WHOSE APPLICATION FOR A LEASE HAS BEEN
22 APPROVED SHALL BE IMMEDIATELY GRANTED THE PRIVILEGE OF SELLING MIXED
23 COCKTAILS FOR OFF-PREMISES CONSUMPTION WHETHER OR NOT A BAR OR LIQUOR
24 STORE LICENSEE HAS ACCEPTED THE LEASE.

25 I. IF A RESTAURANT LICENSEE'S APPLICATION FOR A LEASE PURSUANT TO
26 THIS SECTION HAS BEEN APPROVED BUT THE BAR OR LIQUOR STORE LICENSEE
27 SELECTED DECLINES THE LEASE, THE LEASE PAYMENT RECEIVED BY THE DEPARTMENT
28 FROM THE RESTAURANT LICENSEE SHALL ACCUMULATE DURING THE CALENDAR YEAR
29 WITH OTHER UNCLAIMED LEASE PAYMENTS AND BE PAID DURING THE CALENDAR YEAR
30 ON A FRACTIONAL BASIS TO ALL BAR AND LIQUOR STORE LICENSEES THAT HAVE
31 LEASES PURSUANT TO THIS SECTION.

32 Sec. 3. Section 4-205.04, Arizona Revised Statutes, is amended to
33 read:

34 4-205.04. Farm winery license; issuance; regulatory
35 provisions; retail site; fee

36 A. The director may issue a farm winery license to any person who
37 meets the requirements of subsection C of this section. Each location
38 that engages in producing or manufacturing these products must obtain a
39 separate farm winery license. The licensee may not transfer the farm
40 winery license from person to person or from location to location.

41 B. An applicant for a farm winery license, at the time of filing
42 the application for the license, shall accompany the application with the
43 license fee. A person who holds a farm winery license shall report
44 annually at the end of each calendar year, at the time and in the manner
45 as the director prescribes, the amount of wine produced or manufactured by

1 the licensee during the calendar year. In addition to any provision of
2 this title, if the total amount of wine produced or manufactured during
3 the year exceeds the amount permitted annually by the license, the
4 licensee shall apply for and receive a producer's license only on
5 surrender of the farm winery license or licenses.

6 C. A person may be licensed as a farm winery to sell wine produced
7 or manufactured if in a calendar year it produces at least two hundred
8 gallons and not more than forty thousand gallons of wine and if the winery
9 either holds a winery permit issued by the United States alcohol and
10 tobacco tax and trade bureau or has a contract pursuant to subsection ~~E~~ D
11 of this section for the production or manufacturing of wine from grapes or
12 other fruit grown on at least five producing acres of land owned or
13 controlled by the applicant and the land has been devoted to fruit growing
14 for at least three consecutive calendar years. A licensed farm winery may
15 make sales and deliveries of wine only as specifically provided in this
16 section and as follows:

17 1. A licensed farm winery may make sales and deliveries of wine to
18 wholesalers licensed to sell wine under this title.

19 2. A licensed farm winery may serve wine produced or manufactured
20 on the premises for the purpose of sampling the wine. The wine may
21 include wine produced pursuant to ~~subsections~~ SUBSECTION D ~~and E~~
22 section AND SECTION 4-243.03.

23 3. A representative of the licensed farm winery may consume small
24 amounts of the products of the licensed farm winery on the premises for
25 the purpose of sampling the wine. The wine may include wine produced
26 pursuant to ~~subsections~~ SUBSECTION D ~~and E~~ of this section AND SECTION
27 4-243.03.

28 4. A licensed farm winery may sell to a consumer physically present
29 on the premises wine produced or manufactured on the premises in the
30 original container for consumption on or off the premises. The wine may
31 include wine produced pursuant to ~~subsections~~ SUBSECTION D ~~and E~~ of this
32 section AND SECTION 4-243.03.

33 5. A licensed farm winery may purchase and sell wine produced,
34 packaged and labeled by another licensed farm winery for sampling and
35 consumption on or off the premises only if the retail sale is to a
36 consumer physically present on the premises of the farm winery, except
37 that the sales of wine produced, packaged and labeled by another winery
38 may not exceed twenty percent of the farm winery's sales by volume. The
39 percentage limitation shall not apply to wine produced pursuant to
40 ~~subsections~~ SUBSECTION D ~~and E~~ of this section AND SECTION 4-243.03.

41 6. If the licensed farm winery is not otherwise engaged in the
42 business of a distiller, vintner, brewer, rectifier, blender or other
43 producer of spirituous liquor in any jurisdiction, the licensed farm
44 winery may hold licenses prescribed in section 4-209, subsection B,
45 paragraph 12 on the licensed farm winery premises or other retail

1 premises. Except as provided in paragraph 5 of this subsection, the
2 licensed farm winery shall purchase all other spirituous liquor for sale
3 at the on-sale retail premises from wholesalers that are licensed in this
4 state, except that a licensed farm winery may:

5 (a) Purchase wine from other farm wineries pursuant to paragraph 7
6 of this subsection.

7 (b) Make deliveries of the wine that the farm winery produces to
8 the farm winery's own commonly controlled retail licensed premises.

9 7. A licensed farm winery that produces not more than twenty
10 thousand gallons of wine in a calendar year may make sales and deliveries
11 of the wine that the licensed farm winery produces to on-sale and off-sale
12 retailers.

13 8. Notwithstanding section 4-244, paragraphs 3 and 7, an on-sale or
14 off-sale retailer may purchase and accept delivery of wine from a licensed
15 farm winery pursuant to paragraph 7 of this subsection.

16 9. A licensed farm winery that produces not more than twenty
17 thousand gallons of wine in a calendar year may make sales and deliveries
18 of wine that the licensed farm winery produces to consumers off of the
19 licensed premises and that is ordered by telephone, mail, fax or
20 catalogue, through the internet or by other means if all of the following
21 apply:

22 (a) The purchaser of the wine provided the licensed farm winery
23 with verification of the purchaser's legal age to purchase alcohol.

24 (b) The shipping container in which the wine is shipped is marked
25 to require the signature on delivery of an adult who is of legal age to
26 purchase alcohol and delivery confirmation.

27 (c) The wine is for personal use only and not for resale.

28 (d) The wine is delivered by the licensed farm winery or shipped by
29 the licensed farm winery by a common carrier to a residential or business
30 address other than a premises licensed pursuant to this title.

31 (e) The purchaser could have carried the wine lawfully into or
32 within this state.

33 (f) The delivery is made by a person who is at least twenty-one
34 years of age.

35 (g) The farm winery collects payment for the price of the
36 spirituous liquor ~~no~~ NOT later than at the time of delivery.

37 10. A licensed farm winery may make sales and deliveries as
38 expressly permitted by sections 4-203.03, 4-203.04 and 4-244.04.

39 ~~D. On application by one or more persons, the director may approve~~
40 ~~applications for grouping two or more farm winery licenses at one location~~
41 ~~under a plan of alternating proprietorships if a licensed winery has~~
42 ~~received approval of the alternating proprietorship by the United States~~
43 ~~alcohol and tobacco tax and trade bureau and the participating wineries~~
44 ~~operate under the regulations and guidelines that are issued by the United~~
45 ~~States alcohol and tobacco tax and trade bureau. Each participating~~

1 ~~winery is responsible for filing all reports that relate to its wine~~
2 ~~production or manufacturing with the United States alcohol and tobacco tax~~
3 ~~and trade bureau and the department.~~

4 ~~F.~~ D. A person otherwise qualified to receive a farm winery
5 license may enter into a custom crush arrangement where a licensed winery
6 produces or manufactures wine from grapes or other fruit supplied by the
7 person. The winery receiving the fruit shall be licensed by the United
8 States alcohol and tobacco tax and trade bureau and the department and is
9 responsible for filing all reports that relate to its wine production or
10 manufacturing with the United States alcohol and tobacco tax and trade
11 bureau and the department. Each person supplying the grapes or other
12 fruit shall first apply for and receive a farm winery license and shall
13 report to the department all volumes of wine from its custom crush
14 arrangements, which shall not be allocated to the gallonage of the
15 receiving farm winery if the supplying farm winery has an active basic
16 permit issued by the United States alcohol and tobacco tax and trade
17 bureau.

18 ~~F.~~ E. On application by a farm winery licensee, the director may
19 authorize a farm winery licensee to operate up to two remote tasting and
20 retail premises if:

21 1. The wine sold at the premises is limited to wine produced or
22 manufactured by the licensed farm winery and wines produced or
23 manufactured by other licensed farm wineries, including wines produced or
24 manufactured pursuant to ~~subsections~~ SUBSECTION D ~~and E~~ of this section
25 AND SECTION 4-243.03. The farm winery may sell wine to a consumer
26 physically present on the premises for consumption on or off the
27 premises. Sales of wines not produced or manufactured by the farm winery
28 are limited to ~~no~~ NOT more than twenty percent of the total sales by
29 volume at that location. The percentage limitation shall not apply to
30 wine produced pursuant to ~~subsections~~ SUBSECTION D ~~and E~~ of this section
31 AND SECTION 4-243.03.

32 2. The farm winery licensee:

33 (a) Remains responsible for the premises.

34 (b) Obtains approval for the premises from the local governing body
35 before submitting an application to the department. A copy of an order
36 from the local governing body recommending approval of the premises must
37 be filed with the department as part of the application.

38 (c) Does not sublease the premises.

39 (d) Has an agent who is a natural person who meets the
40 qualifications of licensure in this state.

41 (e) Meets the qualifications for a license pursuant to section
42 4-203, subsection A.

43 ~~G.~~ F. A farm winery licensee may hold a craft distiller license
44 issued pursuant to section 4-205.10. The farm winery and craft distiller
45 licensee is subject to all other requirements of this section and section

1 4-205.10. The farm winery may provide sampling and sales of the distilled
2 spirits pursuant to section 4-205.10, subsection C, paragraphs 2 and 3 on
3 the same premises as the wine sampling and retail sales.

4 ~~H.~~ G. The farm winery is liable for any violation committed in
5 connection with any sale or delivery of the wine. The rules adopted by
6 the director pursuant to section 4-203, subsection J apply to the delivery
7 of wine under subsection C, paragraph 9 of this section. An act or
8 omission of any person who makes a sale or delivery of wine for a licensee
9 under subsection C, paragraph 9 of this section is deemed to be an act or
10 omission of the licensee for the purposes of section 4-210, subsection A,
11 paragraph 9.

12 ~~I.~~ H. A farm winery that sells or delivers wine pursuant to this
13 section shall:

14 1. Pay to the department of revenue all luxury taxes imposed
15 pursuant to title 42, chapter 3 and all transaction privilege or use taxes
16 imposed pursuant to title 42, chapter 5.

17 2. File all returns or reports required by law.

18 ~~J.~~ I. A delivery of wine by a farm winery to a purchaser in this
19 state is a transaction deemed to have occurred in this state.

20 ~~K.~~ J. The director shall adopt rules in order to administer this
21 section.

22 ~~L.~~ K. The director may charge an additional farm winery license
23 fee adopted pursuant to section 4-209 for ~~the issuance of~~ ISSUING
24 licenses, authorizations or approvals pursuant to subsections D, ~~AND~~ E
25 ~~and F~~ of this section.

