

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

CHAPTER 282

HOUSE BILL 2660

AN ACT

AMENDING SECTIONS 4-203.03, 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 4-205.04, Arizona Revised Statutes, is amended to
6 read:

7 4-205.04. Farm winery license; issuance; regulatory
8 provisions; retail site; fee

9 A. The director may issue a farm winery license to any person who
10 meets the requirements of subsection C of this section. Each location
11 that engages in producing or manufacturing these products must obtain a
12 separate farm winery license. The licensee may not transfer the farm
13 winery license from person to person or from location to location.

14 B. An applicant for a farm winery license, at the time of filing
15 the application for the license, shall accompany the application with the
16 license fee. A person who holds a farm winery license shall report
17 annually at the end of each calendar year, at the time and in the manner
18 as the director prescribes, the amount of wine produced or manufactured by
19 the licensee during the calendar year. In addition to any provision of
20 this title, if the total amount of wine produced or manufactured during
21 the year exceeds the amount permitted annually by the license, the
22 licensee shall apply for and receive a producer's license only on
23 surrender of the farm winery license or licenses.

24 C. A person may be licensed as a farm winery to sell wine produced
25 or manufactured if in a calendar year it produces at least two hundred
26 gallons and not more than forty thousand gallons of wine and if the winery
27 either holds a winery permit issued by the United States alcohol and
28 tobacco tax and trade bureau or has a contract pursuant to subsection ~~E~~ D
29 of this section for the production or manufacturing of wine from grapes or
30 other fruit grown on at least five producing acres of land owned or
31 controlled by the applicant and the land has been devoted to fruit growing
32 for at least three consecutive calendar years. A licensed farm winery may
33 make sales and deliveries of wine only as specifically provided in this
34 section and as follows:

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

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

41 3. A representative of the licensed farm winery may consume small
42 amounts of the products of the licensed farm winery on the premises for
43 the purpose of sampling the wine. The wine may include wine produced
44 pursuant to ~~subsections~~ SUBSECTION D ~~and E~~ of this section AND SECTION
45 4-243.03.

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

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

14 6. If the licensed farm winery is not otherwise engaged in the
15 business of a distiller, vintner, brewer, rectifier, blender or other
16 producer of spirituous liquor in any jurisdiction, the licensed farm
17 winery may hold licenses prescribed in section 4-209, subsection B,
18 paragraph 12 on the licensed farm winery premises or other retail
19 premises. Except as provided in paragraph 5 of this subsection, the
20 licensed farm winery shall purchase all other spirituous liquor for sale
21 at the on-sale retail premises from wholesalers that are licensed in this
22 state, except that a licensed farm winery may:

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

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

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

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

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

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

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

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

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

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

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

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

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

12 ~~D. On application by one or more persons, the director may approve~~
13 ~~applications for grouping two or more farm winery licenses at one location~~
14 ~~under a plan of alternating proprietorships if a licensed winery has~~
15 ~~received approval of the alternating proprietorship by the United States~~
16 ~~alcohol and tobacco tax and trade bureau and the participating wineries~~
17 ~~operate under the regulations and guidelines that are issued by the United~~
18 ~~States alcohol and tobacco tax and trade bureau. Each participating~~
19 ~~winery is responsible for filing all reports that relate to its wine~~
20 ~~production or manufacturing with the United States alcohol and tobacco tax~~
21 ~~and trade bureau and the department.~~

22 ~~F. D.~~ A person otherwise qualified to receive a farm winery
23 license may enter into a custom crush arrangement where a licensed winery
24 produces or manufactures wine from grapes or other fruit supplied by the
25 person. The winery receiving the fruit shall be licensed by the United
26 States alcohol and tobacco tax and trade bureau and the department and is
27 responsible for filing all reports that relate to its wine production or
28 manufacturing with the United States alcohol and tobacco tax and trade
29 bureau and the department. Each person supplying the grapes or other
30 fruit shall first apply for and receive a farm winery license and shall
31 report to the department all volumes of wine from its custom crush
32 arrangements, which shall not be allocated to the gallonage of the
33 receiving farm winery if the supplying farm winery has an active basic
34 permit issued by the United States alcohol and tobacco tax and trade
35 bureau.

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

39 1. The wine sold at the premises is limited to wine produced or
40 manufactured by the licensed farm winery and wines produced or
41 manufactured by other licensed farm wineries, including wines produced or
42 manufactured pursuant to ~~subsections~~ SUBSECTION D ~~and E~~ of this section
43 AND SECTION 4-243.03. The farm winery may sell wine to a consumer
44 physically present on the premises for consumption on or off the
45 premises. Sales of wines not produced or manufactured by the farm winery

1 are limited to ~~no~~ NOT more than twenty percent of the total sales by
2 volume at that location. The percentage limitation shall not apply to
3 wine produced pursuant to ~~subsections~~ SUBSECTION D ~~and E~~ of this section
4 AND SECTION 4-243.03.

5 2. The farm winery licensee:

6 (a) Remains responsible for the premises.

7 (b) Obtains approval for the premises from the local governing body
8 before submitting an application to the department. A copy of an order
9 from the local governing body recommending approval of the premises must
10 be filed with the department as part of the application.

11 (c) Does not sublease the premises.

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

14 (e) Meets the qualifications for a license pursuant to section
15 4-203, subsection A.

16 ~~G.~~ F. A farm winery licensee may hold a craft distiller license
17 issued pursuant to section 4-205.10. The farm winery and craft distiller
18 licensee is subject to all other requirements of this section and section
19 4-205.10. The farm winery may provide sampling and sales of the distilled
20 spirits pursuant to section 4-205.10, subsection C, paragraphs 2 and 3 on
21 the same premises as the wine sampling and retail sales.

22 ~~H.~~ G. The farm winery is liable for any violation committed in
23 connection with any sale or delivery of the wine. The rules adopted by
24 the director pursuant to section 4-203, subsection J apply to the delivery
25 of wine under subsection C, paragraph 9 of this section. An act or
26 omission of any person who makes a sale or delivery of wine for a licensee
27 under subsection C, paragraph 9 of this section is deemed to be an act or
28 omission of the licensee for the purposes of section 4-210, subsection A,
29 paragraph 9.

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

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

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

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

38 ~~K.~~ J. The director shall adopt rules in order to administer this
39 section.

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

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

8 ~~N.~~ M. Production and storage space of the farm winery is excluded
9 from the licensed farm winery premises and is not the public area unless
10 that space is also used for the sale of wine to the public or consumption
11 of or sampling of wine by the public or to provide other services to the
12 public. Pursuant to section 4-118, the director, the director's agents or
13 any peace officer may inspect spaces excluded by this subsection. For the
14 purposes of this subsection, "public area" means a place within a farm
15 winery that is accessible to the public and in which the farm winery
16 authorizes the presence of members of the public.

17 Sec. 3. Section 4-205.08, Arizona Revised Statutes, is amended to
18 read:

19 4-205.08. Microbrewery license; issuance; regulatory
20 provisions; retail site

21 A. The director may issue a microbrewery license to any
22 microbrewery. Each location that engages in producing, manufacturing and
23 bottling these products must obtain a separate microbrewery license. The
24 licensee may not transfer the microbrewery license from person to person
25 or from location to location.

26 B. An applicant for a microbrewery license, at the time of filing
27 the application for the license, shall accompany the application with the
28 license fee. Persons holding a microbrewery license shall report annually
29 at the end of each calendar year, at the time and in the manner as the
30 director prescribes, the amount of beer produced or manufactured by them
31 during the calendar year and the amount delivered pursuant to subsection
32 D, paragraph 4, subdivision (b) of this section. If the total amount of
33 beer that is produced or manufactured during the calendar year exceeds the
34 amount permitted annually by the license, the licensee shall apply for and
35 receive a producer's license only on surrender of the microbrewery license
36 or licenses and shall have no continuing rights as a microbrewery under
37 this section. On the surrender of the microbrewery license or licenses,
38 the licensee shall transfer, surrender or otherwise relinquish control of
39 all of its retail licenses located remotely from a microbrewery.

