

House Engrossed

liquor; licensing; processes; procedures

State of Arizona
House of Representatives
Fifty-sixth Legislature
First Regular Session
2023

HOUSE BILL 2223

AN ACT

AMENDING SECTIONS 4-101, 4-203 AND 4-205.02, ARIZONA REVISED STATUTES;
AMENDING TITLE 4, CHAPTER 2, ARTICLE 1, ARIZONA REVISED STATUTES, BY
ADDING SECTION 4-205.14; AMENDING SECTIONS 4-207, 4-207.03, 4-241, 4-243,
4-244.04 AND 42-3355, 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 4-101, Arizona Revised Statutes, is amended to
3 read:

4 4-101. Definitions

5 In this title, unless the context otherwise requires:

6 1. "Act of violence":

7 (a) Means an incident that consists of a riot, a fight, an
8 altercation or tumultuous conduct and that meets at least one of the
9 following criteria:

10 (i) ~~in which~~ Bodily injuries are sustained by any person and the
11 injuries would be obvious to a reasonable person.

12 (ii) IS of sufficient intensity as to require the intervention of a
13 peace officer to restore normal order.

14 (iii) ~~in which~~ A weapon is brandished, displayed or used.

15 (iv) ~~in which~~ A licensee or an employee or contractor of the
16 licensee fails to follow a clear and direct lawful order from a law
17 enforcement officer or a fire marshal.

18 (b) Does not include the use of nonlethal devices by a peace
19 officer.

20 2. "Aggrieved party" means a person who resides at, owns or leases
21 property within a one-mile radius of premises proposed to be licensed and
22 who filed a written request with the department to speak in favor of or
23 opposition to the issuance of the license not later than sixty days after
24 filing the application or fifteen days after action by the local governing
25 body, whichever is sooner.

26 3. "Beer":

27 (a) Means any beverage obtained by the alcoholic fermentation,
28 infusion or decoction of barley malt, hops, rice, bran or other grain,
29 glucose, sugar or molasses, or any combination of them, and may include,
30 as adjuncts in fermentation, honey, fruit, fruit juice, fruit concentrate,
31 herbs, spices and other food materials.

32 (b) Includes beer aged in an empty wooden barrel previously used to
33 contain wine or distilled spirits and as such is not considered a dilution
34 or mixture of any other spirituous liquor.

35 4. "Biometric identity verification device" means a device
36 authorized by the department that instantly verifies the identity and age
37 of a person by an electronic scan of a biometric of the person, through a
38 fingerprint, iris image, facial image or other biometric characteristic,
39 or any combination of these characteristics, that references the person's
40 identity and age against any record described in section 4-241, subsection
41 K, and that meets all of the following conditions:

42 (a) The authenticity of the record was previously verified by an
43 electronic authentication process.

44 (b) The identity of and information about the record holder was
45 previously verified through either:

1 (i) A secondary, electronic authentication process or set of
2 processes using commercially available data, such as a public records
3 query or a knowledge-based authentication quiz.

4 (ii) Using a state or federal government system of records for
5 digital authentication.

6 (c) The authenticated record was securely linked to biometrics
7 contemporaneously collected from the verified record holder and is stored
8 in a centralized, highly secured, encrypted biometric database.

9 5. "Board" means the state liquor board.

10 6. "Bona fide guest" means:

11 (a) An individual who is personally familiar to the member, who is
12 personally sponsored by the member and whose presence as a guest is in
13 response to a specific and personal invitation.

14 (b) In the case of a club that meets the criteria prescribed in
15 paragraph 8, subdivision (a) of this section, a current member of the
16 armed services of the United States who presents proper military
17 identification and any member of a recognized veterans' organization of
18 the United States and of any country allied with the United States during
19 current or past wars or through treaty arrangements.

20 7. "Broken package" means any container of spirituous liquor on
21 which the United States tax seal has been broken or removed or from which
22 the cap, cork or seal placed on the container by the manufacturer has been
23 removed.

24 8. "Club" includes any of the following organizations where the
25 sale of spirituous liquor for consumption on the premises is made only to
26 members, spouses of members, families of members, bona fide guests of
27 members and guests at other events authorized in this title:

28 (a) A post, chapter, camp or other local unit composed solely of
29 veterans and its duly recognized auxiliary that has been chartered by the
30 Congress of the United States for patriotic, fraternal or benevolent
31 purposes and that has, as the owner, lessee or occupant, operated an
32 establishment for that purpose in this state.

33 (b) A chapter, aerie, parlor, lodge or other local unit of an
34 American national fraternal organization that has, as the owner, lessee or
35 occupant, operated an establishment for fraternal purposes in this state.
36 An American national fraternal organization as used in this subdivision
37 shall actively operate in at least thirty-six states or have been in
38 active continuous existence for at least twenty years.

39 (c) A hall or building association of a local unit mentioned in
40 subdivisions (a) and (b) of this paragraph of which all of the capital
41 stock is owned by the local unit or the members and that operates the
42 clubroom facilities of the local unit.

43 (d) A golf club that has more than fifty bona fide members and that
44 owns, maintains or operates a bona fide golf links together with a
45 clubhouse.

1 (e) A social club that has more than one hundred bona fide members
2 who are actual residents of the county in which it is located, that owns,
3 maintains or operates club quarters, that is authorized and incorporated
4 to operate as a nonprofit club under the laws of this state, and that has
5 been continuously incorporated and operating for a period of at least one
6 year. The club shall have had, during this one-year period, a bona fide
7 membership with regular meetings conducted at least once each month, and
8 the membership shall be and shall have been actively engaged in carrying
9 out the objects of the club. The club's membership shall consist of bona
10 fide dues-paying members paying dues of at least \$6 per year, payable
11 monthly, quarterly or annually, which have been recorded by the secretary
12 of the club, and the members at the time of application for a club license
13 shall be in good standing having for at least one full year paid dues. At
14 least fifty-one percent of the members shall have signified their
15 intention to secure a social club license by personally signing a
16 petition, on a form prescribed by the board, which shall also include the
17 correct mailing address of each signer. The petition shall not have been
18 signed by a member at a date earlier than one hundred eighty days before
19 the filing of the application. The club shall qualify for exemption from
20 the payment of state income taxes under title 43. It is the intent of
21 this subdivision that a license shall not be granted to a club that is, or
22 has been, primarily formed or activated to obtain a license to sell
23 liquor, but solely to a bona fide club, where the sale of liquor is
24 incidental to the main purposes of the club.