26 ~~M.~~ L. The farm winery licensee that operates primarily as a remote
27 tasting room premises may exchange the farm winery license for a remote
28 tasting room license without an additional fee, not later than
29 December 31, 2018. The new remote tasting room license must be connected
30 to a farm winery license, with common ownership, that complies with all
31 requirements for a farm winery license pursuant to subsections C and ~~F~~ E
32 of this section.

33 ~~N.~~ M. Production and storage space of the farm winery is excluded
34 from the licensed farm winery premises and is not the public area unless
35 that space is also used for the sale of wine to the public or consumption
36 of or sampling of wine by the public or to provide other services to the
37 public. Pursuant to section 4-118, the director, the director's agents or
38 any peace officer may inspect spaces excluded by this subsection. For the
39 purposes of this subsection, "public area" means a place within a farm
40 winery that is accessible to the public and in which the farm winery
41 authorizes the presence of members of the public.

1 equipment system and replacing bonnet washers, friction rings, valve
2 stems, hardware, unions, clamps, air tees, screws, tapping devices, tower
3 heads and single air and beer lines.

4 D. A licensed microbrewery is subject to all of the following
5 requirements:

6 1. The microbrewery shall produce or manufacture not less than five
7 thousand gallons of beer in each calendar year following the first year of
8 operation.

9 2. The microbrewery shall not produce or manufacture more than six
10 million two hundred thousand gallons of beer in a calendar year.

11 3. If retail operations are conducted in conjunction with the
12 microbrewery, the microbrewery may sell other spirituous liquor products
13 if the microbrewery holds an on-sale retail license for a bar, beer and
14 wine bar, or restaurant. The microbrewery may be issued up to a combined
15 total of seven retail licenses in this state, whether the premises are
16 located on or adjacent to a microbrewery or remotely from a
17 microbrewery. The limit on the number of retail licenses applies on an
18 aggregated basis to all microbreweries that are under common control of
19 any person with control of the microbrewery.

20 4. The microbrewery may make sales and deliveries of beer that it
21 has produced or manufactured to both:

22 (a) Retail licensees that meet the requirements prescribed in
23 paragraph 3 of this subsection in any amount.

24 (b) Any other retail licensee in a cumulative amount not to exceed
25 ninety-three thousand gallons in total for all licensed retailers in any
26 calendar year.

27 E. A microbrewery that produces or manufactures more than one
28 million two hundred forty thousand gallons of beer in a calendar year
29 maintains all of the rights associated with a microbrewery license, except
30 that the microbrewery shall not:

31 1. Apply for or receive a retail license pursuant to subsection D,
32 paragraph 3 of this section for premises that are located remotely from
33 the microbrewery.

34 2. Make sales or deliveries of beer that the microbrewery has
35 produced or manufactured to any retail licensee as provided in subsection
36 D, paragraph 4 of this section, except for the microbrewery's retail
37 licensees on or adjacent to the microbrewery.

38 F. The gallonage amounts prescribed in subsection D, paragraph 2
39 and subsection E of this section apply to the aggregate manufacture or
40 production of all microbreweries that are under common control of any
41 person with control of the microbrewery.

42 G. A microbrewery that is otherwise engaged as a distiller,
43 vintner, brewer, rectifier, blender or other producer of spirituous liquor
44 in any jurisdiction is prohibited from holding any retail license that is
45 located remotely from a microbrewery. THIS SUBSECTION DOES NOT PROHIBIT A

1 PERSON WITH CONTROL OF MORE THAN ONE MICROBREWERY FROM CONDUCTING RETAIL
2 OPERATIONS REMOTELY FROM A MICROBREWERY PURSUANT TO SUBSECTION D,
3 PARAGRAPH 3 OF THIS SECTION.

4 H. A microbrewery that sells or delivers beer pursuant to this
5 section shall:

6 1. Pay to the department of revenue all luxury taxes imposed
7 pursuant to title 42, chapter 3 and all transaction privilege or use taxes
8 imposed pursuant to title 42, chapter 5.

9 2. File all returns or reports required by law.

10 I. A delivery of beer by a microbrewery to a purchaser in this
11 state is a transaction deemed to have occurred in this state.

12 J. The director shall adopt rules ~~in order~~ to administer this
13 section.

14 Sec. 5. Section 4-207, Arizona Revised Statutes, is amended to
15 read:

16 4-207. Restrictions on licensing premises near school
17 buildings; definition

18 A. A retailer's license shall not be issued for any premises that
19 are, at the time the license application is received by the director,
20 ~~within three hundred horizontal feet of a church,~~ within three hundred
21 horizontal feet of a public or private school building with kindergarten
22 programs or any of grades one through twelve or within three hundred
23 horizontal feet of a fenced recreational area adjacent to such school
24 building. This section does not prohibit the renewal of a valid license
25 issued pursuant to this title if, on the date that the original
26 application for the license is filed, the premises were not ~~within three~~
27 ~~hundred horizontal feet of a church,~~ within three hundred horizontal feet
28 of a public or private school building with kindergarten programs or any
29 of grades one through twelve or within three hundred horizontal feet of a
30 fenced recreational area adjacent to such school building.

31 B. Subsection A of this section does not apply to a:

32 1. Restaurant issued a license pursuant to section 4-205.02,
33 subject to the limitations in section 4-205.02, subsection H, ~~for a~~
34 permit allowing for the sale of beer for consumption off of the licensed
35 premises pursuant to section 4-244, paragraph 32, subdivision (c).

36 2. Special event license issued pursuant to section 4-203.02.

37 3. Hotel-motel issued a license pursuant to section 4-205.01.

38 4. Government license issued pursuant to section 4-205.03.

39 5. Playing area of a golf course issued a license pursuant to this
40 article.

41 6. Beer and wine license at a ~~not-for-profit~~ NONPROFIT performing
42 arts theatre with a permanent seating capacity of at least two hundred
43 fifty persons.

44 7. Craft distillery festival license issued pursuant to section
45 4-205.11.

1 8. Farm winery festival license issued pursuant to section
2 4-203.03.

3 C. Notwithstanding subsection A of this section:

4 1. A transferable spirituous liquor license that is validly issued
5 and that is, on the date an application for a transfer is filed, ~~within~~
6 ~~three hundred horizontal feet of a church,~~ within three hundred horizontal
7 feet of a public or private school building with kindergarten programs or
8 any of grades one through twelve or within three hundred horizontal feet
9 of a fenced recreational area adjacent to such school building may be
10 transferred person to person pursuant to sections 4-201, 4-202 and 4-203
11 and remains in full force until the license is terminated in any manner,
12 unless renewed pursuant to section 4-209, subsection A.

13 2. A person may be issued a spirituous liquor license pursuant to
14 sections 4-201, 4-202 and 4-203 of the same class for premises that, on
15 the date the application is filed, have a valid transferable or
16 nontransferable license of the same series if the premises are, on the
17 date an application for the license is filed, ~~within three hundred~~
18 ~~horizontal feet of a church,~~ within three hundred horizontal feet of a
19 public or private school building with kindergarten programs or any of
20 grades one through twelve or within three hundred horizontal feet of a
21 fenced recreational area adjacent to such school building and the license
22 remains in full force until the license is terminated in any manner,
23 unless renewed pursuant to section 4-209, subsection A.

24 3. A person may be issued a liquor store license pursuant to
25 sections 4-201, 4-202, 4-203 and 4-206.01 for premises that have a beer
26 and wine store license validly issued if the premises, on the date an
27 application for such license is filed, are ~~within three hundred horizontal~~
28 ~~feet of a church,~~ within three hundred horizontal feet of a public or
29 private school building with kindergarten programs or any of grades one
30 through twelve or within three hundred horizontal feet of a fenced
31 recreational area adjacent to such school building and the license remains
32 in full force until the license is terminated in any manner, unless
33 renewed pursuant to section 4-209, subsection A.

34 4. The governing body of a city or town, on a case-by-case basis,
35 may approve an exemption from the distance restrictions prescribed in this
36 section for ~~a church or~~ a public or private school that is located in an
37 area that is designated an entertainment district by the governing body of
38 that city or town. A city or town with a population of at least five
39 hundred thousand persons may designate ~~no~~ NOT more than three
40 entertainment districts within the boundaries of the city or town pursuant
41 to this paragraph. A city or town with a population of at least two
42 hundred thousand persons but less than five hundred thousand persons may
43 designate ~~no~~ NOT more than two entertainment districts within the
44 boundaries of the city or town pursuant to this paragraph. A city or town
45 with a population of less than two hundred thousand persons may designate

1 ~~no~~ NOT more than one entertainment district within the boundaries of the
2 city or town pursuant to this paragraph.

3 5. A person may be issued a beer and wine store license pursuant to
4 sections 4-201, 4-202, 4-203 and 4-206.01 for premises that have a liquor
5 store license validly issued if the premises, on the date of an
6 application for which the license is filed, are ~~within three hundred~~
7 ~~horizontal feet of a church,~~ within three hundred horizontal feet of a
8 public or private school building with kindergarten programs or any of
9 grades one through twelve or within three hundred horizontal feet of a
10 fenced recreation area adjacent to such school building and the license
11 remains in full force until the license is terminated in any manner,
12 unless renewed pursuant to section 4-209, subsection A.

13 D. For the purposes of this section, ~~:-~~

14 ~~1. "Church" means a building that is erected or converted for use~~
15 ~~as a church, where services are regularly convened, that is used primarily~~
16 ~~for religious worship and schooling and that a reasonable person would~~
17 ~~conclude is a church by reason of design, signs or architectural or other~~
18 ~~features.~~

19 ~~2.~~ "entertainment district" means a specific contiguous area that
20 is designated an entertainment district by a resolution adopted by the
21 governing body of a city or town, that consists of ~~no~~ NOT more than one
22 square mile, that is ~~no~~ NOT less than one-eighth of a mile in width and
23 that contains a significant number of entertainment, artistic and cultural
24 venues, including music halls, concert facilities, theaters, arenas,
25 stadiums, museums, studios, galleries, restaurants, bars and other related
26 facilities.

27 Sec. 6. Title 4, chapter 2, article 1, Arizona Revised Statutes, is
28 amended by adding section 4-207.03, to read:

29 4-207.03. Extended premises; application; requirements; fee

30 A. AN ON-SALE SPIRITUOUS LIQUOR LICENSEE MAY APPLY TO THE DIRECTOR
31 TO EXTEND THE LICENSED PREMISES ON AN INDIVIDUAL DAY OR HOUR BASIS OR ON A
32 REGULAR RECURRING BASIS. THE APPLICATION FOR AN EXTENDED PREMISES SHALL
33 BE ON A FORM PRESCRIBED BY THE DIRECTOR. THE APPLICATION SHALL CONTAIN
34 PLANS AND DIAGRAMS THAT COMPLETELY DISCLOSE AND DESIGNATE THE PHYSICAL
35 ARRANGEMENT OF THE PROPOSED EXTENDED PREMISES. THE APPLICANT LICENSEE
36 SHALL SUBMIT A COPY OF THE APPLICATION TO THE LOCAL GOVERNING BODY AT
37 LEAST SIXTY DAYS BEFORE SUBMITTING THE APPLICATION TO THE DIRECTOR. THE
38 LOCAL GOVERNING BODY MAY REVIEW THE APPLICATION AND PROVIDE AN ADVISORY
39 RECOMMENDATION TO THE DIRECTOR.