40 C. Notwithstanding any other law, a licensed microbrewery may:

41 1. Sell beer produced or manufactured on the premises for
42 consumption on or off the premises.

43 2. Make sales and deliveries of beer that the microbrewery produces
44 or manufactures to persons licensed to sell beer under this title through

1 wholesalers licensed under this title or as provided in subsection D,
2 paragraph 4, subdivision (a) or (b) of this section.

3 3. Make sales and deliveries of beer that the microbrewery produces
4 or manufactures to persons licensed to sell beer in another state if
5 lawful under the laws of that state.

6 4. Serve beer produced or manufactured on the premises for the
7 purpose of sampling the beer.

8 5. Sell beer produced or manufactured by other microbreweries for
9 consumption only on the premises of the licensee, except that the sales
10 percentage of beer from other microbreweries may not exceed twenty percent
11 of the licensee's annual sales of beer by volume at the premises. If the
12 other microbrewery has established a distribution relationship with one or
13 more wholesalers who are licensed under this title, the beer shall be
14 purchased through those wholesalers.

15 6. Maintain at no charge a tapping equipment system of a licensed
16 retailer when the microbrewery sells beer as provided in subsection D,
17 paragraphs 3 and 4 of this section, including cleaning the tapping
18 equipment system and replacing bonnet washers, friction rings, valve
19 stems, hardware, unions, clamps, air tees, screws, tapping devices, tower
20 heads and single air and beer lines.

21 D. A licensed microbrewery is subject to all of the following
22 requirements:

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

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

28 3. If retail operations are conducted in conjunction with the
29 microbrewery, the microbrewery may sell other spirituous liquor products
30 if the microbrewery holds an on-sale retail license for a bar, beer and
31 wine bar, or restaurant. The microbrewery may be issued up to a combined
32 total of seven retail licenses in this state, whether the premises are
33 located on or adjacent to a microbrewery or remotely from a
34 microbrewery. The limit on the number of retail licenses applies on an
35 aggregated basis to all microbreweries that are under common control of
36 any person with control of the microbrewery.

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

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

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

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

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

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

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

16 G. A microbrewery that is otherwise engaged as a distiller,
17 vintner, brewer, rectifier, blender or other producer of spirituous liquor
18 in any jurisdiction is prohibited from holding any retail license that is
19 located remotely from a microbrewery. THIS SUBSECTION DOES NOT PROHIBIT A
20 PERSON WITH CONTROL OF MORE THAN ONE MICROBREWERY FROM CONDUCTING RETAIL
21 OPERATIONS REMOTELY FROM A MICROBREWERY PURSUANT TO SUBSECTION D,
22 PARAGRAPH 3 OF THIS SECTION.

23 H. A microbrewery that sells or delivers beer pursuant to this
24 section shall:

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

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

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

31 J. The director shall adopt rules ~~in order~~ to administer this
32 section.

33 Sec. 4. Section 4-207, Arizona Revised Statutes, is amended to
34 read:

35 4-207. Restrictions on licensing premises near school
36 buildings: definition

37 A. A retailer's license shall not be issued for any premises that
38 are, at the time the license application is received by the director,
39 ~~within three hundred horizontal feet of a church,~~ within three hundred
40 horizontal feet of a public or private school building with kindergarten
41 programs or any of grades one through twelve or within three hundred
42 horizontal feet of a fenced recreational area adjacent to such school
43 building. This section does not prohibit the renewal of a valid license
44 issued pursuant to this title if, on the date that the original
45 application for the license is filed, the premises were not ~~within three~~

1 ~~hundred horizontal feet of a church,~~ within three hundred horizontal feet
2 of a public or private school building with kindergarten programs or any
3 of grades one through twelve or within three hundred horizontal feet of a
4 fenced recreational area adjacent to such school building.

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

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

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

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

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

13 5. Playing area of a golf course issued a license pursuant to this
14 article.

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

18 7. Craft distillery festival license issued pursuant to section
19 4-205.11.

20 8. Farm winery festival license issued pursuant to section
21 4-203.03.

22 C. Notwithstanding subsection A of this section:

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

32 2. A person may be issued a spirituous liquor license pursuant to
33 sections 4-201, 4-202 and 4-203 of the same class for premises that, on
34 the date the application is filed, have a valid transferable or
35 nontransferable license of the same series if the premises are, on the
36 date an application for the license is filed, ~~within three hundred~~
37 ~~horizontal feet of a church,~~ within three hundred horizontal feet of a
38 public or private school building with kindergarten programs or any of
39 grades one through twelve or within three hundred horizontal feet of a
40 fenced recreational area adjacent to such school building and the license
41 remains in full force until the license is terminated in any manner,
42 unless renewed pursuant to section 4-209, subsection A.

43 3. A person may be issued a liquor store license pursuant to
44 sections 4-201, 4-202, 4-203 and 4-206.01 for premises that have a beer
45 and wine store license validly issued if the premises, on the date an

1 application for such license is filed, are ~~within three hundred horizontal~~
2 ~~feet of a church~~, within three hundred horizontal feet of a public or
3 private school building with kindergarten programs or any of grades one
4 through twelve or within three hundred horizontal feet of a fenced
5 recreational area adjacent to such school building and the license remains
6 in full force until the license is terminated in any manner, unless
7 renewed pursuant to section 4-209, subsection A.

8 4. The governing body of a city or town, on a case-by-case basis,
9 may approve an exemption from the distance restrictions prescribed in this
10 section for ~~a church or~~ a public or private school that is located in an
11 area that is designated an entertainment district by the governing body of
12 that city or town. A city or town with a population of at least five
13 hundred thousand persons may designate ~~no~~ NOT more than three
14 entertainment districts within the boundaries of the city or town pursuant
15 to this paragraph. A city or town with a population of at least two
16 hundred thousand persons but less than five hundred thousand persons may
17 designate ~~no~~ NOT more than two entertainment districts within the
18 boundaries of the city or town pursuant to this paragraph. A city or town
19 with a population of less than two hundred thousand persons may designate
20 ~~no~~ NOT more than one entertainment district within the boundaries of the
21 city or town pursuant to this paragraph.

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

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

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

38 ~~2.~~ "entertainment district" means a specific contiguous area that
39 is designated an entertainment district by a resolution adopted by the
40 governing body of a city or town, that consists of ~~no~~ NOT more than one
41 square mile, that is ~~no~~ NOT less than one-eighth of a mile in width and
42 that contains a significant number of entertainment, artistic and cultural
43 venues, including music halls, concert facilities, theaters, arenas,
44 stadiums, museums, studios, galleries, restaurants, bars and other related
45 facilities.

1 Sec. 5. Title 4, chapter 2, article 1, Arizona Revised Statutes, is
2 amended by adding section 4-207.03, to read:

3 4-207.03. Extended premises; application; requirements; fee

4 A. AN ON-SALE SPIRITUOUS LIQUOR LICENSEE MAY APPLY TO THE DIRECTOR
5 TO EXTEND THE LICENSED PREMISES ON AN INDIVIDUAL DAY OR HOUR BASIS OR ON A
6 REGULAR RECURRING BASIS. THE APPLICATION FOR AN EXTENDED PREMISES SHALL
7 BE ON A FORM PRESCRIBED BY THE DIRECTOR. THE APPLICATION SHALL CONTAIN
8 PLANS AND DIAGRAMS THAT COMPLETELY DISCLOSE AND DESIGNATE THE PHYSICAL
9 ARRANGEMENT OF THE PROPOSED EXTENDED PREMISES. THE APPLICANT LICENSEE
10 SHALL SUBMIT A COPY OF THE APPLICATION TO THE LOCAL GOVERNING BODY AT
11 LEAST SIXTY DAYS BEFORE SUBMITTING THE APPLICATION TO THE DIRECTOR. THE
12 LOCAL GOVERNING BODY OR THE LOCAL GOVERNING BODY'S DESIGNEE MAY REVIEW THE
13 APPLICATION AND PROVIDE AN ADVISORY RECOMMENDATION TO THE DIRECTOR.