25 (f) An airline club operated by or for airlines that are
26 certificated by the United States government and that maintain or operate
27 club quarters located at airports with international status.

28 9. "Company" or "association", when used in reference to a
29 corporation, includes successors or assigns.

30 10. "Control" means the power to direct or cause the direction of
31 the management and policies of an applicant or licensee, whether through
32 the ownership of voting securities or a partnership interest, by agreement
33 or otherwise. Control is presumed to exist if a person has the direct or
34 indirect ownership of or power to vote ten percent or more of the
35 outstanding voting securities of the applicant or licensee or to control
36 in any manner the election of one or more of the directors of the
37 applicant or licensee. In the case of a partnership, control is presumed
38 to mean the general partner or a limited partner who holds ten percent or
39 more of the voting rights of the partnership. For the purposes of
40 determining the percentage of voting securities owned, controlled or held
41 by a person, there shall be aggregated with the voting securities
42 attributed to the person the voting securities of an officer, partner,
43 employee or agent of the person or a spouse, parent or child of the
44 person. Control is also presumed to exist if a creditor of the applicant
45 or licensee holds a beneficial interest in ten percent or more of the

1 liabilities of the licensee. The presumptions in this paragraph regarding
2 control are rebuttable.

3 11. "Controlling person" means a person directly or indirectly
4 possessing control of an applicant or licensee.

5 12. "Craft distiller" means a distiller in the United States or in
6 a territory or possession of the United States that holds a license
7 pursuant to section 4-205.10.

8 13. "CRAFT PRODUCER" MEANS A LICENSED FARM WINERY, A LICENSED
9 MICROBREWERY OR A LICENSED CRAFT DISTILLER.

10 ~~13.~~ 14. "Department" means the department of liquor licenses and
11 control.

12 ~~14.~~ 15. "Director" means the director of the department of liquor
13 licenses and control.

14 ~~15.~~ 16. "Distilled spirits" includes alcohol, brandy, whiskey,
15 rum, tequila, mescal, gin, absinthe, a compound or mixture of any of them
16 or of any of them with any vegetable or other substance, alcohol bitters,
17 bitters containing alcohol, fruits preserved in ardent spirits, and any
18 alcoholic mixture or preparation, whether patented or otherwise, that may
19 in sufficient quantities produce intoxication.

20 ~~16.~~ 17. "Employee" means any person who performs any service on
21 licensed premises on a full-time, part-time or contract basis with consent
22 of the licensee, whether or not the person is denominated an employee or
23 independent contractor or otherwise. Employee does not include a person
24 who is exclusively on the premises for musical or vocal performances, for
25 repair or maintenance of the premises or for the delivery of goods to the
26 licensee.

27 ~~17.~~ 18. "Farm winery" means a winery in the United States or in a
28 territory or possession of the United States that holds a license pursuant
29 to section 4-205.04.

30 ~~18.~~ 19. "Government license" means a license to serve and sell
31 spirituous liquor on specified premises available only to a state agency,
32 state board, state commission, county, city, town, community college or
33 state university or the national guard or Arizona coliseum and exposition
34 center on application by the governing body of the state agency, state
35 board, state commission, county, city, town, community college or state
36 university or the national guard or Arizona exposition and state fair
37 board.

38 ~~19.~~ 20. "Legal drinking age" means twenty-one years of age or
39 older.

40 ~~20.~~ 21. "License" means a license or an interim retail permit
41 issued pursuant to this title.

42 ~~21.~~ 22. "Licensee" means a person who has been issued a license or
43 an interim retail permit pursuant to this title or a special event
44 licensee.

1 ~~22.~~ 23. "License fees" means fees collected for license issuance,
2 license application, license renewal, interim permit issuance and license
3 transfer between persons or locations.

4 ~~23.~~ 24. "Manager" means a natural person who meets the standards
5 required of licensees and who has authority to organize, direct, carry on,
6 control or otherwise operate a licensed business on a temporary or
7 full-time basis.

8 ~~24.~~ 25. "Menu food item" means a food item from a regular menu,
9 special menu or happy hour menu that is prepared by the licensee or the
10 licensee's employee.

11 ~~25.~~ 26. "Microbrewery" means a brewery in the United States or in
12 a territory or possession of the United States that meets the requirements
13 of section 4-205.08.

14 ~~26.~~ 27. "Mixed cocktail":

15 (a) Means any drink combined at the premises of an authorized
16 licensee that contains a spirituous liquor and that is combined with at
17 least one other ingredient, which may include additional spirituous
18 liquors, fruit juice, vegetable juice, mixers, cream, flavored syrup or
19 other ingredients except water, and that when combined contains more than
20 one-half of one percent of alcohol by volume.

21 (b) Does not include a drink sold in an original manufacturer's
22 packaging or any drink poured from an original manufacturer's package
23 without the addition of all of the cocktail's other ingredients at the
24 premises of the licensed bar, liquor store or restaurant.

25 ~~27.~~ 28. "Off-sale retailer" means any person that operates a bona
26 fide regularly established retail liquor store ~~selling~~ THAT SELLS
27 spirituous liquors, wines and beer and any established retail store that
28 sells commodities other than spirituous liquors and that is engaged in the
29 sale of spirituous liquors only in the original unbroken package, to be
30 taken away from the premises of the retailer and to be consumed off the
31 premises.

32 ~~28.~~ 29. "On-sale retailer" means any person operating an
33 establishment where spirituous liquors are sold in the original container
34 for consumption on or off the premises or in individual portions for
35 consumption on the premises.

36 ~~29.~~ 30. "Permanent occupancy" means the maximum occupancy of the
37 building or facility as set by the office of the state fire marshal for
38 the jurisdiction in which the building or facility is located.

39 ~~30.~~ 31. "Person" includes a partnership, limited liability
40 company, association, company or corporation, as well as a natural person.

41 ~~31.~~ 32. "Premises" or "licensed premises":

42 (a) Means the area from which the licensee is authorized to sell,
43 dispense or serve spirituous liquors under the provision of the
44 license. ~~Premises or licensed premises~~

1 (b) Includes a patio that is not contiguous to the remainder of the
2 premises or licensed premises if the patio is separated from the remainder
3 of the premises or licensed premises by a public or private walkway or
4 driveway not to exceed thirty feet, subject to rules the director may
5 adopt to establish criteria for noncontiguous premises.