40 B. THE APPLICANT LICENSEE SHALL SUBMIT WITH THE APPLICATION A
41 SECURITY PLAN. THE APPLICANT LICENSEE SHALL IDENTIFY THE SECURITY
42 MEASURES THAT WILL BE IMPLEMENTED BY THE APPLICANT LICENSEE FOR THE
43 EXTENDED PREMISES. THE SECURITY PLAN SHALL:

44 1. PROVIDE FOR THE SAFETY OF PATRONS.

1 date may not sell, purchase or otherwise deal in spirituous liquor until
2 the license is renewed. A license that is not renewed within sixty days
3 after the due date is deemed terminated. The director may renew the
4 terminated license if good cause is shown by the licensee. Except an
5 application fee for a permit pursuant to section 4-203.07 and section
6 4-205.02, subsection K and leases pursuant to sections 4-203.06 and
7 4-203.07, an application fee for an original license or the transfer of a
8 license shall be \$100, which shall be retained by this state.

9 B. Issuance fees for original licenses shall be:

10 1. For an in-state producer's license to manufacture or produce
11 spirituous liquor in this state, \$1,500.

12 2. Except as provided in paragraph 15 of this subsection, for an
13 out-of-state producer's, exporter's, importer's or rectifier's license,
14 \$200.

15 3. For a microbrewery license, \$300.

16 4. For a wholesaler's license to sell spirituous liquors, \$1,500.

17 5. For a government license issued in the name of a state agency,
18 state commission, state board, county, city, town, community college or
19 state university or the national guard, \$100.

20 6. For a bar license, which is an on-sale retailer's license to
21 sell all spirituous liquors primarily by individual portions and in the
22 original containers, \$1,500.

23 7. For a beer and wine bar license, which is an on-sale retailer's
24 license to sell beer and wine primarily by individual portions and in the
25 original containers, \$1,500.

26 8. For a conveyance license issued to an operating railroad
27 company, to sell all spirituous liquors in individual portions or in the
28 original containers on all passenger trains operated by the railroad
29 company, or to an operating airline company, to sell or serve spirituous
30 liquors solely in individual portions on all passenger planes operated by
31 the airline company, or to a boat operating in the waters of this state,
32 to sell all spirituous liquors in individual portions or in the original
33 containers for consumption on the boat, \$1,500.

34 9. For a liquor store license, which is an off-sale retailer's
35 license to sell all spirituous liquors, \$1,500.

36 10. For a beer and wine store license, which is an off-sale
37 retailer's license to sell beer and wine, \$1,500.

38 11. For a hotel-motel license issued as such, to sell and serve
39 spirituous liquors solely for consumption on the licensed premises of the
40 hotel or motel, \$1,500.

41 12. For a restaurant license issued as such, to sell and serve
42 spirituous liquors solely for consumption on the licensed premises of the
43 restaurant, \$1,500. For a permit issued under section 4-205.02,
44 subsection H allowing for the sale of beer for the consumption off the
45 licensed premises pursuant to section 4-244, paragraph 32, subdivision

1 (c), the director may charge a fee. For an application for a permit
2 pursuant to section 4-203.07 and section 4-205.02, subsection K, the
3 director may charge a fee. The director may establish and charge fees for
4 lease applications pursuant to sections 4-203.06 and 4-203.07.

5 13. For a farm winery license, \$100. The director may charge a
6 licensed farm winery a fee pursuant to section 4-205.04, subsection ~~L~~ K.

7 14. For a club license issued in the name of a bona fide club
8 qualified under this title to sell all spirituous liquors on-sale, \$1,000.

9 15. For an out-of-state winery that sells not more than two hundred
10 forty gallons of wine in this state in a calendar year, \$25.

11 16. The department may charge a fee for a craft distiller license.

12 17. The department may charge a fee for registering an alcohol
13 delivery contractor pursuant to section 4-205.13.

14 C. The department may issue licenses with staggered renewal dates
15 to distribute the renewal workload as uniformly as practicable throughout
16 the twelve months of the calendar year. If a license is issued less than
17 six months before the scheduled renewal date of the license, as provided
18 by the department's staggered license renewal system, one-half of the
19 annual license fee shall be charged.

20 D. The annual fees for licenses shall be:

21 1. For an in-state producer's license to manufacture or produce
22 spirituous liquors in this state, \$350.

23 2. Except as provided in paragraph 15 of this subsection, for an
24 out-of-state producer's, exporter's, importer's or rectifier's license,
25 \$50.

26 3. For a microbrewery license, \$300.

27 4. For a wholesaler's license, to sell spirituous liquors, \$250.

28 5. For a government license issued to a county, city or town,
29 community college or state university or the national guard, \$100.

30 6. For a bar license, which is an on-sale retailer's license to
31 sell all spirituous liquors primarily by individual portions and in the
32 original containers, \$150.

33 7. For a beer and wine bar license, which is an on-sale retailer's
34 license to sell beer and wine primarily by individual portions and in the
35 original containers, \$75.

36 8. For a conveyance license issued to an operating railroad
37 company, to sell all spirituous liquors in individual portions or in the
38 original containers on all passenger trains operated by the railroad
39 company, or to an operating airline company, to sell or serve spirituous
40 liquors solely in individual portions on all passenger planes operated by
41 the airline company, or to a boat operating in the waters of this state,
42 to sell all spirituous liquor in individual portions or in the original
43 containers for consumption on the boat, \$225.

44 9. For a liquor store license, which is an off-sale retailer's
45 license to sell all spirituous liquors, \$50.

- 1 10. For a beer and wine store license, which is an off-sale
2 retailer's license to sell beer and wine, \$50.
- 3 11. For a hotel-motel license issued as such, to sell and serve
4 spirituous liquors solely for consumption on the licensed premises of the
5 hotel or motel, \$500.
- 6 12. For a restaurant license issued as such, to sell and serve
7 spirituous liquors solely for consumption on the licensed premises of the
8 restaurant, \$500, and for a restaurant license that is allowed to continue
9 operating as a restaurant pursuant to section 4-213, subsection E, an
10 additional amount established by the director. The department shall
11 transfer this amount to the state treasurer for deposit in the state
12 general fund. The director may establish an annual fee for a permit
13 pursuant to section 4-203.07 and section 4-205.02, subsection K. The
14 director may charge annual lease amounts pursuant to sections 4-203.06 and
15 4-203.07.
- 16 13. For a farm winery license, \$100. The director may charge a
17 licensed farm winery an annual fee pursuant to section 4-205.04,
18 subsection ~~E~~ K.
- 19 14. For a club license issued in the name of a bona fide club
20 qualified under this title to sell all spirituous liquors on-sale, \$150.
- 21 15. For an out-of-state winery that sells not more than two hundred
22 forty gallons of wine in this state in a calendar year, \$25.
- 23 16. The director may charge a fee for the annual renewal of a craft
24 distiller license.
- 25 17. The department may charge a fee for the annual registration
26 renewal of a registered alcohol delivery contractor pursuant to section
27 4-205.13.
- 28 E. Where the business of an on-sale retail licensee is seasonal,
29 not extending over periods of more than six months in any calendar year,
30 the licensee may designate the periods of operation and a license may be
31 granted for those periods only, on payment of one-half of the fee
32 prescribed in subsection D of this section.
- 33 F. Transfer fees from person to person for licenses transferred
34 pursuant to section 4-203, subsection C shall be \$300.
- 35 G. Transfer fees from location to location, as provided for in
36 section 4-203, shall be \$100.
- 37 H. Assignment fees for a change of agent, as provided for in
38 section 4-202, subsection A, an acquisition of control, as provided for in
39 section 4-203, subsection F, or a restructuring, as provided for in
40 section 4-203, subsection H, shall be \$100, except that where a licensee
41 holds multiple licenses and requests multiple, simultaneous changes, the
42 change of agent, acquisition of control or restructuring fee for the first
43 license shall be \$100 and the fee for all remaining licenses shall be \$50
44 each, except that the aggregate fees shall not exceed \$1,000 for all

1 change of agents, \$1,000 for all acquisitions of control and \$1,000 for
2 all restructurings.

3 I. No fee shall be charged by the department for an assignment of a
4 liquor license in probate or an assignment pursuant to the provisions of a
5 will or pursuant to a judicial decree in a domestic relations proceeding
6 that assigns ownership of a business that includes a spirituous liquor
7 license to one of the parties in the proceeding. In the case of
8 nontransferable licenses, no fee shall be charged by the department for
9 the issuance of a license for a licensed business pursuant to a transfer
10 of the business in probate or pursuant to the provisions of a will or
11 pursuant to a judicial decree in a domestic relations proceeding that
12 assigns ownership of the business to one of the parties in the proceeding.

13 J. The director shall assess a surcharge of \$30 on all licenses
14 prescribed in subsection D, paragraphs 6, 7 and 12 of this section.
15 Monies from the surcharge shall be used by the department exclusively for
16 the costs of an auditor and support staff to review compliance by
17 applicants and licensees with the requirements of section 4-205.02,
18 subsection E. The department shall assess the surcharge as part of the
19 annual license renewal fee.

20 K. The director shall assess a surcharge of \$35 on all licenses
21 prescribed in this section. Monies from the surcharge shall be used by
22 the department exclusively for the costs of an enforcement program to
23 investigate licensees who have been the subject of multiple complaints to
24 the department. The enforcement program shall respond to complaints
25 against licensees by neighborhood associations, by neighborhood civic
26 groups and from municipal and county governments. The department shall
27 assess the surcharge as part of the annual license renewal fee.

28 L. The director shall assess a surcharge of \$20 on all licenses
29 prescribed in subsection D, paragraphs 11 and 12 of this section and \$35
30 on all other licenses prescribed in this section. Monies from the
31 surcharge and from surcharges imposed pursuant to subsection K of this
32 section shall be used by the department exclusively for the costs of a
33 neighborhood association interaction and liquor enforcement management
34 unit. The unit shall respond to complaints from neighborhood
35 associations, neighborhood civic groups and local governing authorities
36 regarding liquor violations. The director shall report the unit's
37 activities and the use of monies from the surcharge or surcharges imposed
38 pursuant to subsection K of this section to the board at each board
39 meeting or as the board may direct.

40 M. Licenses may be renewed every two years with payment of license
41 fees that are twice the amount designated in subsection D of this section
42 and other applicable fees. Licensees renewing every two years must comply
43 with annual reporting requirements. The director may adopt reasonable
44 rules to allow licensees to renew every two years.

1 N. The department shall use all monies received from application
2 fees for permits issued pursuant to section 4-205.02, subsection K, leases
3 pursuant to sections 4-203.06 and 4-203.07 and registrations pursuant to
4 section 4-205.13 for administrative costs associated with the permit,
5 registration or lease and enforcement of this chapter.