14 B. THE APPLICANT LICENSEE SHALL SUBMIT WITH THE APPLICATION A
15 SECURITY PLAN. THE APPLICANT LICENSEE SHALL IDENTIFY THE SECURITY
16 MEASURES THAT WILL BE IMPLEMENTED BY THE APPLICANT LICENSEE FOR THE
17 EXTENDED PREMISES. THE SECURITY PLAN SHALL:

18 1. PROVIDE FOR THE SAFETY OF PATRONS.

19 2. ENSURE THAT AN INDIVIDUAL WHO IS UNDER THE LEGAL DRINKING AGE
20 DOES NOT PURCHASE, POSSESS OR CONSUME SPIRITUOUS LIQUOR ON THE EXTENDED
21 PREMISES.

22 3. PREVENT THE UNAUTHORIZED REMOVAL OF SPIRITUOUS LIQUOR FROM THE
23 EXTENDED PREMISES.

24 4. PREVENT THE UNAUTHORIZED CARRYING OF SPIRITUOUS LIQUOR ONTO THE
25 EXTENDED PREMISES.

26 C. THE APPLICANT LICENSEE SHALL FILE WITH THE APPLICATION AND MAY
27 MODIFY FROM TIME TO TIME A SCHEDULE SHOWING THE DATE AND TIME PERIODS WHEN
28 THE EXTENDED PREMISES WILL BE IN USE. THE APPLICANT LICENSEE SHALL
29 PROVIDE AT LEAST TEN DAYS' WRITTEN NOTICE OF THE MODIFICATION TO THE
30 DEPARTMENT.

31 D. THE RIGHT OF A LICENSEE TO USE AN EXTENDED PREMISES MAY BE
32 LIMITED OR REVOKED BY THE DIRECTOR FOR A VIOLATION OF THIS TITLE OR ANY
33 RULE ADOPTED PURSUANT TO THIS TITLE.

34 E. THE DEPARTMENT MAY CHARGE A FEE IN AN AMOUNT PRESCRIBED BY THE
35 DIRECTOR FOR THE REVIEW AND PROCESSING OF APPLICATIONS.

36 F. A LICENSEE WITH EXTENDED PREMISES MAY NOT ALLOW AN INDIVIDUAL
37 WHO IS UNDER THE LEGAL DRINKING AGE AND WHO IS NOT ACCOMPANIED BY A
38 SPOUSE, PARENT, GRANDPARENT OR LEGAL GUARDIAN OF LEGAL DRINKING AGE TO
39 REMAIN IN AN AREA ON THE EXTENDED PREMISES DURING HOURS IN WHICH THE
40 PRIMARY USE OF THE PREMISES IS THE SALE, DISPENSING OR CONSUMPTION OF
41 SPIRITUOUS LIQUOR AFTER THE LICENSEE OR LICENSEE'S EMPLOYEES KNOW OR
42 SHOULD HAVE KNOWN THAT THE INDIVIDUAL IS UNDER THE LEGAL DRINKING AGE.

1 Sec. 6. Section 4-209, Arizona Revised Statutes, is amended to
2 read:

3 4-209. Fees for license, application, issuance, renewal and
4 transfer; late renewal penalty; seasonal operation;
5 surcharges

6 A. A fee shall accompany an application for an original license or
7 transfer of a license, or in case of renewal, shall be paid in advance.
8 Every license expires annually, except that a license may be renewed for a
9 two-year period pursuant to subsection M of this section if no compliance
10 penalties have been issued to that location during the year before the
11 renewal. A licensee who fails to renew the license on or before the due
12 date shall pay a penalty of \$150, which the licensee shall pay with the
13 renewal fee. A license renewal that is deposited, properly addressed and
14 postage prepaid in an official depository of the United States mail on or
15 before the due date shall be deemed filed and received by the department
16 on the date shown by the postmark or other official mark of the United
17 States postal service stamped on the envelope. If the due date falls on a
18 Saturday, Sunday or other legal holiday, the renewal shall be considered
19 timely if it is received by the department on the next business day. The
20 director may waive a late renewal penalty if good cause is shown by the
21 licensee. A licensee who fails to renew the license on or before the due
22 date may not sell, purchase or otherwise deal in spirituous liquor until
23 the license is renewed. A license that is not renewed within sixty days
24 after the due date is deemed terminated. The director may renew the
25 terminated license if good cause is shown by the licensee. Except an
26 application fee for a permit pursuant to section 4-203.07 and section
27 4-205.02, subsection K and leases pursuant to sections 4-203.06 and
28 4-203.07, an application fee for an original license or the transfer of a
29 license shall be \$100, which shall be retained by this state.

30 B. Issuance fees for original licenses shall be:

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

33 2. Except as provided in paragraph 15 of this subsection, for an
34 out-of-state producer's, exporter's, importer's or rectifier's license,
35 \$200.

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

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

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

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

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

4 8. For a conveyance license issued to an operating railroad
5 company, to sell all spirituous liquors in individual portions or in the
6 original containers on all passenger trains operated by the railroad
7 company, or to an operating airline company, to sell or serve spirituous
8 liquors solely in individual portions on all passenger planes operated by
9 the airline company, or to a boat operating in the waters of this state,
10 to sell all spirituous liquors in individual portions or in the original
11 containers for consumption on the boat, \$1,500.

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

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

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

19 12. For a restaurant license issued as such, to sell and serve
20 spirituous liquors solely for consumption on the licensed premises of the
21 restaurant, \$1,500. For a permit issued under section 4-205.02,
22 subsection H allowing for the sale of beer for the consumption off the
23 licensed premises pursuant to section 4-244, paragraph 32, subdivision
24 (c), the director may charge a fee. For an application for a permit
25 pursuant to section 4-203.07 and section 4-205.02, subsection K, the
26 director may charge a fee. The director may establish and charge fees for
27 lease applications pursuant to sections 4-203.06 and 4-203.07.

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

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

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

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

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

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

43 D. The annual fees for licenses shall be:

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

- 1 2. Except as provided in paragraph 15 of this subsection, for an
2 out-of-state producer's, exporter's, importer's or rectifier's license,
3 \$50.
- 4 3. For a microbrewery license, \$300.
- 5 4. For a wholesaler's license, to sell spirituous liquors, \$250.
- 6 5. For a government license issued to a county, city or town,
7 community college or state university or the national guard, \$100.
- 8 6. For a bar license, which is an on-sale retailer's license to
9 sell all spirituous liquors primarily by individual portions and in the
10 original containers, \$150.
- 11 7. For a beer and wine bar license, which is an on-sale retailer's
12 license to sell beer and wine primarily by individual portions and in the
13 original containers, \$75.
- 14 8. For a conveyance license issued to an operating railroad
15 company, to sell all spirituous liquors in individual portions or in the
16 original containers on all passenger trains operated by the railroad
17 company, or to an operating airline company, to sell or serve spirituous
18 liquors solely in individual portions on all passenger planes operated by
19 the airline company, or to a boat operating in the waters of this state,
20 to sell all spirituous liquor in individual portions or in the original
21 containers for consumption on the boat, \$225.
- 22 9. For a liquor store license, which is an off-sale retailer's
23 license to sell all spirituous liquors, \$50.
- 24 10. For a beer and wine store license, which is an off-sale
25 retailer's license to sell beer and wine, \$50.
- 26 11. For a hotel-motel license issued as such, to sell and serve
27 spirituous liquors solely for consumption on the licensed premises of the
28 hotel or motel, \$500.
- 29 12. For a restaurant license issued as such, to sell and serve
30 spirituous liquors solely for consumption on the licensed premises of the
31 restaurant, \$500, and for a restaurant license that is allowed to continue
32 operating as a restaurant pursuant to section 4-213, subsection E, an
33 additional amount established by the director. The department shall
34 transfer this amount to the state treasurer for deposit in the state
35 general fund. The director may establish an annual fee for a permit
36 pursuant to section 4-203.07 and section 4-205.02, subsection K. The
37 director may charge annual lease amounts pursuant to sections 4-203.06 and
38 4-203.07.
- 39 13. For a farm winery license, \$100. The director may charge a
40 licensed farm winery an annual fee pursuant to section 4-205.04,
41 subsection ~~E~~ K.
- 42 14. For a club license issued in the name of a bona fide club
43 qualified under this title to sell all spirituous liquors on-sale, \$150.
- 44 15. For an out-of-state winery that sells not more than two hundred
45 forty gallons of wine in this state in a calendar year, \$25.