6 ~~32.~~ 33. "Registered alcohol delivery contractor":

7 (a) Means a person who delivers spirituous liquor to a consumer on
8 behalf of a bar, beer and wine bar, liquor store, beer and wine store or
9 restaurant.

10 (b) Does not include:

11 (i) A motor carrier as defined in section 28-5201.

12 (ii) An independent contractor, a subcontractor of an independent
13 contractor, an employee of an independent contractor or an employee of a
14 subcontractor as provided in section 4-203, subsection J.

15 ~~33.~~ 34. "Registered mail" includes certified mail.

16 ~~34.~~ 35. "Registered retail agent" means any person who is
17 authorized pursuant to section 4-222 to purchase spirituous liquors for
18 and on behalf of the person and other retail licensees.

19 ~~35.~~ 36. "Repeated acts of violence" means:

20 (a) For licensed premises with a permanent occupancy of two hundred
21 or fewer persons, two or more acts of violence occurring within seven days
22 or three or more acts of violence occurring within thirty days.

23 (b) For licensed premises with a permanent occupancy of more than
24 two hundred but not more than four hundred persons, four or more acts of
25 violence within thirty days.

26 (c) For licensed premises with a permanent occupancy of more than
27 four hundred but not more than six hundred fifty persons, five or more
28 acts of violence within thirty days.

29 (d) For licensed premises with a permanent occupancy of more than
30 six hundred fifty but not more than one thousand fifty persons, six or
31 more acts of violence within thirty days.

32 (e) For licensed premises with a permanent occupancy of more than
33 one thousand fifty persons, seven or more acts of violence within thirty
34 days.

35 ~~36.~~ 37. "Sell" includes soliciting or receiving an order for,
36 keeping or exposing for sale, directly or indirectly delivering for value,
37 peddling, keeping with intent to sell and trafficking in.

38 ~~37.~~ 38. "Spirituous liquor" includes alcohol, brandy, whiskey,
39 rum, tequila, mescal, gin, wine, porter, ale, beer, any malt liquor or
40 malt beverage, absinthe, a compound or mixture of any of them or of any of
41 them with any vegetable or other substance, alcohol bitters, bitters
42 containing alcohol, any liquid mixture or preparation, whether patented or
43 otherwise, that produces intoxication, fruits preserved in ardent spirits,
44 and beverages containing more than one-half of one percent of alcohol by
45 volume.

1 ~~38.~~ 39. "Tamperproof sealed" means designed to prevent consumption
2 without the removal of a tamperproof cap, seal, cork or closure that has a
3 device, mechanism or adhesive that clearly shows whether a container has
4 been opened.

5 ~~39.~~ 40. "Vehicle" means any means of transportation by land, water
6 or air, and includes everything made use of in any way for such
7 transportation.

8 ~~40.~~ 41. "Vending machine" means a machine that dispenses
9 merchandise through the means of coin, token, credit card or other
10 nonpersonal means of accepting payment for merchandise received.

11 ~~41.~~ 42. "Veteran" means a person who has served in the United
12 States air force, army, navy, marine corps or coast guard, as an active
13 nurse in the services of the American red cross, in the army and navy
14 nurse corps in time of war, or in any expedition of the armed forces of
15 the United States, and who has received a discharge other than
16 dishonorable.

17 ~~42.~~ 43. "Voting security" means any security presently entitling
18 the owner or holder of the security to vote for the election of directors
19 of an applicant or a licensee.

20 ~~43.~~ 44. "Wine" means the product obtained by the fermentation of
21 grapes, other agricultural products containing natural or added sugar or
22 cider or any such alcoholic beverage fortified with grape brandy and
23 containing not more than twenty-four percent of alcohol by volume.

24 Sec. 2. Section 4-203, Arizona Revised Statutes, is amended to
25 read:

26 4-203. Licenses; issuance; transfer; reversion to state

27 A. A spirituous liquor license shall be issued only after
28 satisfactory showing of the capability, qualifications and reliability of
29 the applicant and, with the exception of wholesaler, producer, government
30 or club licenses, that the public convenience requires and that the best
31 interest of the community will be substantially served by the issuance. If
32 an application is filed for the issuance of a transferable or
33 nontransferable license, other than for a craft distiller license, a
34 microbrewery license or a farm winery license, for a location that on the
35 date the application is filed has a valid license of the same series, or
36 in the case of a restaurant license application filed for a location with
37 a valid hotel-motel license, issued at that location, there shall be a
38 rebuttable presumption that the public convenience and best interest of
39 the community at that location was established at the time the location
40 was previously licensed. The presumption may be rebutted by competent
41 contrary evidence. The presumption shall not apply once the licensed
42 location has not been in use for more than one hundred eighty days and the
43 presumption shall not extend to the personal qualifications of the
44 applicant.

1 B. The license shall be to manufacture, sell or deal in spirituous
2 liquors only at the place and in the manner provided in the license. A
3 separate license shall be issued for each specific business, and each
4 shall specify:

5 1. The particular spirituous liquors that the licensee is
6 authorized to manufacture, sell or deal in.

7 2. The place of business for which issued.

8 3. The purpose for which the liquors may be manufactured or sold.

9 C. A spirituous liquor license issued to a bar, a liquor store or a
10 beer and wine bar shall be transferable as to any permitted location
11 within the same county, if the transfer meets the requirements of an
12 original application. A spirituous liquor license may be transferred to a
13 person qualified to be a licensee, if the transfer is pursuant to either
14 judicial decree, nonjudicial foreclosure of a legal or equitable lien,
15 including security interests held by financial institutions pursuant to
16 section 4-205.05, a sale of the license, a bona fide sale of the entire
17 business and stock in trade, or other bona fide transactions that are
18 provided for by rule. Any change in ownership of the business of a
19 licensee, directly or indirectly, as defined by rule is deemed a transfer,
20 except that there is no transfer if a new artificial person is added to
21 the ownership of a licensee's business but the controlling persons remain
22 identical to the controlling persons that have been previously disclosed
23 to the director as part of the licensee's existing ownership.