6 Sec. 8. Section 4-210, Arizona Revised Statutes, is amended to
7 read:

8 4-210. Grounds for revocation, suspension and refusal to
9 renew; notice; complaints; hearings; defense

10 A. After notice and hearing, the director may suspend, revoke or
11 refuse to renew any license, registration, lease or permit issued pursuant
12 to this chapter for any of the following reasons:

13 1. There occurs on the licensed premises repeated acts of violence.

14 2. The licensee, registrant, lessee or permittee fails to
15 satisfactorily maintain the capability, qualifications and reliability
16 requirements of an applicant for a license, registration, lease or permit
17 prescribed in section 4-202, 4-203, 4-203.06, 4-203.07 or 4-205.13.

18 3. The licensee, registrant, lessee, permittee or controlling
19 person knowingly files with the department an application or other
20 document that contains material information that is false or misleading or
21 while under oath knowingly gives testimony in an investigation or other
22 proceeding under this title that is false or misleading.

23 4. The licensee, registrant, lessee, permittee or controlling
24 person is on the premises habitually intoxicated.

25 5. The licensed, registered, leased or permitted business is
26 delinquent for more than one hundred twenty days in ~~the payment of~~ PAYING
27 taxes, penalties or interest in an amount that exceeds \$250 to this state
28 or to any political subdivision of this state.

29 6. The licensee or controlling person obtains, assigns, transfers
30 or sells a spirituous liquor license without ~~compliance~~ COMPLYING with
31 this title or leases or subleases a license.

32 7. The licensee, registrant, lessee or permittee fails to keep for
33 two years and make available to the department on reasonable request all
34 invoices, records, bills or other papers and documents relating to the
35 purchase, sale and delivery of spirituous liquors and, in the case of a
36 restaurant or hotel-motel licensee, all invoices, records, bills or other
37 papers and documents relating to the purchase, sale and delivery of food.

38 8. The licensee, registrant, lessee, permittee or controlling
39 person is convicted of a felony, provided that for a conviction of a
40 corporation to serve as a reason for any action by the director, conduct
41 that constitutes the corporate offense and was the basis for the felony
42 conviction must have been engaged in, authorized, solicited, commanded or
43 recklessly tolerated by the directors of the corporation or by a high
44 managerial agent acting within the scope of employment.

1 9. The licensee, registrant, lessee, permittee or controlling
2 person violates or fails to comply with this title, any rule adopted
3 pursuant to this title or any liquor law of this state or any other state.

4 10. The licensee, registrant, lessee or permittee fails to take
5 reasonable steps to protect the safety of a customer of the licensee,
6 registrant, lessee or permittee or any other person entering, leaving or
7 remaining on the licensed premises when the licensee knew or reasonably
8 should have known of the danger to the person, or the licensee fails to
9 take reasonable steps to intervene by notifying law enforcement officials
10 or otherwise to prevent or break up an act of violence occurring on the
11 licensed premises or immediately adjacent to the premises when the
12 licensee knew or reasonably should have known of the acts of violence.
13 THE DUTY TO PROTECT A CUSTOMER OR OTHER PERSON ON THE LICENSED PREMISES
14 DOES NOT LIMIT THE LICENSEE FROM USING, AS NECESSARY, REASONABLE
15 INTERVENTION, REASONABLE RESTRAINT OR REASONABLE REMOVAL OF A PERSON FROM
16 THE PREMISES TO PREVENT THAT PERSON FROM INJURING OTHER PERSONS ON THE
17 PREMISES OR DAMAGING OR DISRUPTING THE PREMISES.

18 11. The licensee, registrant, lessee, permittee or controlling
19 person lacks good moral character.

20 12. The licensee, registrant, lessee, permittee or controlling
21 person knowingly associates with a person who has engaged in racketeering,
22 as defined in section 13-2301, or who has been convicted of a felony, and
23 the association is of a nature as to create a reasonable risk that the
24 licensee, registrant, lessee or permittee will fail to conform to the
25 requirements of this title or of any criminal statute of this state.

26 13. A licensee that is a liquor store as defined in section 46-297
27 violates the restrictions on use of automatic teller machines or
28 point-of-sale terminals regarding electronic benefit transfer cards
29 prescribed in section 4-242.01.

30 14. There occurs on the licensed premises a serious act of
31 violence. For the purposes of this paragraph, "serious act of violence"
32 means an act of violence in which a serious injury causes the death or
33 critical injury of a person and the injuries would be obvious to a
34 reasonable person.

35 15. The licensee fails to report a serious act of violence that
36 occurs on the licensed premises. For the purposes of this paragraph,
37 "serious act of violence" means an act of violence in which a serious
38 injury causes THE death or critical injury of a person and the injuries
39 would be obvious to a reasonable person.

40 16. The licensee, registrant, lessee or permittee violates an order
41 of the board.

1 B. For the purposes of:

2 1. Subsection A, paragraph 8 of this section, "high managerial
3 agent" means an officer of a corporation or any other agent of the
4 corporation in a position of comparable authority with respect to the
5 formulation of corporate policy.

6 2. Subsection A, paragraphs 9 and 10 of this section, acts or
7 omissions of an employee of a licensee that violate this title or rules
8 adopted pursuant to this title are deemed to be acts or omissions of the
9 licensee. Acts or omissions by an employee or licensee committed during
10 the time the licensed premises were operated pursuant to an interim permit
11 or without a license may be charged as if they had been committed during
12 the period the premises were duly licensed.

13 C. The director may suspend, revoke or refuse to issue, transfer or
14 renew a license, registration, lease or permit under this section based
15 solely on the unrelated conduct or fitness of any officer, director,
16 managing agent or other controlling person if the controlling person
17 retains any interest in or control of the licensee, registrant, lessee or
18 permittee after sixty days following written notice to the licensee,
19 registrant, lessee or permittee. If the controlling person holds stock in
20 a corporate licensee, registrant, lessee or permittee or is a partner in a
21 partnership licensee, registrant, lessee or permittee, the controlling
22 person may only divest himself of the controlling person's interest by
23 transferring the interest to the existing stockholders or partners who
24 must demonstrate to the department that they meet all the requirements for
25 licensure, registration, leasing or permitting. For the purposes of this
26 subsection, the conduct or fitness of a controlling person is unrelated if
27 it would not be attributable to the licensee, registrant, lessee or
28 permittee.

29 D. If the director finds, based on clear and convincing evidence in
30 the record, that a violation involves the use by the licensee, registrant,
31 lessee or permittee of a drive-through or walk-up service window or other
32 physical feature of the licensed premises that allows a customer to
33 purchase spirituous liquor without leaving the customer's vehicle or, with
34 respect to a walk-up service window that prevents the licensee,
35 registrant, lessee or permittee from fully observing the customer, and
36 that the use of that drive-through or walk-up service window or other
37 physical feature caused the violation, the director may suspend or
38 terminate the licensee's, registrant's, lessee's or permittee's use of the
39 drive-through or walk-up service window or other physical feature for the
40 sale of spirituous liquor, in addition to any other sanction.

41 E. The director may refuse to transfer any license, registration,
42 lease or permit or issue a new license, registration, lease or permit at
43 the same location if the director has filed a complaint against the
44 license, registration, lease, permit or location that has not been

1 resolved alleging a violation of any of the grounds stated in subsection A
2 of this section until the time the complaint has been finally adjudicated.

3 F. The director shall receive all complaints of alleged violations
4 of this chapter and is responsible for ~~the investigation of~~ INVESTIGATING
5 all allegations of a violation of, or noncompliance with, this title, any
6 rule adopted pursuant to this title or any condition imposed on the
7 licensee, registrant, lessee or permittee by the license, registration,
8 lease or permit. When the director receives three complaints from any law
9 enforcement agency resulting from three separate incidents at a licensed,
10 leased or permitted establishment or by a registrant within a twelve-month
11 period, the director shall transmit a written report to the board setting
12 forth the complaints, the results of any investigation conducted by the
13 law enforcement agency or the department relating to the complaints and a
14 history of all prior complaints against the license, registration, lease
15 or permit and their disposition. The board shall review the report and
16 may direct the director to conduct further investigation of a complaint or
17 to serve a licensee, registrant, lessee or permittee with a complaint and
18 notice of a hearing pursuant to subsection G of this section.

19 G. On the director's initiation of an investigation or on the
20 receipt of a complaint and an investigation of the complaint as deemed
21 necessary, the director may cause a complaint and notice of a hearing to
22 be directed to the licensee, registrant, lessee or permittee that states
23 the violations alleged against the licensee, registrant, lessee or
24 permittee and directing the licensee, registrant, lessee or permittee,
25 within fifteen days after service of the complaint and notice of a
26 hearing, to appear by filing with the director an answer to the complaint.
27 Failure of the licensee, registrant, lessee or permittee to answer may be
28 deemed an admission by the licensee, registrant, lessee or permittee of
29 commission of the act charged in the complaint. The director may then
30 vacate the hearing and impose any sanction provided by this article. The
31 director may waive any sanction for good cause shown, including excusable
32 neglect. With respect to any violation of this title or any rule adopted
33 pursuant to this title that is based on the act or omission of a
34 licensee's, registrant's, lessee's or permittee's employee, the director
35 shall consider evidence of mitigation presented by the licensee,
36 registrant, lessee or permittee and established by a preponderance of the
37 evidence that the employee acted intentionally and in violation of the
38 express direction or policy adopted by the licensee, registrant, lessee or
39 permittee and communicated to the employee and that the employee
40 successfully completed training in a course approved by the director
41 pursuant to section 4-112, subsection G, paragraph 2. The director may
42 set the hearing before the director or an administrative law judge on any
43 of the grounds stated in subsection A of this section. Instead of issuing
44 a complaint, the director may provide for informal disposition of the
45 matter by consent agreement or may issue a written warning to the

1 licensee, registrant, lessee or permittee. If a warning is issued, the
2 licensee, registrant, lessee or permittee may reply in writing and the
3 director shall keep a record of the warning and the reply.

4 H. A hearing shall conform to the requirements of title 41,
5 chapter 6, article 10. At the hearing an attorney or corporate officer or
6 employee of a corporation may represent the corporation. The revoking,
7 suspending or refusing to renew a license, registration, lease or permit
8 for unpaid taxes, penalties or interest pursuant to subsection A,
9 paragraph 5 of this section is a contested case with the department of
10 revenue pursuant to section 42-1251.01.

11 I. The expiration, cancellation, revocation, reversion, surrender,
12 acceptance of surrender or termination in any other manner of a license,
13 registration, lease or permit does not prevent the initiation or
14 completion of a disciplinary proceeding pursuant to this section against
15 the licensee, registrant, lessee or permittee or license, registration,
16 lease or permit. An order issued pursuant to a disciplinary proceeding
17 against a license, registration, lease or permit is enforceable against
18 other licenses, registrations, leases or permits or subsequent licenses,
19 registrations, leases or permits in which the licensee, registrant,
20 lessee, permittee or controlling person of the license, registration,
21 lease or permit has a controlling interest.