1 16. The director may charge a fee for the annual renewal of a craft
2 distiller license.

3 17. The department may charge a fee for the annual registration
4 renewal of a registered alcohol delivery contractor pursuant to section
5 4-205.13.

6 E. Where the business of an on-sale retail licensee is seasonal,
7 not extending over periods of more than six months in any calendar year,
8 the licensee may designate the periods of operation and a license may be
9 granted for those periods only, on payment of one-half of the fee
10 prescribed in subsection D of this section.

11 F. Transfer fees from person to person for licenses transferred
12 pursuant to section 4-203, subsection C shall be \$300.

13 G. Transfer fees from location to location, as provided for in
14 section 4-203, shall be \$100.

15 H. Assignment fees for a change of agent, as provided for in
16 section 4-202, subsection A, an acquisition of control, as provided for in
17 section 4-203, subsection F, or a restructuring, as provided for in
18 section 4-203, subsection H, shall be \$100, except that where a licensee
19 holds multiple licenses and requests multiple, simultaneous changes, the
20 change of agent, acquisition of control or restructuring fee for the first
21 license shall be \$100 and the fee for all remaining licenses shall be \$50
22 each, except that the aggregate fees shall not exceed \$1,000 for all
23 change of agents, \$1,000 for all acquisitions of control and \$1,000 for
24 all restructurings.

25 I. No fee shall be charged by the department for an assignment of a
26 liquor license in probate or an assignment pursuant to the provisions of a
27 will or pursuant to a judicial decree in a domestic relations proceeding
28 that assigns ownership of a business that includes a spirituous liquor
29 license to one of the parties in the proceeding. In the case of
30 nontransferable licenses, no fee shall be charged by the department for
31 the issuance of a license for a licensed business pursuant to a transfer
32 of the business in probate or pursuant to the provisions of a will or
33 pursuant to a judicial decree in a domestic relations proceeding that
34 assigns ownership of the business to one of the parties in the proceeding.

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

42 K. The director shall assess a surcharge of \$35 on all licenses
43 prescribed in this section. Monies from the surcharge shall be used by
44 the department exclusively for the costs of an enforcement program to
45 investigate licensees who have been the subject of multiple complaints to

1 the department. The enforcement program shall respond to complaints
2 against licensees by neighborhood associations, by neighborhood civic
3 groups and from municipal and county governments. The department shall
4 assess the surcharge as part of the annual license renewal fee.

5 L. The director shall assess a surcharge of \$20 on all licenses
6 prescribed in subsection D, paragraphs 11 and 12 of this section and \$35
7 on all other licenses prescribed in this section. Monies from the
8 surcharge and from surcharges imposed pursuant to subsection K of this
9 section shall be used by the department exclusively for the costs of a
10 neighborhood association interaction and liquor enforcement management
11 unit. The unit shall respond to complaints from neighborhood
12 associations, neighborhood civic groups and local governing authorities
13 regarding liquor violations. The director shall report the unit's
14 activities and the use of monies from the surcharge or surcharges imposed
15 pursuant to subsection K of this section to the board at each board
16 meeting or as the board may direct.

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

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

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

29 4-210. Grounds for revocation, suspension and refusal to
30 renew; notice; complaints; hearings; defense

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

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

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

39 3. The licensee, registrant, lessee, permittee or controlling
40 person knowingly files with the department an application or other
41 document that contains material information that is false or misleading or
42 while under oath knowingly gives testimony in an investigation or other
43 proceeding under this title that is false or misleading.

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

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

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

8 7. The licensee, registrant, lessee or permittee fails to keep for
9 two years and make available to the department on reasonable request all
10 invoices, records, bills or other papers and documents relating to the
11 purchase, sale and delivery of spirituous liquors and, in the case of a
12 restaurant or hotel-motel licensee, all invoices, records, bills or other
13 papers and documents relating to the purchase, sale and delivery of food.

14 8. The licensee, registrant, lessee, permittee or controlling
15 person is convicted of a felony, provided that for a conviction of a
16 corporation to serve as a reason for any action by the director, conduct
17 that constitutes the corporate offense and was the basis for the felony
18 conviction must have been engaged in, authorized, solicited, commanded or
19 recklessly tolerated by the directors of the corporation or by a high
20 managerial agent acting within the scope of employment.

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

24 10. The licensee, registrant, lessee or permittee fails to take
25 reasonable steps to protect the safety of a customer of the licensee,
26 registrant, lessee or permittee or any other person entering, leaving or
27 remaining on the licensed premises when the licensee knew or reasonably
28 should have known of the danger to the person, or the licensee fails to
29 take reasonable steps to intervene by notifying law enforcement officials
30 or otherwise to prevent or break up an act of violence occurring on the
31 licensed premises or immediately adjacent to the premises when the
32 licensee knew or reasonably should have known of the acts of violence.
33 THE DUTY TO PROTECT A CUSTOMER OR OTHER PERSON ON THE LICENSED PREMISES
34 DOES NOT LIMIT THE LICENSEE FROM USING, AS NECESSARY, REASONABLE
35 INTERVENTION, REASONABLE RESTRAINT OR REASONABLE REMOVAL OF A PERSON FROM
36 THE PREMISES TO PREVENT THAT PERSON FROM INJURING OTHER PERSONS ON THE
37 PREMISES OR DAMAGING OR DISRUPTING THE PREMISES.

38 11. The licensee, registrant, lessee, permittee or controlling
39 person lacks good moral character.

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

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

5 14. There occurs on the licensed premises a serious act of
6 violence. For the purposes of this paragraph, "serious act of violence"
7 means an act of violence in which a serious injury causes the death or
8 critical injury of a person and the injuries would be obvious to a
9 reasonable person.

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

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

17 B. For the purposes of:

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

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

29 C. The director may suspend, revoke or refuse to issue, transfer or
30 renew a license, registration, lease or permit under this section based
31 solely on the unrelated conduct or fitness of any officer, director,
32 managing agent or other controlling person if the controlling person
33 retains any interest in or control of the licensee, registrant, lessee or
34 permittee after sixty days following written notice to the licensee,
35 registrant, lessee or permittee. If the controlling person holds stock in
36 a corporate licensee, registrant, lessee or permittee or is a partner in a
37 partnership licensee, registrant, lessee or permittee, the controlling
38 person may only divest himself of the controlling person's interest by
39 transferring the interest to the existing stockholders or partners who
40 must demonstrate to the department that they meet all the requirements for
41 licensure, registration, leasing or permitting. For the purposes of this
42 subsection, the conduct or fitness of a controlling person is unrelated if
43 it would not be attributable to the licensee, registrant, lessee or
44 permittee.