24 D. All applications for a new license pursuant to section 4-201 or
25 for a transfer to a new location pursuant to subsection C of this section
26 shall be filed with and determined by the director, except when the
27 governing body of the city or town or the board of supervisors receiving
28 an application pursuant to section 4-201 orders disapproval of the
29 application or when the director, the state liquor board or any aggrieved
30 party requests a hearing. The application shall then be presented to the
31 state liquor board, and the new license or transfer shall not become
32 effective unless approved by the state liquor board.

33 E. A person who assigns, surrenders, transfers or sells control of
34 a liquor license or business that has a spirituous liquor license shall
35 notify the director within thirty business days after the assignment,
36 surrender, transfer or sale. A spirituous liquor license shall not be
37 leased or subleased. A concession agreement entered into under section
38 4-205.03 is not considered a lease or sublease in violation of this
39 section.

40 F. If a person other than those persons originally licensed
41 acquires control over a license or licensee, the person shall file notice
42 of the acquisition with the director within thirty business days after the
43 acquisition of control and a list of officers, directors or other
44 controlling persons on a form prescribed by the director. There is no
45 acquisition of control if a new person is added to the ownership of a

1 licensee's business but the controlling persons remain identical to the
2 controlling persons that have been previously disclosed to the director as
3 part of the licensee's existing ownership. All officers, directors or
4 other controlling persons shall meet the qualifications for licensure as
5 prescribed by this title. On request, the director shall conduct a
6 preinvestigation before the assignment, sale or transfer of control of a
7 license or licensee, the reasonable costs of which, not more than \$1,000,
8 shall be borne by the applicant. The preinvestigation shall determine
9 whether the qualifications for licensure as prescribed by this title are
10 met. On receipt of notice of an acquisition of control or request of a
11 preinvestigation, the director, within fifteen days after receipt, shall
12 forward the notice of the acquisition of control to the local governing
13 body of the city or town, if the licensed premises is in an incorporated
14 area, or the county, if the licensed premises is in an unincorporated
15 area. The director shall include in the notice to the local governing
16 body written instructions on how the local governing body may examine,
17 free of charge, the results of the department's investigation regarding
18 the capabilities, qualifications and reliability of all officers,
19 directors or other controlling persons listed in the application for
20 acquisition of control. The local governing body, or the governing body's
21 designee, may provide the director with a recommendation, either in favor
22 of or against the acquisition of control, within sixty days after the
23 director mails the notice, but section 4-201 does not apply to the
24 acquisition of control provided for in this section. A local governing
25 body may charge not more than one fee, regardless of the number of
26 licenses held by the applicant, for review of one or more applications for
27 acquisition of control submitted to the department at the same time and
28 for the same entity. Within one hundred five days after filing the notice
29 of the acquisition of control, the director shall determine whether the
30 applicant is qualified, capable and reliable for licensure. A
31 recommendation by the local governing body, or the governing body's
32 designee, against the acquisition of control or denial by the director
33 shall be set for a hearing before the board. The person who has acquired
34 control of a license or licensee has the burden of an original application
35 at the hearing, and the board shall make its determination pursuant to
36 section 4-202 and this section with respect to capability, reliability and
37 qualification.

38 G. A licensee who holds a license in nonuse status for more than
39 five months shall be required to pay a \$100 surcharge for each month
40 thereafter. The surcharge shall be paid at the time the license is
41 returned to active status. A license automatically reverts to the state
42 after being held in continuous nonuse for more than thirty-six months.
43 The director may waive the surcharge and may extend the time period
44 provided in this subsection for good cause if the licensee files a written
45 request for an extension of time to place the license in active status

1 before the date of the automatic reversion. Unless the reverted license
2 of the licensee has been subsequently reissued, the director shall relieve
3 a licensee or its legal representative from a prior license reversion
4 under this section if the request for such relief is filed in writing not
5 later than two years after the date of reversion. A license shall not be
6 deemed to have gone into active status if the license is transferred to a
7 location that at the time of or immediately before the transfer had an
8 active license of the same type, unless the licenses are under common
9 ownership or control.

10 H. A restructuring of a licensee's business is not an acquisition
11 of control, a transfer of a spirituous liquor license or the issuance of a
12 new spirituous liquor license if both of the following apply:

13 1. All of the controlling persons of the licensee and the new
14 business entity are identical.

15 2. There is no change in control or beneficial ownership.

16 I. If subsection H of this section applies, the licensee's history
17 of violations of this title is the history of the new business entity.
18 The director may prescribe a form and shall require the applicant to
19 provide the necessary information to ensure compliance with this
20 subsection and subsections F and G of this section.

21 J. Notwithstanding subsection B of this section, the holder of a
22 retail license in this state having off-sale privileges, except a bar,
23 beer and wine bar or restaurant licensee, may take orders by telephone,
24 mail, fax or catalog, through the internet or by other means for the sale
25 and delivery of spirituous liquor off of the licensed premises to a person
26 in this state in connection with the sale of spirituous liquor.
27 Notwithstanding the definition of "sell" prescribed in section 4-101, the
28 placement of an order and payment pursuant to this section is not a sale
29 until delivery has been made. At the time that the order is placed, the
30 licensee shall inform the purchaser that state law requires a purchaser of
31 spirituous liquor to be at least twenty-one years of age and that the
32 person accepting delivery of the spirituous liquor is required to comply
33 with this state's age identification requirements as prescribed in section
34 4-241, subsections A and K. The licensee may maintain a delivery service
35 and may contract with one or more independent contractors, that may also
36 contract with one or more independent contractors, or may contract with a
37 common carrier for delivery of spirituous liquor if the spirituous liquor
38 is loaded for delivery at the premises of the retail licensee in this
39 state and delivered in this state. Except if the person delivering the
40 order has personally retrieved and bagged or otherwise packaged the
41 container of spirituous liquor for delivery and the licensee records, or
42 requires to be recorded electronically, the identification information for
43 each delivery, all containers of spirituous liquor delivered pursuant to
44 this subsection shall be conspicuously labeled with the words "contains
45 alcohol, signature of person who is twenty-one years of age or older is