22 J. The department shall provide the same notice as is provided to
23 the licensee, registrant, lessee or permittee to a lienholder, which has
24 provided a document under section 4-112, subsection B, paragraph 3, of all
25 disciplinary or compliance action with respect to a license, registration,
26 lease or permit issued pursuant to this title. The state is not liable
27 for damages for any failure to provide any notice pursuant to this
28 subsection.

29 K. In any disciplinary action pursuant to this title, a lienholder
30 may participate in the determination of the action. The director shall
31 consider mitigation on behalf of the lienholder if the lienholder proves
32 all of the following by a preponderance of the evidence:

33 1. That the lienholder's interest is a bona fide security interest.
34 For the purposes of this paragraph, "bona fide security interest" means
35 the lienholder provides actual consideration to the licensee, registrant,
36 lessee or permittee or the licensee's, registrant's, lessee's or
37 permittee's predecessor in interest in exchange for the lienholder's
38 interest. Bona fide security interest includes a lien taken by the seller
39 of a license, registration, lease or permit as security for the seller's
40 receipt of all or part of the purchase price of the license, registration,
41 lease or permit.

42 2. That a statement of legal or equitable interest was filed with
43 the department before the alleged conduct occurred that is the basis for
44 the action against the license, registration, lease or permit.

1 3. That the lienholder took reasonable steps to correct the
2 licensee's, registrant's, lessee's or permittee's prior actions, if any,
3 or initiated an action pursuant to available contract rights against the
4 licensee, registrant, lessee or permittee for the forfeiture of the
5 license, registration, lease or permit after being provided with notice by
6 the department of disciplinary action as provided in subsection J of this
7 section.

8 4. That the lienholder was free of responsibility for the conduct
9 that is the basis for the proposed revocation.

10 5. That the lienholder reasonably attempted to remain informed by
11 the licensee, registrant, lessee or permittee about the business's
12 conduct.

13 L. If the director decides not to revoke the license, registration,
14 lease or permit based on the circumstances provided in subsection K of
15 this section, the director may issue an order requiring either, or both,
16 of the following:

17 1. The forfeiture of all interest of the licensee, registrant,
18 lessee or permittee in the license, registration, lease or permit.

19 2. The lienholder to pay any civil monetary penalty imposed on the
20 licensee, registrant, lessee or permittee.

21 M. If any on-sale licensee proposes to provide large capacity
22 entertainment events or sporting events with an attendance capacity
23 exceeding a limit established by the director, the director may request a
24 security plan from the licensee that may include trained security
25 officers, lighting and other requirements. This subsection exclusively
26 prescribes the security requirements for a licensee and does not create
27 any civil liability for this state, its agencies, agents or employees or a
28 person licensed under this title or agents or employees of a licensee.

29 N. The director may consider as a mitigating factor or defense to a
30 complaint against a licensee for a violation of subsection A, paragraph 10
31 or 14 of this section that the licensee acted reasonably, responsibly and
32 as expeditiously as possible by asking for intervention by a peace officer
33 to prevent or to break up a riot, a fight, an altercation or tumultuous
34 conduct.

35 Sec. 9. Title 4, chapter 2, article 1, Arizona Revised Statutes, is
36 amended by adding section 4-215, to read:

37 4-215. Regional shopping centers; commercial offices and
38 retail centers; extension of premises; application;
39 approval; fee; definition

40 A. THE OWNER OR MANAGEMENT OF A REGIONAL SHOPPING CENTER THAT
41 ENCOMPASSES AT LEAST FOUR HUNDRED THOUSAND SQUARE FEET OF RETAIL SPACE, ON
42 BEHALF OF RETAIL LICENSEES LOCATED AT THE SHOPPING CENTER, MAY APPLY TO
43 THE DIRECTOR, ON A FORM PRESCRIBED BY THE DIRECTOR, FOR AN EXTENSION OF
44 PREMISES PURSUANT TO THIS SECTION.

1 B. NOTWITHSTANDING THE SQUARE FOOTAGE OF A COMMERCIAL OFFICE AND
2 RETAIL CENTER, ONE OR MORE LICENSEES AT THE COMMERCIAL OFFICE AND RETAIL
3 CENTER MAY APPLY, ON A FORM PRESCRIBED BY THE DIRECTOR, FOR AN EXTENSION
4 OF PREMISES PURSUANT TO THIS SECTION IF ALL OF THE FOLLOWING APPLY:

5 1. THE CENTER IS UNDER ONE MANAGEMENT COMPANY.

6 2. THE PROPOSED EXTENDED PREMISES ARE AT A CENTRAL LOCATION WITHIN
7 THE COMMERCIAL OFFICE AND RETAIL CENTER WITH LIMITED INGRESS AND EGRESS.

8 3. THE PROPOSED EXTENDED PREMISES ARE DESIGNED IN A MANNER THAT THE
9 MANAGEMENT CAN PROVIDE SECURITY AND OVERSIGHT OF THE EXTENDED PREMISES.

10 C. THE PREMISES EXTENSION, IF ISSUED, SHALL ALLOW DESIGNATED ON-
11 SALE RETAIL LICENSEES TO SELL SPIRITUOUS LIQUOR AND TO ALLOW PATRONS TO
12 CONSUME SPIRITUOUS LIQUOR THROUGHOUT A DESIGNATED PEDESTRIAN AREA OF THE
13 REGIONAL SHOPPING CENTER OR COMMERCIAL OFFICE AND RETAIL CENTER.

14 D. AT LEAST SIXTY DAYS BEFORE SUBMITTING THE APPLICATION TO THE
15 DIRECTOR, THE REGIONAL SHOPPING CENTER OR COMMERCIAL OFFICE AND RETAIL
16 CENTER SHALL SUBMIT A COPY OF THE APPLICATION TO THE LOCAL GOVERNING BODY
17 FOR REVIEW. THE LOCAL GOVERNING BODY HAS SIXTY DAYS AFTER THE REGIONAL
18 SHOPPING CENTER OR COMMERCIAL OFFICE AND RETAIL CENTER SUBMITS THE
19 APPLICATION TO THE LOCAL GOVERNING BODY TO REVIEW THE APPLICATION AND
20 PROVIDE ADVISORY RECOMMENDATIONS TO THE DIRECTOR. THE DIRECTOR MAY NOT
21 ACCEPT AN APPLICATION BEFORE THE LOCAL GOVERNING BODY REVIEW PERIOD HAS
22 ELAPSED OR THE LOCAL GOVERNING BODY MAKES ITS ADVISORY RECOMMENDATIONS,
23 WHICHEVER IS SOONER.

24 E. THE APPLICATION SHALL INCLUDE THE REQUIREMENT THAT THE REGIONAL
25 SHOPPING CENTER OR COMMERCIAL OFFICE AND RETAIL CENTER PROVIDE PLANS OR
26 DIAGRAMS DESIGNATING THE SPECIFIC EXTENSION OF PREMISES REQUESTED WITHIN
27 THE REGIONAL SHOPPING CENTER OR COMMERCIAL OFFICE AND RETAIL CENTER. THE
28 PLAN SHALL DELINEATE THE PHYSICAL ARRANGEMENT OF THE EXTENDED PREMISES,
29 INCLUDING SHOWING THE LOCATIONS OF INGRESS TO AND EGRESS FROM THE EXTENDED
30 PREMISES AND OTHER FEATURES OF THE EXTENDED PREMISES AS THE DIRECTOR MAY
31 REQUIRE.

32 F. THE EXTENDED PREMISES AUTHORIZED BY THE DEPARTMENT MAY INCLUDE
33 ONLY AREAS LIMITED TO PEDESTRIAN TRAFFIC AND MAY NOT INCLUDE OR BE
34 BISECTED BY A PUBLIC OR PRIVATE ROADWAY UNLESS THE PRIVATE ROADWAY IS
35 BLOCKED TO VEHICULAR TRAFFIC OR IS IMMEDIATELY ADJACENT TO A PUBLIC OR
36 PRIVATE ROADWAY. TO DELINEATE THE EXTENDED PREMISES AND TO CONTROL
37 SPIRITUOUS LIQUOR SERVICE IN THE EXTENDED PREMISES, THE PLAN MAY USE
38 PHYSICAL BARRIERS, SIGNAGE, ELECTRONIC SURVEILLANCE, SECURITY GUARDS,
39 CORDONS OR A COMBINATION OF THESE BARRIERS AND STRATEGIES.

40 G. THE APPLICATION SHALL INCLUDE A PROVISION THAT THE REGIONAL
41 SHOPPING CENTER OR COMMERCIAL OFFICE AND RETAIL CENTER DESIGNATE THE TIMES
42 OF SPIRITUOUS LIQUOR SERVICE ON THE EXTENDED PREMISES. THE REGIONAL
43 SHOPPING CENTER OR COMMERCIAL OFFICE AND RETAIL CENTER MAY FILE WITH THE
44 DIRECTOR A REQUEST TO MODIFY THE DESIGNATED TIMES OF SPIRITUOUS LIQUOR

1 SERVICE, AND THE DIRECTOR, FOR GOOD CAUSE SHOWN, MAY MODIFY THE DESIGNATED
2 TIMES OF SPIRITUOUS LIQUOR SERVICE.

3 H. RETAIL LICENSEES THAT ARE SUBJECT TO AN EXTENSION OF PREMISES
4 ARE RESPONSIBLE FOR COMPLIANCE WITH THIS TITLE ON THE EXTENDED PREMISES.

5 I. AN EXTENSION OF PREMISES IS SUBJECT TO THE FOLLOWING:

6 1. THE DEPARTMENT MAY CHARGE A FEE IN AN AMOUNT PRESCRIBED BY THE
7 DIRECTOR FOR REVIEWING AND PROCESSING AN APPLICATION SUBMITTED PURSUANT TO
8 THIS SECTION.

9 2. THE DIRECTOR MAY SET DAY AND TIME LIMITS ON USING THE EXTENDED
10 PREMISES AND ESTABLISH SECURITY REQUIREMENTS AS A CONDITION OF APPROVAL.

11 3. THE EXTENDED PREMISES UNDER THIS SECTION MAY NOT OVERLAP THE
12 LICENSED PREMISES OF ANY OTHER LICENSEE UNDER THIS TITLE THAT IS NOT
13 SUBJECT TO THE EXTENSION OF PREMISES.

14 4. THE REGIONAL SHOPPING CENTER, THE COMMERCIAL OFFICE AND RETAIL
15 CENTER AND ON-SALE RETAIL LICENSEES MAY NOT ALTER THE PHYSICAL ARRANGEMENT
16 OF THE EXTENDED PREMISES TO USE ADDITIONAL OR DIFFERENT SPACE, LOCATIONS
17 OF INGRESS OR EGRESS OR ACCOMMODATIONS WITHOUT FIRST COMPLYING WITH THE
18 PROCESS PROVIDED IN SUBSECTION A OF THIS SECTION.