1 D. If the director finds, based on clear and convincing evidence in
2 the record, that a violation involves the use by the licensee, registrant,
3 lessee or permittee of a drive-through or walk-up service window or other
4 physical feature of the licensed premises that allows a customer to
5 purchase spirituous liquor without leaving the customer's vehicle or, with
6 respect to a walk-up service window that prevents the licensee,
7 registrant, lessee or permittee from fully observing the customer, and
8 that the use of that drive-through or walk-up service window or other
9 physical feature caused the violation, the director may suspend or
10 terminate the licensee's, registrant's, lessee's or permittee's use of the
11 drive-through or walk-up service window or other physical feature for the
12 sale of spirituous liquor, in addition to any other sanction.

13 E. The director may refuse to transfer any license, registration,
14 lease or permit or issue a new license, registration, lease or permit at
15 the same location if the director has filed a complaint against the
16 license, registration, lease, permit or location that has not been
17 resolved alleging a violation of any of the grounds stated in subsection A
18 of this section until the time the complaint has been finally adjudicated.

19 F. The director shall receive all complaints of alleged violations
20 of this chapter and is responsible for ~~the investigation of~~ INVESTIGATING
21 all allegations of a violation of, or noncompliance with, this title, any
22 rule adopted pursuant to this title or any condition imposed on the
23 licensee, registrant, lessee or permittee by the license, registration,
24 lease or permit. When the director receives three complaints from any law
25 enforcement agency resulting from three separate incidents at a licensed,
26 leased or permitted establishment or by a registrant within a twelve-month
27 period, the director shall transmit a written report to the board setting
28 forth the complaints, the results of any investigation conducted by the
29 law enforcement agency or the department relating to the complaints and a
30 history of all prior complaints against the license, registration, lease
31 or permit and their disposition. The board shall review the report and
32 may direct the director to conduct further investigation of a complaint or
33 to serve a licensee, registrant, lessee or permittee with a complaint and
34 notice of a hearing pursuant to subsection G of this section.

35 G. On the director's initiation of an investigation or on the
36 receipt of a complaint and an investigation of the complaint as deemed
37 necessary, the director may cause a complaint and notice of a hearing to
38 be directed to the licensee, registrant, lessee or permittee that states
39 the violations alleged against the licensee, registrant, lessee or
40 permittee and directing the licensee, registrant, lessee or permittee,
41 within fifteen days after service of the complaint and notice of a
42 hearing, to appear by filing with the director an answer to the complaint.
43 Failure of the licensee, registrant, lessee or permittee to answer may be
44 deemed an admission by the licensee, registrant, lessee or permittee of
45 commission of the act charged in the complaint. The director may then

1 vacate the hearing and impose any sanction provided by this article. The
2 director may waive any sanction for good cause shown, including excusable
3 neglect. With respect to any violation of this title or any rule adopted
4 pursuant to this title that is based on the act or omission of a
5 licensee's, registrant's, lessee's or permittee's employee, the director
6 shall consider evidence of mitigation presented by the licensee,
7 registrant, lessee or permittee and established by a preponderance of the
8 evidence that the employee acted intentionally and in violation of the
9 express direction or policy adopted by the licensee, registrant, lessee or
10 permittee and communicated to the employee and that the employee
11 successfully completed training in a course approved by the director
12 pursuant to section 4-112, subsection G, paragraph 2. The director may
13 set the hearing before the director or an administrative law judge on any
14 of the grounds stated in subsection A of this section. Instead of issuing
15 a complaint, the director may provide for informal disposition of the
16 matter by consent agreement or may issue a written warning to the
17 licensee, registrant, lessee or permittee. If a warning is issued, the
18 licensee, registrant, lessee or permittee may reply in writing and the
19 director shall keep a record of the warning and the reply.

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

27 I. The expiration, cancellation, revocation, reversion, surrender,
28 acceptance of surrender or termination in any other manner of a license,
29 registration, lease or permit does not prevent the initiation or
30 completion of a disciplinary proceeding pursuant to this section against
31 the licensee, registrant, lessee or permittee or license, registration,
32 lease or permit. An order issued pursuant to a disciplinary proceeding
33 against a license, registration, lease or permit is enforceable against
34 other licenses, registrations, leases or permits or subsequent licenses,
35 registrations, leases or permits in which the licensee, registrant,
36 lessee, permittee or controlling person of the license, registration,
37 lease or permit has a controlling interest.

38 J. The department shall provide the same notice as is provided to
39 the licensee, registrant, lessee or permittee to a lienholder, which has
40 provided a document under section 4-112, subsection B, paragraph 3, of all
41 disciplinary or compliance action with respect to a license, registration,
42 lease or permit issued pursuant to this title. The state is not liable
43 for damages for any failure to provide any notice pursuant to this
44 subsection.

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

5 1. That the lienholder's interest is a bona fide security interest.
6 For the purposes of this paragraph, "bona fide security interest" means
7 the lienholder provides actual consideration to the licensee, registrant,
8 lessee or permittee or the licensee's, registrant's, lessee's or
9 permittee's predecessor in interest in exchange for the lienholder's
10 interest. Bona fide security interest includes a lien taken by the seller
11 of a license, registration, lease or permit as security for the seller's
12 receipt of all or part of the purchase price of the license, registration,
13 lease or permit.

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

17 3. That the lienholder took reasonable steps to correct the
18 licensee's, registrant's, lessee's or permittee's prior actions, if any,
19 or initiated an action pursuant to available contract rights against the
20 licensee, registrant, lessee or permittee for the forfeiture of the
21 license, registration, lease or permit after being provided with notice by
22 the department of disciplinary action as provided in subsection J of this
23 section.

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

26 5. That the lienholder reasonably attempted to remain informed by
27 the licensee, registrant, lessee or permittee about the business's
28 conduct.

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

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

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

37 M. If any on-sale licensee proposes to provide large capacity
38 entertainment events or sporting events with an attendance capacity
39 exceeding a limit established by the director, the director may request a
40 security plan from the licensee that may include trained security
41 officers, lighting and other requirements. This subsection exclusively
42 prescribes the security requirements for a licensee and does not create
43 any civil liability for this state, its agencies, agents or employees or a
44 person licensed under this title or agents or employees of a licensee.

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

7 Sec. 8. Title 4, chapter 2, article 1, Arizona Revised Statutes, is
8 amended by adding section 4-215, to read:

9 4-215. Regional shopping centers; commercial offices and
10 retail centers; extension of premises; application;
11 approval; fee; definition

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

17 B. NOTWITHSTANDING THE SQUARE FOOTAGE OF A COMMERCIAL OFFICE AND
18 RETAIL CENTER, THE MANAGER OF THE COMMERCIAL OFFICE AND RETAIL CENTER,
19 JOINTLY WITH ONE OR MORE LICENSEES AT THE COMMERCIAL OFFICE AND RETAIL
20 CENTER, MAY APPLY, ON A FORM PRESCRIBED BY THE DIRECTOR, FOR AN EXTENSION
21 OF PREMISES PURSUANT TO THIS SECTION IF ALL OF THE FOLLOWING APPLY:

22 1. THE CENTER IS UNDER ONE MANAGEMENT COMPANY.

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

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

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

31 D. AT LEAST SIXTY DAYS BEFORE SUBMITTING THE APPLICATION TO THE
32 DIRECTOR, THE REGIONAL SHOPPING CENTER OR COMMERCIAL OFFICE AND RETAIL
33 CENTER SHALL SUBMIT A COPY OF THE APPLICATION TO THE LOCAL GOVERNING BODY
34 FOR REVIEW. THE LOCAL GOVERNING BODY HAS SIXTY DAYS AFTER THE REGIONAL
35 SHOPPING CENTER OR COMMERCIAL OFFICE AND RETAIL CENTER SUBMITS THE
36 APPLICATION TO THE LOCAL GOVERNING BODY TO REVIEW THE APPLICATION AND
37 PROVIDE ADVISORY RECOMMENDATIONS TO THE DIRECTOR. THE DIRECTOR MAY NOT
38 ACCEPT AN APPLICATION BEFORE THE LOCAL GOVERNING BODY REVIEW PERIOD HAS
39 ELAPSED OR THE LOCAL GOVERNING BODY MAKES ITS ADVISORY RECOMMENDATIONS,
40 WHICHEVER IS SOONER.