1 required for delivery". The licensee is responsible for any violation of
2 this title or any rule adopted pursuant to this title that is committed in
3 connection with any sale or delivery of spirituous liquor. Delivery must
4 be made by an employee of the licensee or other authorized person as
5 provided by this section who is at least twenty-one years of age to a
6 customer who is at least twenty-one years of age and who displays an
7 identification at the time of delivery that complies with section 4-241,
8 subsection K. The retail licensee shall collect payment for the full
9 price of the spirituous liquor from the purchaser before the product
10 leaves the licensed premises. The director shall adopt rules that set
11 operational limits for the delivery of spirituous liquors by the holder of
12 a retail license having off-sale privileges. With respect to the delivery
13 of spirituous liquor, for any violation of this title or any rule adopted
14 pursuant to this title that is based on the act or omission of a
15 licensee's employee or other authorized person, the mitigation provision
16 of section 4-210, subsection G applies, with the exception of the training
17 requirement. For the purposes of this subsection and notwithstanding the
18 definition of "sell" prescribed in section 4-101, section 4-241,
19 subsections A and K apply only at the time of delivery. For the purposes
20 of compliance with this subsection, an independent contractor, a
21 subcontractor of an independent contractor, the employee of an independent
22 contractor or the employee of a subcontractor is deemed to be acting on
23 behalf of the licensee when making a delivery of spirituous liquor for the
24 licensee.

25 K. Except as provided in subsection J of this section, Arizona
26 licensees may transport spirituous liquors for themselves in vehicles
27 owned, leased or rented by the licensee.

28 L. Notwithstanding subsection B of this section, an off-sale retail
29 licensee may provide consumer tasting of wines off of the licensed
30 premises subject to all applicable provisions of section 4-206.01.

31 M. The director may adopt reasonable rules to protect the public
32 interest and prevent abuse by licensees of the activities permitted such
33 licensees by subsections J and L of this section.

34 N. Failure to pay any surcharge prescribed by subsection G of this
35 section or failure to report the period of nonuse of a license shall be
36 grounds for revocation of the license or grounds for any other sanction
37 provided by this title. The director may consider extenuating
38 circumstances if control of the license is acquired by another party in
39 determining whether or not to impose any sanctions under this subsection.

40 O. If a licensed location has not been in use for three years, the
41 location must requalify for a license pursuant to subsection A of this
42 section and shall meet the same qualifications required for issuance of a
43 new license except when the director deems that the nonuse of the location
44 was due to circumstances beyond the licensee's control and an extension of
45 time has been granted pursuant to subsection G of this section.

1 P. If the licensee's interest is forfeited pursuant to section
2 4-210, subsection L, the location shall requalify for a license pursuant
3 to subsection A of this section and shall meet the same qualifications
4 required for issuance of a new license except when a bona fide lienholder
5 demonstrates mitigation pursuant to section 4-210, subsection K.

6 Q. The director may implement a procedure for the issuance of a
7 license with a licensing period of two years.

8 R. For any sale of a farm winery or craft distiller or change in
9 ownership of a farm winery or craft distiller directly or indirectly, the
10 business, stock-in-trade and spirituous liquor may be transferred with the
11 ownership, in compliance with the applicable requirements of this title.

12 S. Notwithstanding subsection B of this section, bar, beer and wine
13 bar, liquor store, beer and wine store or restaurant licensees in this
14 state may take orders by telephone, mail, fax or catalog, through the
15 internet or by other means for the sale and delivery of spirituous liquor
16 off the licensed premises as follows:

17 1. Bar licensees for beer, wine, distilled spirits and mixed
18 cocktails.

19 2. Beer and wine bar licensees for beer and wine.

20 3. Liquor store licensees for beer, wine, distilled spirits and
21 mixed cocktails.

22 4. Beer and wine store licensees for beer and wine.

23 5. Restaurant licensees for any of the following:

24 (a) Mixed cocktails, with the sale of menu food items for
25 consumption on or off the licensed premises, if the restaurant holds a
26 permit issued pursuant to section 4-203.07 and section 4-205.02,
27 subsection K or a lease pursuant to section 4-203.06.

28 (b) Beer if the restaurant holds a permit issued pursuant to
29 section 4-205.02, subsection H.

30 (c) Beer, wine and distilled spirits if the restaurant holds an
31 off-sale privileges lease with a bar or liquor store pursuant to section
32 4-203.07.

33 (d) Beer and wine if the restaurant holds an off-sale privileges
34 lease with a beer and wine bar pursuant to section 4-203.07.

35 T. Notwithstanding the definition of "sell" prescribed in section
36 4-101, placing an order and paying for that order pursuant to subsection S
37 of this section is not a sale until delivery has been made. At the time
38 that the order is placed, the licensee shall inform the purchaser that
39 state law requires a purchaser of spirituous liquor to be at least
40 twenty-one years of age and that the person accepting delivery of the
41 spirituous liquor is required to comply with this state's age
42 identification requirements as prescribed in section 4-241, subsections A
43 and K. The licensee may maintain a delivery service and may contract with
44 one or more alcohol delivery contractors registered pursuant to section
45 4-205.13 for delivery of spirituous liquor if the spirituous liquor is

1 packaged and tamperproof sealed by the bar, beer and wine bar, liquor
2 store, beer and wine store or restaurant licensee or the licensee's
3 employee and is loaded for delivery at the premises of the restaurant,
4 beer and wine bar, liquor store, beer and wine store or bar licensee in
5 this state and delivered in this state on the same business day. A liquor
6 store or beer and wine store licensee may contract with one or more
7 independent contractors as provided in subsection J of this section for
8 delivery of spirituous liquor if the spirituous liquor is loaded for
9 delivery at the premises of the liquor store or beer and wine store
10 licensee in this state and delivered in this state on the same business
11 day. All containers of spirituous liquor delivered pursuant to subsection
12 S of this section shall be tamperproof sealed and conspicuously labeled
13 with the words "contains alcohol, signature of person who is twenty-one
14 years of age or older is required for delivery". The licensee is
15 responsible for any violation of this title or any rule adopted pursuant
16 to this title that is committed in connection with any sale or delivery of
17 spirituous liquor. Delivery must be made by an employee of the licensee
18 or an employee or authorized independent contractor of a registered
19 alcohol delivery contractor as provided by this section who is at least
20 twenty-one years of age and delivery must be made to a customer who is at
21 least twenty-one years of age and who displays an identification at the
22 time of delivery that complies with section 4-241, subsection K. The
23 restaurant, beer and wine bar, liquor store, beer and wine store or bar
24 licensee shall collect payment for the full price of the spirituous liquor
25 from the purchaser before the product leaves the licensed premises. The
26 director shall adopt rules that set operational limits for the delivery of
27 spirituous liquor pursuant to this subsection and subsection S of this
28 section with respect to the delivery of spirituous liquor. For any
29 violation of this title or any rule adopted pursuant to this title that is
30 based on the act or omission of a licensee's employee or a registered
31 alcohol delivery contractor, the mitigation provision of section 4-210,
32 subsection G applies, with the exception of the training requirement. For
33 the purposes of this subsection and notwithstanding the definition of
34 "sell" prescribed in section 4-101, section 4-241, subsections A and K
35 apply only at the time of delivery. An alcohol delivery contractor, a
36 subcontractor of an alcohol delivery contractor, an employee of an alcohol
37 delivery contractor or an employee of a subcontractor is deemed to be
38 acting on behalf of the licensee when making a delivery of spirituous
39 liquor for the licensee. For the purposes of this subsection, "business
40 day" means between the hours of 6:00 a.m. of one day and 2:00 a.m. of the
41 next day.