19 5. NOTWITHSTANDING ANY OTHER LAW, THE DIRECTOR MAY CANCEL OR
20 SUSPEND AN ON-SALE RETAIL LICENSEE'S APPROVAL TO EXTEND ITS PREMISES UNDER
21 THIS SECTION FOR GOOD CAUSE AT ANY TIME. THE REGIONAL SHOPPING CENTER,
22 COMMERCIAL OFFICE AND RETAIL CENTER OR LICENSEE MAY APPEAL AN ORDER TO
23 CANCEL OR SUSPEND IN ACCORDANCE WITH THE ADMINISTRATIVE APPEAL PROVISIONS
24 PROVIDED IN THIS TITLE.

25 6. AN EXTENSION OF PREMISES ISSUED PURSUANT TO THIS SECTION IS NOT
26 TRANSFERABLE.

27 J. FOR THE PURPOSES OF THIS SECTION, "LOCAL GOVERNING BODY" MEANS
28 THE COUNTY BOARD OF SUPERVISORS IF THE REGIONAL SHOPPING CENTER OR
29 COMMERCIAL OFFICE AND RETAIL CENTER IS LOCATED IN AN UNINCORPORATED AREA
30 OR THE GOVERNING BODY OF THE CITY OR TOWN IF THE REGIONAL SHOPPING CENTER
31 OR COMMERCIAL OFFICE AND RETAIL CENTER IS LOCATED IN A CITY OR TOWN.

32 Sec. 10. Section 4-243, Arizona Revised Statutes, is amended to
33 read:

34 4-243. Commercial coercion or bribery unlawful; exceptions

35 A. It is unlawful for a person engaged in the business of
36 distiller, vintner, brewer, rectifier or blender or any other producer or
37 wholesaler of any spirituous liquor, directly or indirectly, or through an
38 affiliate:

39 1. To require that a retailer purchase spirituous liquor from the
40 producer or wholesaler to the exclusion, in whole or in part, of
41 spirituous liquor sold or offered for sale by other persons.

42 2. To induce a retailer by any form of commercial bribery to
43 purchase spirituous liquor from the producer or wholesaler to the
44 exclusion, in whole or in part, of spirituous liquor sold or offered for
45 sale by other persons.

1 3. To acquire an interest in property owned, occupied or used by
2 the retailer in the retailer's business, or in a license with respect to
3 the premises of the retailer.

4 4. To furnish, give, rent, lend or sell to the retailer equipment,
5 fixtures, signs, supplies, money, services or other things of value,
6 subject to the exception as the rules adopted pursuant to this title may
7 prescribe, having regard for established trade customs and the purposes of
8 this subsection.

9 5. To pay or credit the retailer for advertising, display or
10 distribution service, except that the director may adopt rules regarding
11 advertising in conjunction with seasonal sporting events.

12 6. To guarantee a loan or repayment of a financial obligation of
13 the retailer.

14 7. To extend credit to the retailer on a sale of spirituous liquor.

15 8. To require the retailer to take and dispose of a certain quota
16 of spirituous liquor.

17 9. To offer or give a bonus, a premium or compensation to the
18 retailer or any of the retailer's officers, employees or representatives.

19 B. This section does not prohibit any distiller, vintner, brewer,
20 rectifier, blender or other producer or wholesaler of any spirituous
21 liquor from:

22 1. Giving financial and other forms of event sponsorship assistance
23 to nonprofit or charitable organizations for purposes of charitable
24 fundraising that are issued special event licenses by the department.
25 This section does not prohibit suppliers from advertising their
26 sponsorship at such special events.

27 2. Providing samples to retail consumers at on-sale premises
28 establishments according to the following procedures:

29 (a) Sampling operations shall be conducted under the supervision of
30 an employee of the sponsoring producer or wholesaler.

31 (b) Sampling shall be limited to sixteen ounces of beer or cooler
32 products, six ounces of wine or two ounces of distilled spirits per person
33 per brand.

34 (c) If requesting the on-sale retailer to prepare a drink for the
35 consumer, the producer's or wholesaler's representative shall pay the
36 retailer for the sample drink.

37 (d) The producer or wholesaler may not buy the on-sale retailer or
38 the retailer's employees a drink during their working hours or while they
39 are engaged in waiting on or serving customers.

40 (e) The producer or wholesaler may not give a keg of beer or any
41 spirituous liquor or any other gifts or benefits to the on-sale retailer.

42 (f) All sampling procedures shall comply with federal sampling laws
43 and regulations.

44 3. Providing samples to retail consumers on an off-sale retailer's
45 premises according to the following procedures:

- 1 (a) Sampling shall be conducted by an employee of the sponsoring
2 producer or wholesaler.
- 3 (b) The producer or wholesaler shall notify the department in
4 writing or by electronic means at least five days before the sampling of
5 the date, time and location of the sampling and of the name of the
6 wholesaler or producer distributing the product.
- 7 (c) Sampling is limited to three ounces of beer, one and one-half
8 ounces of wine or one ounce of distilled spirits per person per day for
9 consumption on the premises and up to seventy-two ounces of beer and two
10 ounces of distilled spirits per person per day for consumption off the
11 premises.
- 12 (d) An off-sale retailer shall not allow sampling to be conducted
13 on a licensed premises on more than twelve days in any calendar year per
14 wholesaler or producer.
- 15 (e) Sampling shall be limited to two wholesalers or producers at
16 any one off-sale retailer's premises on any day and shall not exceed three
17 hours on any day per approved sampling.
- 18 (f) A producer conducting sampling shall buy the sampled product
19 from a wholesaler or from the retailer where the sampling is being
20 conducted. If the product for the sampling is purchased from the
21 retailer, the amount paid for the product must be the same amount that the
22 retailer charges for sale to the general public.
- 23 (g) The producer or wholesaler shall not provide samples to any
24 person who is under the legal drinking age.
- 25 (h) The producer or wholesaler shall designate an area in which
26 sampling is conducted that is in the portion of the licensed premises
27 where spirituous liquor is primarily displayed and separated from the
28 remainder of the off-sale retailer's premises by a wall, rope, door,
29 cable, cord, chain, fence or other barrier. The producer or wholesaler
30 shall not allow persons under the legal drinking age from entering the
31 area in which sampling is conducted. If the retail location has been
32 issued a permanent sampling privilege from the department, the requirement
33 for separation from the remainder of the premises by wall, rope, door,
34 cable, cord, chain, fence or other barrier is not required.
- 35 (i) The producer or wholesaler may not provide samples to the
36 retailer or the retailer's employees.
- 37 (j) Sampling shall not be conducted in retail premises with a total
38 of under five thousand square feet of retail space unless at least
39 seventy-five percent of the retailer's shelf space is dedicated to the
40 sale of spirituous liquor.
- 41 (k) The producer or wholesaler may not give spirituous liquor or
42 any other gifts or benefits to the off-sale retailer.
- 43 (l) All sampling procedures shall comply with federal sampling laws
44 and regulations.

1 C. Notwithstanding subsection A, paragraph 4 of this section, any
2 wholesaler of any spirituous liquor may sell tobacco products or
3 foodstuffs to a retailer at a price not less than the cost to the
4 wholesaler.

5 D. Notwithstanding subsection A, paragraph 4, and subsection B,
6 paragraph 2, subdivision (e) of this section, any wholesaler may furnish
7 without cost promotional items to an on-sale retailer, except that the
8 total market value of the promotional items furnished by that wholesaler
9 to that retailer in any calendar year shall not exceed \$500. For the
10 purposes of this subsection, "promotional items" means items of equipment,
11 supplies, novelties or other advertising specialties that conspicuously
12 display the brand name of a spirituous liquor product. Promotional items
13 do not include signs **OR DISPENSING OR TAPPING MACHINES OR EQUIPMENT**.

14 E. Notwithstanding subsection A, paragraphs 4 and 7 of this
15 section, a wholesaler may in the wholesaler's sole discretion accept the
16 return of malt beverage products from a retailer under any of the
17 following conditions:

18 1. The retailer's licensed premises will be closed for business for
19 thirty or more consecutive days, and the products are likely to spoil or
20 expire during the business closing period.

21 2. The retailer's licensed premises is used primarily as a music or
22 live sporting venue with a permanent occupancy of more than one thousand
23 people, and the products are likely to spoil or expire during the time
24 period between venue events.

25 3. The retailer holds a governmental entity license and conducts
26 less than six events per year at which products are sold, and the products
27 are likely to spoil or expire during the time period between events.

28 F. It is unlawful for a retailer to request or knowingly receive
29 anything of value that a distiller, vintner, brewer, rectifier or blender
30 or any other producer or wholesaler is prohibited by subsection A, D or E
31 of this section from furnishing to a retailer, except that this subsection
32 does not prohibit special discounts provided to retailers and based on
33 quantity purchases.

34 Sec. 11. Section 4-243.03, Arizona Revised Statutes, is amended to
35 read:

36 **4-243.03. Alternating proprietorships**

37 On application by one or more persons, the director may approve
38 applications for grouping two or more spirituous liquor producer, craft
39 distiller, **FARM WINERY** or microbrewery licenses at one location under a
40 plan of alternating proprietorships if a licensed producer, craft
41 distiller, **FARM WINERY** or microbrewery has received approval of the
42 alternating proprietorship by the United States alcohol and tobacco tax
43 and trade bureau and the participating producers, craft distillers, **FARM**
44 **WINERIES** or microbreweries operate under the regulations and guidelines
45 that are issued by the United States alcohol and tobacco tax and trade

1 bureau. Each participating spirituous liquor producer, craft distiller,
2 FARM WINERY or microbrewery is responsible for filing all reports that
3 relate to its production with the United States alcohol and tobacco tax
4 and trade bureau and the department of revenue.

5 Sec. 12. Section 4-244, Arizona Revised Statutes, is amended to
6 read:

7 4-244. Unlawful acts; definition

8 It is unlawful:

9 1. For a person to buy for resale, sell or deal in spirituous
10 liquors in this state without first having procured a license duly issued
11 by the board, except that the director may issue a temporary permit of any
12 series pursuant to section 4-205.05 to a trustee in bankruptcy to acquire
13 and dispose of the spirituous liquor of a debtor.

14 2. For a person to sell or deal in alcohol for beverage purposes
15 without first complying with this title.

16 3. For a distiller, vintner, brewer or wholesaler knowingly to
17 sell, dispose of or give spirituous liquor to any person other than a
18 licensee except in sampling wares as may be necessary in the ordinary
19 course of business, except in donating spirituous liquor to a nonprofit
20 organization that has obtained a special event license for the purpose of
21 charitable fundraising activities or except in donating spirituous liquor
22 with a cost to the distiller, brewer or wholesaler of up to \$500 in a
23 calendar year to an organization that is exempt from federal income taxes
24 under section 501(c) (3), (4), (6) or (7) of the internal revenue code and
25 not licensed under this title.

26 4. For a distiller, vintner or brewer to require a wholesaler to
27 offer or grant a discount to a retailer, unless the discount has also been
28 offered and granted to the wholesaler by the distiller, vintner or brewer.

29 5. For a distiller, vintner or brewer to use a vehicle for trucking
30 or ~~transportation of~~ TRANSPORTING spirituous liquors unless there is
31 affixed to both sides of the vehicle a sign showing the name and address
32 of the licensee and the type and number of the person's license in letters
33 not less than three and one-half inches in height.