41 E. THE APPLICATION SHALL INCLUDE THE REQUIREMENT THAT THE REGIONAL
42 SHOPPING CENTER OR COMMERCIAL OFFICE AND RETAIL CENTER PROVIDE PLANS OR
43 DIAGRAMS DESIGNATING THE SPECIFIC EXTENSION OF PREMISES REQUESTED WITHIN
44 THE REGIONAL SHOPPING CENTER OR COMMERCIAL OFFICE AND RETAIL CENTER. THE
45 PLAN SHALL DELINEATE THE PHYSICAL ARRANGEMENT OF THE EXTENDED PREMISES,

1 INCLUDING SHOWING THE LOCATIONS OF INGRESS TO AND EGRESS FROM THE EXTENDED
2 PREMISES AND OTHER FEATURES OF THE EXTENDED PREMISES AS THE DIRECTOR MAY
3 REQUIRE.

4 F. THE EXTENDED PREMISES AUTHORIZED BY THE DEPARTMENT MAY INCLUDE
5 ONLY AREAS LIMITED TO PEDESTRIAN TRAFFIC AND MAY NOT INCLUDE OR BE
6 BISECTED BY A PUBLIC OR PRIVATE ROADWAY UNLESS THE PRIVATE ROADWAY IS
7 BLOCKED TO VEHICULAR TRAFFIC OR IS IMMEDIATELY ADJACENT TO A PUBLIC OR
8 PRIVATE ROADWAY. TO DELINEATE THE EXTENDED PREMISES AND TO CONTROL
9 SPIRITUOUS LIQUOR SERVICE IN THE EXTENDED PREMISES, THE PLAN MAY USE
10 PHYSICAL BARRIERS, SIGNAGE, ELECTRONIC SURVEILLANCE, SECURITY GUARDS,
11 CORDONS OR A COMBINATION OF THESE BARRIERS AND STRATEGIES.

12 G. THE APPLICATION SHALL INCLUDE A PROVISION THAT THE REGIONAL
13 SHOPPING CENTER OR COMMERCIAL OFFICE AND RETAIL CENTER DESIGNATE THE TIMES
14 OF SPIRITUOUS LIQUOR SERVICE ON THE EXTENDED PREMISES. THE REGIONAL
15 SHOPPING CENTER OR COMMERCIAL OFFICE AND RETAIL CENTER MAY FILE WITH THE
16 DIRECTOR A REQUEST TO MODIFY THE DESIGNATED TIMES OF SPIRITUOUS LIQUOR
17 SERVICE, AND THE DIRECTOR, FOR GOOD CAUSE SHOWN, MAY MODIFY THE DESIGNATED
18 TIMES OF SPIRITUOUS LIQUOR SERVICE.

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

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

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

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

27 3. THE EXTENDED PREMISES UNDER THIS SECTION MAY NOT OVERLAP THE
28 LICENSED PREMISES OF ANY OTHER LICENSEE UNDER THIS TITLE THAT IS NOT
29 SUBJECT TO THE EXTENSION OF PREMISES.

30 4. THE REGIONAL SHOPPING CENTER, THE MANAGER OF THE COMMERCIAL
31 OFFICE AND RETAIL CENTER AND ON-SALE RETAIL LICENSEES MAY NOT ALTER THE
32 PHYSICAL ARRANGEMENT OF THE EXTENDED PREMISES TO USE ADDITIONAL OR
33 DIFFERENT SPACE, LOCATIONS OF INGRESS OR EGRESS OR ACCOMMODATIONS WITHOUT
34 FIRST COMPLYING WITH THE PROCESS PROVIDED IN SUBSECTION A OR B OF THIS
35 SECTION.

36 5. NOTWITHSTANDING ANY OTHER LAW, THE DIRECTOR MAY CANCEL OR
37 SUSPEND AN ON-SALE RETAIL LICENSEE'S APPROVAL TO EXTEND ITS PREMISES UNDER
38 THIS SECTION FOR GOOD CAUSE AT ANY TIME. THE REGIONAL SHOPPING CENTER,
39 THE MANAGER OF THE COMMERCIAL OFFICE AND RETAIL CENTER OR THE LICENSEE MAY
40 APPEAL AN ORDER TO CANCEL OR SUSPEND THE APPROVAL IN ACCORDANCE WITH THE
41 ADMINISTRATIVE APPEAL PROVISIONS PROVIDED IN THIS TITLE.

42 6. AN EXTENSION OF PREMISES ISSUED PURSUANT TO THIS SECTION IS NOT
43 TRANSFERABLE.

1 J. FOR THE PURPOSES OF THIS SECTION, "LOCAL GOVERNING BODY" MEANS
2 THE COUNTY BOARD OF SUPERVISORS IF THE REGIONAL SHOPPING CENTER OR
3 COMMERCIAL OFFICE AND RETAIL CENTER IS LOCATED IN AN UNINCORPORATED AREA
4 OR THE GOVERNING BODY OF THE CITY OR TOWN IF THE REGIONAL SHOPPING CENTER
5 OR COMMERCIAL OFFICE AND RETAIL CENTER IS LOCATED IN A CITY OR TOWN.

6 Sec. 9. Section 4-243, Arizona Revised Statutes, is amended to
7 read:

8 4-243. Commercial coercion or bribery unlawful; exceptions

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

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

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

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

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

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

31 6. To guarantee a loan or repayment of a financial obligation of
32 the retailer.

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

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

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

38 B. This section does not prohibit any distiller, vintner, brewer,
39 rectifier, blender or other producer or wholesaler of any spirituous
40 liquor from:

41 1. Giving financial and other forms of event sponsorship assistance
42 to nonprofit or charitable organizations for purposes of charitable
43 fundraising that are issued special event licenses by the department.
44 This section does not prohibit suppliers from advertising their
45 sponsorship at such special events.

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

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

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

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

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

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

16 (f) All sampling procedures shall comply with federal sampling laws
17 and regulations.

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

20 (a) Sampling shall be conducted by an employee of the sponsoring
21 producer or wholesaler.

22 (b) The producer or wholesaler shall notify the department in
23 writing or by electronic means at least five days before the sampling of
24 the date, time and location of the sampling and of the name of the
25 wholesaler or producer distributing the product.

26 (c) Sampling is limited to three ounces of beer, one and one-half
27 ounces of wine or one ounce of distilled spirits per person per day for
28 consumption on the premises and up to seventy-two ounces of beer and two
29 ounces of distilled spirits per person per day for consumption off the
30 premises.

31 (d) An off-sale retailer shall not allow sampling to be conducted
32 on a licensed premises on more than twelve days in any calendar year per
33 wholesaler or producer.

34 (e) Sampling shall be limited to two wholesalers or producers at
35 any one off-sale retailer's premises on any day and shall not exceed three
36 hours on any day per approved sampling.

37 (f) A producer conducting sampling shall buy the sampled product
38 from a wholesaler or from the retailer where the sampling is being
39 conducted. If the product for the sampling is purchased from the
40 retailer, the amount paid for the product must be the same amount that the
41 retailer charges for sale to the general public.

42 (g) The producer or wholesaler shall not provide samples to any
43 person who is under the legal drinking age.

44 (h) The producer or wholesaler shall designate an area in which
45 sampling is conducted that is in the portion of the licensed premises

1 where spirituous liquor is primarily displayed and separated from the
2 remainder of the off-sale retailer's premises by a wall, rope, door,
3 cable, cord, chain, fence or other barrier. The producer or wholesaler
4 shall not allow persons under the legal drinking age from entering the
5 area in which sampling is conducted. If the retail location has been
6 issued a permanent sampling privilege from the department, the requirement
7 for separation from the remainder of the premises by wall, rope, door,
8 cable, cord, chain, fence or other barrier is not required.