42 U. A LICENSEE THAT HAS OFF-SALE PRIVILEGES AND THAT DELIVERS
43 SPIRITUOUS LIQUOR AS PRESCRIBED IN THIS SECTION SHALL COMPLETE A WRITTEN
44 RECORD OF EACH DELIVERY AT THE TIME OF DELIVERY. THE WRITTEN RECORD SHALL
45 INCLUDE ALL OF THE FOLLOWING:

- 1 1. THE NAME OF THE LICENSEE MAKING THE DELIVERY.
- 2 2. THE COMPLETE ADDRESS OF THE LICENSEE MAKING THE DELIVERY.
- 3 3. THE LICENSEE'S LICENSE NUMBER.
- 4 4. THE DATE AND TIME OF THE DELIVERY.
- 5 5. THE ADDRESS WHERE THE DELIVERY WAS MADE.
- 6 6. THE TYPE AND BRAND OF ALL SPIRITUOUS LIQUOR DELIVERED.
- 7 V. A LICENSEE THAT HAS OFF-SALE PRIVILEGES AND THAT DELIVERS
- 8 SPIRITUOUS LIQUOR AS PRESCRIBED IN THIS SECTION SHALL OBTAIN THE FOLLOWING
- 9 INFORMATION FROM THE INDIVIDUAL WHO ACCEPTS DELIVERY:

- 10 1. THE INDIVIDUAL'S NAME.
- 11 2. THE INDIVIDUAL'S DATE OF BIRTH.
- 12 3. THE INDIVIDUAL'S SIGNATURE. THE LICENSEE MAKING THE DELIVERY
- 13 MAY USE AN ELECTRONIC SIGNATURE SYSTEM TO COMPLY WITH THE REQUIREMENTS OF
- 14 THIS PARAGRAPH.

15 Sec. 3. Section 4-205.02, Arizona Revised Statutes, is amended to

16 read:

17 4-205.02. Restaurant license; issuance; regulatory

18 provisions; expiration; off-sale leases and

19 permits; fee; definitions

20 A. The director may issue a restaurant license to any restaurant in

21 this state that is regularly open for serving food to guests for

22 compensation and that has suitable kitchen facilities connected with the

23 restaurant for keeping, cooking and preparing foods required for ordinary

24 meals.

25 B. The director shall issue the license in the name of the

26 restaurant on application for the license by the owner or lessee of the

27 restaurant, if the applicant is otherwise qualified to hold a spirituous

28 liquor license. The holder of such a license is subject to the penalties

29 prescribed for any violation of the law relating to alcoholic beverages.

30 C. The holder of a restaurant license may sell and serve spirituous

31 liquors solely for consumption on the licensed premises. For the purpose

32 of this subsection, "licensed premises" may include rooms, areas or

33 locations in which the restaurant normally sells or serves spirituous

34 liquors pursuant to regular operating procedures and practices and that

35 are contiguous to the restaurant or a noncontiguous patio pursuant to

36 section 4-101, paragraph ~~31~~ 32. For the purposes of this subsection, a

37 restaurant licensee must submit proof of tenancy or permission from the

38 landowner or lessor for all property to be included in the licensed

39 premises.

40 D. In addition to other grounds prescribed in this title on which a

41 license may be revoked, the director may require the holder of a

42 restaurant license issued pursuant to this section to surrender the

43 license in any case in which the licensee ceases to operate as a

44 restaurant, as prescribed in subsection A of this section. The surrender

45 of a license pursuant to this subsection does not prevent the director

1 from revoking the license for other grounds prescribed in this title or
2 for making deliberate material misrepresentations to the department
3 regarding the licensee's equipment, service or entertainment items or
4 seating capacity in applying for the restaurant license.

5 E. Neither the director nor the board may initially issue a
6 restaurant license if either finds that there is sufficient evidence that
7 the operation will not satisfy the criteria adopted by the director for
8 issuing a restaurant license described in section 4-209, subsection B,
9 paragraph 12. The director shall issue a restaurant license only if the
10 applicant has submitted a plan for the operation of the restaurant. The
11 plan shall be completed on forms provided by the department and shall
12 include listings of all restaurant equipment and service items, the
13 restaurant seating capacity and other information requested by the
14 department to substantiate that the restaurant will operate in compliance
15 with this section.

16 F. The holder of the license described in section 4-209, subsection
17 B, paragraph 12 who intends to alter the seating capacity or dimensions of
18 a restaurant facility shall notify the department in advance on forms
19 provided by the department.

20 G. The director may charge a fee for site inspections conducted
21 before the issuance of a restaurant license.

22 H. A restaurant applicant or licensee may apply for a permit
23 allowing for the sale of beer for consumption off the licensed premises
24 pursuant to section 4-244, paragraph 32, subdivision (c) on a form
25 prescribed and furnished by the director. The department shall not issue
26 a permit to a restaurant applicant or licensee that does not meet the
27 requirements in section 4-207, subsection A. Section 4-207, subsection B
28 does not apply to this subsection. The permit shall be issued only after
29 the director has determined that the public convenience requires and that
30 the best interest of the community will be substantially served by the
31 issuance of the permit, considering the same criteria adopted by the
32 director for issuing a restaurant license described in section 4-209,
33 subsection B, paragraph 12. The amount of beer sold under the permit
34 shall not exceed ten percent of gross revenue of spirituous liquor sold by
35 the establishment. After the permit has been issued, the permit shall be
36 noted on the license itself and in the records of the department. The
37 director may charge a fee for processing the application for the permit
38 and a renewal fee.