34 6. For a person to take or solicit orders for spirituous liquors
35 unless the person is a salesman or solicitor of a licensed wholesaler, a
36 salesman or solicitor of a distiller, brewer, vintner, importer or broker
37 or a registered retail agent.

38 7. For any retail licensee to purchase spirituous liquors from any
39 person other than a solicitor or salesman of a wholesaler licensed in this
40 state.

41 8. For a retailer to acquire an interest in property owned,
42 occupied or used by a wholesaler in the wholesaler's business, or in a
43 license with respect to the premises of the wholesaler.

44 9. Except as provided in paragraphs 10 and 11 of this section, for
45 a licensee or other person to sell, furnish, dispose of or give, or cause

1 to be sold, furnished, disposed of or given, to a person under the legal
2 drinking age or for a person under the legal drinking age to buy, receive,
3 have in the person's possession or consume spirituous liquor. This
4 paragraph does not prohibit the employment by an off-sale retailer of
5 persons who are at least sixteen years of age to check out, if supervised
6 by a person on the premises who is at least eighteen years of age, package
7 or carry merchandise, including spirituous liquor, in unbroken packages,
8 for the convenience of the customer of the employer, if the employer sells
9 primarily merchandise other than spirituous liquor.

10 10. For a licensee to employ a person under eighteen years of age
11 to manufacture, sell or dispose of spirituous liquors. This paragraph does
12 not prohibit the employment by an off-sale retailer of persons who are at
13 least sixteen years of age to check out, if supervised by a person on the
14 premises who is at least eighteen years of age, package or carry
15 merchandise, including spirituous liquor, in unbroken packages, for the
16 convenience of the customer of the employer, if the employer sells
17 primarily merchandise other than spirituous liquor.

18 11. For an on-sale retailer to employ a person under eighteen years
19 of age in any capacity connected with the handling of spirituous liquors.
20 This paragraph does not prohibit the employment by an on-sale retailer of
21 a person under eighteen years of age who cleans up the tables on the
22 premises for reuse, removes dirty dishes, keeps a ready supply of needed
23 items and helps clean up the premises.

24 12. For a licensee, when engaged in waiting on or serving
25 customers, to consume spirituous liquor or for a licensee or on-duty
26 employee to be on or about the licensed premises while in an intoxicated
27 or disorderly condition.

28 13. For an employee of a retail licensee, during that employee's
29 working hours or in connection with such employment, to give to or
30 purchase for any other person, accept a gift of, purchase for the employee
31 or consume spirituous liquor, except that:

32 (a) An employee of a licensee, during that employee's working hours
33 or in connection with the employment, while the employee is not engaged in
34 waiting on or serving customers, may give spirituous liquor to or purchase
35 spirituous liquor for any other person.

36 (b) An employee of an on-sale retail licensee, during that
37 employee's working hours or in connection with the employment, while the
38 employee is not engaged in waiting on or serving customers, may taste
39 samples of beer or wine of not more than four ounces per day or distilled
40 spirits of not more than two ounces per day provided by an employee of a
41 wholesaler or distributor who is present at the time of the sampling.

42 (c) An employee of an on-sale retail licensee, under the
43 supervision of a manager as part of the employee's training and education,
44 while not engaged in waiting on or serving customers may taste samples of
45 distilled spirits of not more than two ounces per educational session or

1 beer or wine of not more than four ounces per educational session, and
2 provided that a licensee does not have more than two educational sessions
3 in any thirty-day period.

4 (d) An unpaid volunteer who is a bona fide member of a club and who
5 is not engaged in waiting on or serving spirituous liquor to customers may
6 purchase for himself and consume spirituous liquor while participating in
7 a scheduled event at the club. An unpaid participant in a food
8 competition may purchase for himself and consume spirituous liquor while
9 participating in the food competition.

10 (e) An unpaid volunteer of a special event licensee under section
11 4-203.02 may purchase and consume spirituous liquor while not engaged in
12 waiting on or serving spirituous liquor to customers at the special event.
13 This subdivision does not apply to an unpaid volunteer whose
14 responsibilities include verification of a person's legal drinking age,
15 security or the operation of any vehicle or heavy machinery.

16 (f) A representative of a producer or wholesaler participating at a
17 special event under section 4-203.02 may consume small amounts of the
18 products of the producer or wholesaler on the premises of the special
19 event for the purpose of quality control.

20 14. For a licensee or other person to serve, sell or furnish
21 spirituous liquor to a disorderly or obviously intoxicated person, or for
22 a licensee or employee of the licensee to allow a disorderly or obviously
23 intoxicated person to come into or remain on or about the premises, except
24 that a licensee or an employee of the licensee may allow an obviously
25 intoxicated person to remain on the premises for not more than thirty
26 minutes after the state of obvious intoxication is known or should be
27 known to the licensee for a nonintoxicated person to transport the
28 obviously intoxicated person from the premises. For the purposes of this
29 section, "obviously intoxicated" means inebriated to the extent that a
30 person's physical faculties are substantially impaired and the impairment
31 is shown by significantly uncoordinated physical action or significant
32 physical dysfunction that would have been obvious to a reasonable person.

33 15. For an on-sale or off-sale retailer or an employee of such
34 retailer or an alcohol delivery contractor to sell, dispose of, deliver or
35 give spirituous liquor to a person between the hours of 2:00 a.m. and
36 6:00 a.m., except that:

37 (a) A retailer with off-sale privileges may receive and process
38 orders, accept payment or package, load or otherwise prepare spirituous
39 liquor for delivery at any time, if the actual deliveries to customers are
40 made between the hours of 6:00 a.m. and 2:00 a.m., at which time section
41 4-241, subsections A and K apply.

42 (b) THE GOVERNOR, IN CONSULTATION WITH THE GOVERNOR'S OFFICE OF
43 HIGHWAY SAFETY AND THE PUBLIC SAFETY COMMUNITY IN THIS STATE, MAY ISSUE AN
44 EXECUTIVE ORDER THAT EXTENDS THE CLOSING TIME UNTIL 3:00 A.M. FOR

1 SPIRITUOUS LIQUOR SALES IN CONNECTION WITH A PROFESSIONAL OR COLLEGIATE
2 NATIONAL SPORTING CHAMPIONSHIP EVENT HELD IN THIS STATE.

3 16. For a licensee or employee to knowingly allow any person on or
4 about the licensed premises to give or furnish any spirituous liquor to
5 any person under twenty-one years of age or knowingly allow any person
6 under twenty-one years of age to have in the person's possession
7 spirituous liquor on the licensed premises.

8 17. For an on-sale retailer or an employee of such retailer to
9 allow a person to consume or possess spirituous liquors on the premises
10 between the hours of 2:30 a.m. and 6:00 a.m., EXCEPT THAT IF THE GOVERNOR
11 EXTENDS THE CLOSING TIME FOR A DAY FOR SPIRITUOUS LIQUOR SALES PURSUANT TO
12 PARAGRAPH 15 OF THIS SECTION IT IS UNLAWFUL FOR AN ON-SALE RETAILER OR AN
13 EMPLOYEE OF SUCH RETAILER ON THAT DAY TO ALLOW A PERSON TO CONSUME OR
14 POSSESS SPIRITUOUS LIQUOR ON THE PREMISES BETWEEN THE HOURS OF 3:30 A.M.
15 AND 6:00 A.M.

16 18. For an on-sale retailer to allow an employee or for an employee
17 to solicit or encourage others, directly or indirectly, to buy the
18 employee drinks or anything of value in the licensed premises during the
19 employee's working hours. An on-sale retailer shall not serve employees
20 or allow a patron of the establishment to give spirituous liquor to,
21 purchase liquor for or drink liquor with any employee during the
22 employee's working hours.

23 19. For an off-sale retailer or employee to sell spirituous liquor
24 except in the original unbroken container, to allow spirituous liquor to
25 be consumed on the premises or to knowingly allow spirituous liquor to be
26 consumed on adjacent property under the licensee's exclusive control.

27 20. For a person to consume spirituous liquor in a public place,
28 thoroughfare or gathering. The license of a licensee allowing a violation
29 of this paragraph on the premises shall be subject to revocation. This
30 paragraph does not apply to the sale of spirituous liquors on the premises
31 of and by an on-sale retailer. This paragraph also does not apply to a
32 person consuming beer or wine from a broken package in a public recreation
33 area or on private property with permission of the owner or lessor or on
34 the walkways surrounding such private property or to a person consuming
35 beer or wine from a broken package in a public recreation area as part of
36 a special event or festival that is conducted under a license secured
37 pursuant to section 4-203.02 or 4-203.03.

38 21. For a person to ~~have possession of~~ POSSESS or to transport
39 spirituous liquor that is manufactured in a distillery, winery, brewery or
40 rectifying plant contrary to the laws of the United States and this
41 state. Any property used in transporting such spirituous liquor shall be
42 forfeited to the state and shall be seized and disposed of as provided in
43 section 4-221.

44 22. For an on-sale retailer or employee to allow a person under the
45 legal drinking age to remain in an area on the licensed premises during

1 those hours in which its primary use is the sale, dispensing or
2 consumption of alcoholic beverages after the licensee, or the licensee's
3 employees, know or should have known that the person is under the legal
4 drinking age. An on-sale retailer may designate an area of the licensed
5 premises as an area in which spirituous liquor will not be sold or
6 consumed for the purpose of allowing underage persons on the premises if
7 the designated area is separated by a physical barrier and at no time will
8 underage persons have access to the area in which spirituous liquor is
9 sold or consumed. A licensee or an employee of a licensee may require a
10 person who intends to enter a licensed premises or a portion of a licensed
11 premises where persons under the legal drinking age are prohibited under
12 this section to exhibit an instrument of identification that is acceptable
13 under section 4-241 as a condition of entry or may use a biometric
14 identity verification device to determine the person's age as a condition
15 of entry. The director, or a municipality, may adopt rules to regulate
16 the presence of underage persons on licensed premises provided the rules
17 adopted by a municipality are more stringent than those adopted by the
18 director. The rules adopted by the municipality shall be adopted by local
19 ordinance and shall not interfere with the licensee's ability to comply
20 with this paragraph. This paragraph does not apply:

21 (a) If the person under the legal drinking age is accompanied by a
22 spouse, parent, grandparent or legal guardian of legal drinking age or is
23 an on-duty employee of the licensee.

24 (b) If the owner, lessee or occupant of the premises is a club as
25 defined in section 4-101, paragraph 8, subdivision (a) and the person
26 under the legal drinking age is any of the following:

27 (i) An active duty military service member.

28 (ii) A veteran.

29 (iii) A member of the United States army national guard or the
30 United States air national guard.

31 (iv) A member of the United States military reserve forces.

32 (c) To the area of the premises used primarily for ~~the~~ serving of
33 food during the hours when food is served.