9 (i) The producer or wholesaler may not provide samples to the
10 retailer or the retailer's employees.

11 (j) Sampling shall not be conducted in retail premises with a total
12 of under five thousand square feet of retail space unless at least
13 seventy-five percent of the retailer's shelf space is dedicated to the
14 sale of spirituous liquor.

15 (k) The producer or wholesaler may not give spirituous liquor or
16 any other gifts or benefits to the off-sale retailer.

17 (l) All sampling procedures shall comply with federal sampling laws
18 and regulations.

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

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

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

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

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

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

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

7 Sec. 10. Section 4-243.03, Arizona Revised Statutes, is amended to
8 read:

9 4-243.03. Alternating proprietorships

10 On application by one or more persons, the director may approve
11 applications for grouping two or more spirituous liquor producer, craft
12 distiller, FARM WINERY or microbrewery licenses at one location under a
13 plan of alternating proprietorships if a licensed producer, craft
14 distiller, FARM WINERY or microbrewery has received approval of the
15 alternating proprietorship by the United States alcohol and tobacco tax
16 and trade bureau and the participating producers, craft distillers, FARM
17 WINERIES or microbreweries operate under the regulations and guidelines
18 that are issued by the United States alcohol and tobacco tax and trade
19 bureau. Each participating spirituous liquor producer, craft distiller,
20 FARM WINERY or microbrewery is responsible for filing all reports that
21 relate to its production with the United States alcohol and tobacco tax
22 and trade bureau and the department of revenue.

23 Sec. 11. Section 4-244, Arizona Revised Statutes, is amended to
24 read:

25 4-244. Unlawful acts; definition

26 It is unlawful:

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

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

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

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

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

9 6. For a person to take or solicit orders for spirituous liquors
10 unless the person is a salesman or solicitor of a licensed wholesaler, a
11 salesman or solicitor of a distiller, brewer, vintner, importer or broker
12 or a registered retail agent.

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

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

19 9. Except as provided in paragraphs 10 and 11 of this section, for
20 a licensee or other person to sell, furnish, dispose of or give, or cause
21 to be sold, furnished, disposed of or given, to a person under the legal
22 drinking age or for a person under the legal drinking age to buy, receive,
23 have in the person's possession or consume spirituous liquor. This
24 paragraph does not prohibit the employment by an off-sale retailer of
25 persons who are at least sixteen years of age to check out, if supervised
26 by a person on the premises who is at least eighteen years of age, package
27 or carry merchandise, including spirituous liquor, in unbroken packages,
28 for the convenience of the customer of the employer, if the employer sells
29 primarily merchandise other than spirituous liquor.

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

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

44 12. For a licensee, when engaged in waiting on or serving
45 customers, to consume spirituous liquor or for a licensee or on-duty

1 employee to be on or about the licensed premises while in an intoxicated
2 or disorderly condition.

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

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

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

17 (c) An employee of an on-sale retail licensee, under the
18 supervision of a manager as part of the employee's training and education,
19 while not engaged in waiting on or serving customers may taste samples of
20 distilled spirits of not more than two ounces per educational session or
21 beer or wine of not more than four ounces per educational session, and
22 provided that a licensee does not have more than two educational sessions
23 in any thirty-day period.

24 (d) An unpaid volunteer who is a bona fide member of a club and who
25 is not engaged in waiting on or serving spirituous liquor to customers may
26 purchase for himself and consume spirituous liquor while participating in
27 a scheduled event at the club. An unpaid participant in a food
28 competition may purchase for himself and consume spirituous liquor while
29 participating in the food competition.

30 (e) An unpaid volunteer of a special event licensee under section
31 4-203.02 may purchase and consume spirituous liquor while not engaged in
32 waiting on or serving spirituous liquor to customers at the special event.
33 This subdivision does not apply to an unpaid volunteer whose
34 responsibilities include verification of a person's legal drinking age,
35 security or the operation of any vehicle or heavy machinery.

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

40 14. For a licensee or other person to serve, sell or furnish
41 spirituous liquor to a disorderly or obviously intoxicated person, or for
42 a licensee or employee of the licensee to allow a disorderly or obviously
43 intoxicated person to come into or remain on or about the premises, except
44 that a licensee or an employee of the licensee may allow an obviously
45 intoxicated person to remain on the premises for not more than thirty

1 minutes after the state of obvious intoxication is known or should be
2 known to the licensee for a nonintoxicated person to transport the
3 obviously intoxicated person from the premises. For the purposes of this
4 section, "obviously intoxicated" means inebriated to the extent that a
5 person's physical faculties are substantially impaired and the impairment
6 is shown by significantly uncoordinated physical action or significant
7 physical dysfunction that would have been obvious to a reasonable person.

8 15. For an on-sale or off-sale retailer or an employee of such
9 retailer or an alcohol delivery contractor to sell, dispose of, deliver or
10 give spirituous liquor to a person between the hours of 2:00 a.m. and
11 6:00 a.m., except that:

12 (a) A retailer with off-sale privileges may receive and process
13 orders, accept payment or package, load or otherwise prepare spirituous
14 liquor for delivery at any time, if the actual deliveries to customers are
15 made between the hours of 6:00 a.m. and 2:00 a.m., at which time section
16 4-241, subsections A and K apply.

17 (b) THE GOVERNOR, IN CONSULTATION WITH THE GOVERNOR'S OFFICE OF
18 HIGHWAY SAFETY AND THE PUBLIC SAFETY COMMUNITY IN THIS STATE, MAY ISSUE AN
19 EXECUTIVE ORDER THAT EXTENDS THE CLOSING TIME UNTIL 3:00 A.M. FOR
20 SPIRITUOUS LIQUOR SALES IN CONNECTION WITH A PROFESSIONAL OR COLLEGIATE
21 NATIONAL SPORTING CHAMPIONSHIP EVENT HELD IN THIS STATE.

22 16. For a licensee or employee to knowingly allow any person on or
23 about the licensed premises to give or furnish any spirituous liquor to
24 any person under twenty-one years of age or knowingly allow any person
25 under twenty-one years of age to have in the person's possession
26 spirituous liquor on the licensed premises.

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

35 18. For an on-sale retailer to allow an employee or for an employee
36 to solicit or encourage others, directly or indirectly, to buy the
37 employee drinks or anything of value in the licensed premises during the
38 employee's working hours. An on-sale retailer shall not serve employees
39 or allow a patron of the establishment to give spirituous liquor to,
40 purchase liquor for or drink liquor with any employee during the
41 employee's working hours.

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

1 20. For a person to consume spirituous liquor in a public place,
2 thoroughfare or gathering. The license of a licensee allowing a violation
3 of this paragraph on the premises shall be subject to revocation. This
4 paragraph does not apply to the sale of spirituous liquors on the premises
5 of and by an on-sale retailer. This paragraph also does not apply to a
6 person consuming beer or wine from a broken package in a public recreation
7 area or on private property with permission of the owner or lessor or on
8 the walkways surrounding such private property or to a person consuming
9 beer or wine from a broken package in a public recreation area as part of
10 a special event or festival that is conducted under a license secured
11 pursuant to section 4-203.02 or 4-203.03.