39 I. Notwithstanding any rule adopted by the department, business
40 establishments that relied on a form issued by the department that
41 provides for a small restaurant exemption for fifty or fewer seats before
42 January 31, 2019 are allowed to continue to maintain the capacity of fifty
43 or fewer seats for the duration of the business. The rights of a business
44 establishment subject to this section are not transferable.

1 J. Notwithstanding section 4-203, subsection E, section 4-207 and
2 section 4-210, subsection A, paragraph 6, through December 31, 2025, a
3 restaurant applicant or licensee may apply to the department for a lease
4 for the privilege of selling mixed cocktails for consumption off the
5 licensed premises pursuant to section 4-203.06 and section 4-244,
6 paragraph 32, subdivision (d).

7 K. Notwithstanding section 4-207, beginning January 1, 2026, a
8 restaurant applicant or licensee may apply for a permit to allow the sale
9 of mixed cocktails for consumption off the licensed premises pursuant to
10 section 4-203.07 and section 4-244, paragraph 32, subdivision (d), on a
11 form prescribed and furnished by the director. The sale of mixed
12 cocktails for consumption off the licensed premises must be accompanied by
13 the sale of menu food items for consumption on or off the licensed
14 premises. The department shall issue the permit only after the director
15 has determined that the public convenience requires and that the best
16 interest of the community will be substantially served by issuing the
17 permit. All permit holders and their employees, managers and agents must
18 complete alcohol training pursuant to section 4-112, subsection G,
19 paragraph 2. After the department issues the permit, the permit shall be
20 noted on the license itself and in the records of the department. The
21 director may establish and charge a fee for processing the permit
22 application and a renewal fee.

23 L. A restaurant licensee shall cease selling spirituous liquor,
24 including mixed cocktails, for off-premises consumption when the licensee
25 ceases regular kitchen service for food.

26 M. For the purposes of this section:

27 1. "Gross revenue":

28 (a) Means the revenue derived from all sales of food and spirituous
29 liquor on the licensed premises, regardless of whether the sales of
30 spirituous liquor are made under a restaurant license issued pursuant to
31 this section or under any other license that has been issued for the
32 premises pursuant to this article.

33 (b) Includes revenue derived from spirituous liquor sold for
34 off-sale consumption.

35 2. "Restaurant" means an establishment that derives at least forty
36 percent of its gross revenue from the sale of food, including sales of
37 food for consumption off the licensed premises if the amount of these
38 sales included in the calculation of gross revenue from the sale of food
39 does not exceed fifteen percent of all gross revenue of the restaurant.

40 Sec. 4. Title 4, chapter 2, article 1, Arizona Revised Statutes, is
41 amended by adding section 4-205.14, to read:

42 4-205.14. Microbrewery festival license; microbrewery fair
43 license; fee

44 A. THE DIRECTOR MAY ISSUE ON A TEMPORARY BASIS A MICROBREWERY
45 FESTIVAL LICENSE THAT AUTHORIZES:

1 1. THE SAMPLING OF THE MICROBREWERY PRODUCTS ON THE MICROBREWERY
2 FESTIVAL PREMISES.

3 2. THE SALE OF PRODUCTS FOR CONSUMPTION ON THE MICROBREWERY
4 FESTIVAL PREMISES.

5 3. THE SALE OF PRODUCTS IN THE ORIGINAL CONTAINER FOR CONSUMPTION
6 OFF THE MICROBREWERY FESTIVAL PREMISES.

7 B. BEFORE THE DIRECTOR MAY ISSUE A MICROBREWERY FESTIVAL LICENSE, A
8 MICROBREWERY FESTIVAL THAT IS TO OCCUR AT AN OTHERWISE UNLICENSED LOCATION
9 OR AT A LOCATION THAT IS NOT FULLY WITHIN THE LICENSEE'S EXISTING LICENSED
10 PREMISES MUST BE APPROVED BY THE BOARD OF SUPERVISORS OF THE COUNTY, OR
11 THE BOARD'S DESIGNEE, IF THE EVENT IS TO BE HELD IN AN UNINCORPORATED AREA
12 OR BY THE GOVERNING BODY OF THE CITY OR TOWN, OR THE GOVERNING BODY'S
13 DESIGNEE, IF THE EVENT IS TO BE HELD IN A CITY OR TOWN. A DENIAL BY THE
14 COUNTY, CITY OR TOWN MUST BE FORWARDED TO THE DIRECTOR WITHIN SIXTY DAYS
15 AFTER THE SUBMISSION OF AN APPLICATION TO THE COUNTY, CITY OR TOWN UNLESS
16 THE APPLICANT HAS REQUESTED MORE TIME FOR CONSIDERATION OF THE
17 APPLICATION.

18 C. THE APPROVAL PROCESS PRESCRIBED IN SUBSECTION B OF THIS SECTION
19 DOES NOT APPLY TO PHYSICAL LOCATIONS THAT ARE FULLY LOCATED WITHIN A
20 LICENSED PREMISES.

21 D. THE DIRECTOR MAY ISSUE ONE OR MORE MICROBREWERY FESTIVAL
22 LICENSES FOR EACH LICENSED MICROBREWERY, FOR A TOTAL OF UP TO ONE HUNDRED
23 FIFTY CALENDAR DAYS FOR EACH MICROBREWERY. THE DIRECTOR MAY ESTABLISH A
24 FEE FOR EACH DAY OF EACH EVENT FOR A MICROBREWERY FESTIVAL LICENSE.

25 E. ANY MICROBREWERY MAY APPLY FOR A MICROBREWERY FESTIVAL LICENSE
26 PURSUANT TO THIS SECTION.

27 F. A REPRESENTATIVE OF THE LICENSED MICROBREWERY MAY CONSUME SMALL
28 AMOUNTS OF THE PRODUCTS OF THE LICENSED MICROBREWERY ON THE FESTIVAL
29 PREMISES FOR THE PURPOSE OF QUALITY CONTROL.