34 23. For an on-sale retailer or employee to conduct drinking
35 contests, to sell or deliver to a person an unlimited number of spirituous
36 liquor beverages during any set period of time for a fixed price, to
37 deliver more than fifty ounces of beer, one liter of wine or four ounces
38 of distilled spirits in any spirituous liquor drink to one person at one
39 time for that person's consumption or to advertise any practice prohibited
40 by this paragraph. ~~The provisions of~~ This paragraph ~~do~~ DOES not prohibit
41 an on-sale retailer or employee from selling and delivering an opened,
42 original container of distilled spirits if:

43 (a) Service or pouring of the spirituous liquor is provided by an
44 employee of the on-sale retailer. A licensee shall not be charged for a
45 violation of this ~~subdivision~~ PARAGRAPH if a customer, without the

1 knowledge of the retailer, removes or tampers with ~~the~~ A locking device on
2 a bottle delivered to the customer for bottle service and the customer
3 pours the customer's own drink from the bottle, if when the licensee
4 becomes aware of the removal or tampering of the locking device the
5 licensee immediately installs a functioning locking device on the bottle
6 or removes the bottle and lock from bottle service.

7 (b) The employee of the on-sale retailer monitors consumption to
8 ensure compliance with this paragraph. Locking devices may be used, but
9 are not required.

10 24. For a licensee or employee to knowingly allow the unlawful
11 possession, use, sale or offer for sale of narcotics, dangerous drugs or
12 marijuana on the premises. For the purposes of this paragraph, "dangerous
13 drug" has the same meaning prescribed in section 13-3401.

14 25. For a licensee or employee to knowingly allow prostitution or
15 the solicitation of prostitution on the premises.

16 26. For a licensee or employee to knowingly allow unlawful gambling
17 on the premises.

18 27. For a licensee or employee to knowingly allow trafficking or
19 attempted trafficking in stolen property on the premises.

20 28. For a licensee or employee to fail or refuse to make the
21 premises or records available for inspection and examination as provided
22 in this title or to comply with a lawful subpoena issued under this title.

23 29. For any person other than a peace officer while on duty or off
24 duty or a member of a sheriff's volunteer posse while on duty who has
25 received firearms training that is approved by the Arizona peace officer
26 standards and training board, a retired peace officer as defined in
27 section 38-1113 or an honorably retired law enforcement officer who has
28 been issued a certificate of firearms proficiency pursuant to section
29 13-3112, subsection T, the licensee or an employee of the licensee acting
30 with the permission of the licensee to be in possession of a firearm while
31 on the licensed premises of an on-sale retailer. This paragraph does not
32 include a situation in which a person is on licensed premises for a
33 limited time in order to seek emergency aid and such person does not buy,
34 receive, consume or possess spirituous liquor. This paragraph does not
35 apply to:

36 (a) Hotel or motel guest room accommodations.

37 (b) ~~The exhibition~~ EXHIBITING or ~~display of~~ DISPLAYING a firearm in
38 conjunction with a meeting, show, class or similar event.

39 (c) A person with a permit issued pursuant to section 13-3112 who
40 carries a concealed handgun on the licensed premises of any on-sale
41 retailer that has not posted a notice pursuant to section 4-229.

42 30. For a licensee or employee to knowingly allow a person in
43 possession of a firearm other than a peace officer while on duty or off
44 duty or a member of a sheriff's volunteer posse while on duty who has
45 received firearms training that is approved by the Arizona peace officer

1 standards and training board, a retired peace officer as defined in
2 section 38-1113 or an honorably retired law enforcement officer who has
3 been issued a certificate of firearms proficiency pursuant to section
4 13-3112, subsection T, the licensee or an employee of the licensee acting
5 with the permission of the licensee to remain on the licensed premises or
6 to serve, sell or furnish spirituous liquor to a person in possession of a
7 firearm while on the licensed premises of an on-sale retailer. It is a
8 defense to action under this paragraph if the licensee or employee
9 requested assistance of a peace officer to remove such person. This
10 paragraph does not apply to:

11 (a) Hotel or motel guest room accommodations.

12 (b) ~~The exhibition~~ EXHIBITING or ~~display of~~ DISPLAYING a firearm in
13 conjunction with a meeting, show, class or similar event.

14 (c) A person with a permit issued pursuant to section 13-3112 who
15 carries a concealed handgun on the licensed premises of any on-sale
16 retailer that has not posted a notice pursuant to section 4-229.

17 31. For any person in possession of a firearm while on the licensed
18 premises of an on-sale retailer to consume spirituous liquor. This
19 paragraph does not prohibit the consumption of small amounts of spirituous
20 liquor by an undercover peace officer on assignment to investigate the
21 licensed establishment.

22 32. For a licensee or employee to knowingly allow spirituous liquor
23 to be removed from the licensed premises, except in the original unbroken
24 package. This paragraph does not apply to any of the following:

25 (a) A person who removes a bottle of wine that has been partially
26 consumed in conjunction with a purchased meal from licensed premises if a
27 cork is inserted flush with the top of the bottle or the bottle is
28 otherwise securely closed.

29 (b) A person who is in licensed premises that have noncontiguous
30 portions that are separated by a public or private walkway or driveway and
31 who takes spirituous liquor from one portion of the licensed premises
32 across the public or private walkway or driveway directly to the other
33 portion of the licensed premises.

34 (c) A licensee of a bar, beer and wine bar, liquor store, beer and
35 wine store, microbrewery or restaurant that has a permit pursuant to
36 section 4-205.02, subsection H that dispenses beer only in a clean
37 container composed of a material approved by a national sanitation
38 organization with a maximum capacity that does not exceed one gallon and
39 not for consumption on the premises if:

40 (i) The licensee or the licensee's employee fills the container at
41 the tap at the time of sale.

42 (ii) The container is sealed and displays a government warning
43 label.

44 (d) A bar or liquor store licensee that prepares a mixed cocktail
45 or a restaurant licensee that leases the privilege to sell mixed cocktails

1 for consumption off the licensed premises pursuant to section 4-203.06 or
2 holds a permit pursuant to section 4-203.07 and section 4-205.02,
3 subsection K and that prepares a mixed cocktail and transfers it to a
4 clean container composed of a material approved by a national sanitation
5 organization with a maximum capacity that does not exceed thirty-two
6 ounces and not for consumption on the premises if all of the following
7 apply:

8 (i) The licensee or licensee's employee fills the container with
9 the mixed cocktail on the licensed premises of the bar, liquor store or
10 restaurant.

11 (ii) The container is tamperproof sealed by the licensee or the
12 licensee's employee and displays a government warning label.

13 (iii) The container clearly displays the bar's, liquor store's or
14 restaurant's logo or name.

15 (iv) For a restaurant licensee licensed pursuant to section
16 4-205.02, the sale of mixed cocktails for consumption off the licensed
17 premises is accompanied by the sale of menu food items for consumption on
18 or off the licensed premises.

19 33. For a person who is obviously intoxicated to buy or attempt to
20 buy spirituous liquor from a licensee or employee of a licensee or to
21 consume spirituous liquor on licensed premises.

22 34. For a person WHO IS under twenty-one years of age to drive or
23 be in physical control of a motor vehicle while there is any spirituous
24 liquor in the person's body.

25 35. For a person WHO IS under twenty-one years of age to operate or
26 be in physical control of a motorized watercraft that is underway while
27 there is any spirituous liquor in the person's body. For the purposes of
28 this paragraph, "underway" has the same meaning prescribed in section
29 5-301.

30 36. For a licensee, manager, employee or controlling person to
31 purposely induce a voter, by means of alcohol, to vote or abstain from
32 voting for or against a particular candidate or issue on an election day.

33 37. For a licensee to fail to report an occurrence of an act of
34 violence to either the department or a law enforcement agency.

35 38. For a licensee to use a vending machine for the purpose of
36 dispensing spirituous liquor.

37 39. For a licensee to offer for sale a wine carrying a label
38 including a reference to Arizona or any Arizona city, town or geographic
39 location unless at least seventy-five percent by volume of the grapes used
40 in making the wine were grown in Arizona.

41 40. For a retailer to knowingly allow a customer to bring
42 spirituous liquor onto the licensed premises, except that an on-sale
43 retailer may allow a wine and food club to bring wine onto the premises
44 for consumption by the club's members and guests of the club's members in
45 conjunction with meals purchased at a meeting of the club that is

1 conducted on the premises and that at least seven members attend. An
2 on-sale retailer that allows wine and food clubs to bring wine onto its
3 premises under this paragraph shall comply with all applicable provisions
4 of this title and any rules adopted pursuant to this title to the same
5 extent as if the on-sale retailer had sold the wine to the members of the
6 club and their guests. For the purposes of this paragraph, "wine and food
7 club" means an association that has more than twenty bona fide members
8 paying at least \$6 per year in dues and that has been in existence for at
9 least one year.

10 41. For a person WHO IS under twenty-one years of age to have in
11 the person's body any spirituous liquor. In a prosecution for a violation
12 of this paragraph:

13 (a) Pursuant to section 4-249, it is a defense that the spirituous
14 liquor was consumed in connection with the bona fide practice of a
15 religious belief or as an integral part of a religious exercise and in a
16 manner not dangerous to public health or safety.

17 (b) Pursuant to section 4-226, it is a defense that the spirituous
18 liquor was consumed for a bona fide medicinal purpose and in a manner not
19 dangerous to public health or safety.

20 42. For an employee of a licensee to accept any gratuity,
21 compensation, remuneration or consideration of any kind to either:

22 (a) Allow a person who is under twenty-one years of age to enter
23 any portion of the premises where that person is prohibited from entering
24 pursuant to paragraph 22 of this section.

25 (b) Sell, furnish, dispose of or give spirituous liquor to a person
26 who is under twenty-one years of age.

27 43. For a person to purchase, offer for sale or use any device,
28 machine or process that mixes spirituous liquor with pure oxygen or
29 another gas to produce a vaporized product for the purpose of consumption
30 by inhalation or to allow patrons to use any item for the consumption of
31 vaporized spirituous liquor.

32 44. For a retail licensee or an employee of a retail licensee to
33 sell spirituous liquor to a person if the retail licensee or employee
34 knows the person intends to resell the spirituous liquor.

35 45. Except as authorized by paragraph 32, subdivision (c) of this
36 section, for a person to reuse a bottle or other container authorized for
37 use by the laws of the United States or any agency of the United States
38 for the packaging of distilled spirits or for a person to increase the
39 original contents or a portion of the original contents remaining in a
40 liquor bottle or other authorized container by adding any substance.

41 46. For a direct shipment licensee, a farm winery licensee or an
42 employee of those licensees to sell, dispose of, deliver or give
43 spirituous liquor to an individual purchaser between the hours of
44 2:00 a.m. and 6:00 a.m., except that a direct shipment licensee or a farm
45 winery licensee may receive and process orders, accept payment, package,

1 load or otherwise prepare wine for delivery at any time without complying
2 with section 4-241, subsections A and K, if the actual deliveries to
3 individual purchasers are made between the hours of 6:00 a.m. and
4 2:00 a.m. and in accordance with section 4-203.04 for direct shipment
5 licensees and section 4-205.04 for farm winery licensees.

6 Sec. 13. Exemption from rulemaking

7 Notwithstanding any other law, for the purposes of Laws 2021,
8 chapter 375, the department of liquor licenses and control is exempt from
9 the rulemaking requirements of title 41, chapter 6, Arizona Revised
10 Statutes, for one year after the effective date of this act.