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

18 22. For an on-sale retailer or employee to allow a person under the
19 legal drinking age to remain in an area on the licensed premises during
20 those hours in which its primary use is the sale, dispensing or
21 consumption of alcoholic beverages after the licensee, or the licensee's
22 employees, know or should have known that the person is under the legal
23 drinking age. An on-sale retailer may designate an area of the licensed
24 premises as an area in which spirituous liquor will not be sold or
25 consumed for the purpose of allowing underage persons on the premises if
26 the designated area is separated by a physical barrier and at no time will
27 underage persons have access to the area in which spirituous liquor is
28 sold or consumed. A licensee or an employee of a licensee may require a
29 person who intends to enter a licensed premises or a portion of a licensed
30 premises where persons under the legal drinking age are prohibited under
31 this section to exhibit an instrument of identification that is acceptable
32 under section 4-241 as a condition of entry or may use a biometric
33 identity verification device to determine the person's age as a condition
34 of entry. The director, or a municipality, may adopt rules to regulate
35 the presence of underage persons on licensed premises provided the rules
36 adopted by a municipality are more stringent than those adopted by the
37 director. The rules adopted by the municipality shall be adopted by local
38 ordinance and shall not interfere with the licensee's ability to comply
39 with this paragraph. This paragraph does not apply:

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

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

- 1 (i) An active duty military service member.
- 2 (ii) A veteran.
- 3 (iii) A member of the United States army national guard or the
- 4 United States air national guard.
- 5 (iv) A member of the United States military reserve forces.
- 6 (c) To the area of the premises used primarily for ~~the~~ serving of
- 7 food during the hours when food is served.

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

17 (a) Service or pouring of the spirituous liquor is provided by an
18 employee of the on-sale retailer. A licensee shall not be charged for a
19 violation of this ~~subdivision~~ PARAGRAPH if a customer, without the
20 knowledge of the retailer, removes or tampers with ~~the~~ A locking device on
21 a bottle delivered to the customer for bottle service and the customer
22 pours the customer's own drink from the bottle, if when the licensee
23 becomes aware of the removal or tampering of the locking device the
24 licensee immediately installs a functioning locking device on the bottle
25 or removes the bottle and lock from bottle service.

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

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

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

35 26. For a licensee or employee to knowingly allow unlawful gambling
36 on the premises.

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

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

42 29. For any person other than a peace officer while on duty or off
43 duty or a member of a sheriff's volunteer posse while on duty who has
44 received firearms training that is approved by the Arizona peace officer
45 standards and training board, a retired peace officer as defined in

1 section 38-1113 or an honorably retired law enforcement officer who has
2 been issued a certificate of firearms proficiency pursuant to section
3 13-3112, subsection T, the licensee or an employee of the licensee acting
4 with the permission of the licensee to be in possession of a firearm while
5 on the licensed premises of an on-sale retailer. This paragraph does not
6 include a situation in which a person is on licensed premises for a
7 limited time in order to seek emergency aid and such person does not buy,
8 receive, consume or possess spirituous liquor. This paragraph does not
9 apply to:

10 (a) Hotel or motel guest room accommodations.

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

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

16 30. For a licensee or employee to knowingly allow a person in
17 possession of a firearm other than a peace officer while on duty or off
18 duty or a member of a sheriff's volunteer posse while on duty who has
19 received firearms training that is approved by the Arizona peace officer
20 standards and training board, a retired peace officer as defined in
21 section 38-1113 or an honorably retired law enforcement officer who has
22 been issued a certificate of firearms proficiency pursuant to section
23 13-3112, subsection T, the licensee or an employee of the licensee acting
24 with the permission of the licensee to remain on the licensed premises or
25 to serve, sell or furnish spirituous liquor to a person in possession of a
26 firearm while on the licensed premises of an on-sale retailer. It is a
27 defense to action under this paragraph if the licensee or employee
28 requested assistance of a peace officer to remove such person. This
29 paragraph does not apply to:

30 (a) Hotel or motel guest room accommodations.

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

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

36 31. For any person in possession of a firearm while on the licensed
37 premises of an on-sale retailer to consume spirituous liquor. This
38 paragraph does not prohibit the consumption of small amounts of spirituous
39 liquor by an undercover peace officer on assignment to investigate the
40 licensed establishment.

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

44 (a) A person who removes a bottle of wine that has been partially
45 consumed in conjunction with a purchased meal from licensed premises if a

1 cork is inserted flush with the top of the bottle or the bottle is
2 otherwise securely closed.

3 (b) A person who is in licensed premises that have noncontiguous
4 portions that are separated by a public or private walkway or driveway and
5 who takes spirituous liquor from one portion of the licensed premises
6 across the public or private walkway or driveway directly to the other
7 portion of the licensed premises.

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

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

16 (ii) The container is sealed and displays a government warning
17 label.

18 (d) A bar or liquor store licensee that prepares a mixed cocktail
19 or a restaurant licensee that leases the privilege to sell mixed cocktails
20 for consumption off the licensed premises pursuant to section 4-203.06 or
21 holds a permit pursuant to section 4-203.07 and section 4-205.02,
22 subsection K and that prepares a mixed cocktail and transfers it to a
23 clean container composed of a material approved by a national sanitation
24 organization with a maximum capacity that does not exceed thirty-two
25 ounces and not for consumption on the premises if all of the following
26 apply:

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

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

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

34 (iv) For a restaurant licensee licensed pursuant to section
35 4-205.02, the sale of mixed cocktails for consumption off the licensed
36 premises is accompanied by the sale of menu food items for consumption on
37 or off the licensed premises.

38 33. For a person who is obviously intoxicated to buy or attempt to
39 buy spirituous liquor from a licensee or employee of a licensee or to
40 consume spirituous liquor on licensed premises.

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

44 35. For a person WHO IS under twenty-one years of age to operate or
45 be in physical control of a motorized watercraft that is underway while

1 there is any spirituous liquor in the person's body. For the purposes of
2 this paragraph, "underway" has the same meaning prescribed in section
3 5-301.

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

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

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

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

15 40. For a retailer to knowingly allow a customer to bring
16 spirituous liquor onto the licensed premises, except that an on-sale
17 retailer may allow a wine and food club to bring wine onto the premises
18 for consumption by the club's members and guests of the club's members in
19 conjunction with meals purchased at a meeting of the club that is
20 conducted on the premises and that at least seven members attend. An
21 on-sale retailer that allows wine and food clubs to bring wine onto its
22 premises under this paragraph shall comply with all applicable provisions
23 of this title and any rules adopted pursuant to this title to the same
24 extent as if the on-sale retailer had sold the wine to the members of the
25 club and their guests. For the purposes of this paragraph, "wine and food
26 club" means an association that has more than twenty bona fide members
27 paying at least \$6 per year in dues and that has been in existence for at
28 least one year.

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

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

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

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

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

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

1 43. For a person to purchase, offer for sale or use any device,
2 machine or process that mixes spirituous liquor with pure oxygen or
3 another gas to produce a vaporized product for the purpose of consumption
4 by inhalation or to allow patrons to use any item for the consumption of
5 vaporized spirituous liquor.

6 44. For a retail licensee or an employee of a retail licensee to
7 sell spirituous liquor to a person if the retail licensee or employee
8 knows the person intends to resell the spirituous liquor.

9 45. Except as authorized by paragraph 32, subdivision (c) of this
10 section, for a person to reuse a bottle or other container authorized for
11 use by the laws of the United States or any agency of the United States
12 for the packaging of distilled spirits or for a person to increase the
13 original contents or a portion of the original contents remaining in a
14 liquor bottle or other authorized container by adding any substance.

15 46. For a direct shipment licensee, a farm winery licensee or an
16 employee of those licensees to sell, dispose of, deliver or give
17 spirituous liquor to an individual purchaser between the hours of
18 2:00 a.m. and 6:00 a.m., except that a direct shipment licensee or a farm
19 winery licensee may receive and process orders, accept payment, package,
20 load or otherwise prepare wine for delivery at any time without complying
21 with section 4-241, subsections A and K, if the actual deliveries to
22 individual purchasers are made between the hours of 6:00 a.m. and
23 2:00 a.m. and in accordance with section 4-203.04 for direct shipment
24 licensees and section 4-205.04 for farm winery licensees.

25 Sec. 12. Exemption from rulemaking

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

APPROVED BY THE GOVERNOR JUNE 7, 2022.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JUNE 7, 2022.