30 G. THE DIRECTOR MAY ISSUE A MICROBREWERY FAIR LICENSE WITH THE
31 PERMISSION OF STATE FAIR ORGANIZERS OR COUNTY FAIR ORGANIZERS. ANY
32 MICROBREWERY MAY ALLOW THE SAMPLING OF MICROBREWERY PRODUCTS ON THE FAIR
33 PREMISES, THE SALE OF THE PRODUCTS FOR CONSUMPTION ON THE FAIR PREMISES
34 AND THE SALE OF THE PRODUCTS IN ORIGINAL CONTAINERS FOR CONSUMPTION OFF OF
35 THE FAIR PREMISES AT ANY SANCTIONED STATE FAIR OR COUNTY FAIR. THE
36 DIRECTOR MAY ESTABLISH A FEE FOR EACH DAY FOR EACH EVENT FOR A
37 MICROBREWERY FAIR LICENSE.

38 H. SECTION 4-201 DOES NOT APPLY TO THE LICENSES PROVIDED UNDER THIS
39 SECTION.

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

42 4-207. Restrictions on licensing premises near school
43 buildings; definition

44 A. A retailer's license shall not be issued for any premises that
45 are, at the time the license application is received by the director,

1 within three hundred horizontal feet of a public or private school
2 building with kindergarten programs or any of grades one through twelve or
3 within three hundred horizontal feet of a fenced recreational area
4 adjacent to such school building. This section does not prohibit the
5 renewal of a valid license issued pursuant to this title if, on the date
6 that the original application for the license is filed, the premises were
7 not within three hundred horizontal feet of a public or private school
8 building with kindergarten programs or any of grades one through twelve or
9 within three hundred horizontal feet of a fenced recreational area
10 adjacent to such school building.

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

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

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

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

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

19 5. Playing area of a golf course issued a license pursuant to this
20 article.

21 6. Beer and wine license at a nonprofit performing arts theatre
22 with a permanent seating capacity of at least two hundred fifty persons.

23 7. Craft distillery festival license issued pursuant to section
24 4-205.11.

25 8. Farm winery festival license issued pursuant to section
26 4-203.03.

27 9. MICROBREWERY FESTIVAL LICENSE OR MICROBREWERY FAIR LICENSE
28 ISSUED PURSUANT TO SECTION 4-205.14.

29 C. Notwithstanding subsection A of this section:

30 1. A transferable spirituous liquor license that is validly issued
31 and that is, on the date an application for a transfer is filed, within
32 three hundred horizontal feet of a public or private school building with
33 kindergarten programs or any of grades one through twelve or within three
34 hundred horizontal feet of a fenced recreational area adjacent to such
35 school building may be transferred person to person pursuant to sections
36 4-201, 4-202 and 4-203 and remains in full force until the license is
37 terminated in any manner, unless renewed pursuant to section 4-209,
38 subsection A.

39 2. A person may be issued a spirituous liquor license pursuant to
40 sections 4-201, 4-202 and 4-203 of the same class for premises that, on
41 the date the application is filed, have a valid transferable or
42 nontransferable license of the same series if the premises are, on the
43 date an application for the license is filed, within three hundred
44 horizontal feet of a public or private school building with kindergarten
45 programs or any of grades one through twelve or within three hundred

1 horizontal feet of a fenced recreational area adjacent to such school
2 building and the license remains in full force until the license is
3 terminated in any manner, unless renewed pursuant to section 4-209,
4 subsection A.

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

14 4. The governing body of a city or town, on a case-by-case basis,
15 may approve an exemption from the distance restrictions prescribed in this
16 section for a public or private school that is located in an area that is
17 designated an entertainment district by the governing body of that city or
18 town. A city or town with a population of at least five hundred thousand
19 persons may designate not more than three entertainment districts within
20 the boundaries of the city or town pursuant to this paragraph. A city or
21 town with a population of at least two hundred thousand persons but less
22 than five hundred thousand persons may designate not more than two
23 entertainment districts within the boundaries of the city or town pursuant
24 to this paragraph. A city or town with a population of less than two
25 hundred thousand persons may designate not more than one entertainment
26 district within the boundaries of the city or town pursuant to this
27 paragraph.

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

38 D. For the purposes of this section, "entertainment district" means
39 a specific contiguous area that is designated an entertainment district by
40 a resolution adopted by the governing body of a city or town, that
41 consists of not more than one square mile, that is not less than
42 one-eighth of a mile in width and that contains a significant number of
43 entertainment, artistic and cultural venues, including music halls,
44 concert facilities, theaters, arenas, stadiums, museums, studios,
45 galleries, restaurants, bars and other related facilities.

1 Sec. 6. Section 4-207.03, Arizona Revised Statutes, is amended to
2 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. **IF
14 THE LOCAL GOVERNING BODY OR THE LOCAL GOVERNING BODY'S DESIGNEE COMPLETES
15 THE REVIEW AND PROVIDES AN ADVISORY RECOMMENDATION TO THE DIRECTOR BEFORE
16 THE CONCLUSION OF THE SIXTY-DAY PERIOD, THE DIRECTOR MAY ACT ON THE
17 APPLICATION BEFORE THE EXPIRATION OF THE SIXTY-DAY PERIOD.**

18 B. The applicant licensee shall submit with the application a
19 security plan. The applicant licensee shall identify the security
20 measures that will be implemented by the applicant licensee for the
21 extended premises. The security plan shall:

- 22 1. Provide for the safety of patrons.
- 23 2. Ensure that an individual who is under the legal drinking age
24 does not purchase, possess or consume spirituous liquor on the extended
25 premises.
- 26 3. Prevent the unauthorized removal of spirituous liquor from the
27 extended premises.
- 28 4. Prevent the unauthorized carrying of spirituous liquor onto the
29 extended premises.

30 C. The applicant licensee shall file with the application and may
31 modify from time to time a schedule showing the date and time periods when
32 the extended premises will be in use. The applicant licensee shall
33 provide at least ten days' written notice of the modification to the
34 department.

35 D. The right of a licensee to use an extended premises may be
36 limited or revoked by the director for a violation of this title or any
37 rule adopted pursuant to this title.

38 E. The department may charge a fee in an amount prescribed by the
39 director for the review and processing of applications.

40 F. A licensee with extended premises may not allow an individual
41 who is under the legal drinking age and who is not accompanied by a
42 spouse, parent, grandparent or legal guardian of legal drinking age to
43 remain in an area on the extended premises during hours in which the
44 primary use of the premises is the sale, dispensing or consumption of

1 spirituous liquor after the licensee or licensee's employees know or
2 should have known that the individual is under the legal drinking age.

3 Sec. 7. Section 4-241, Arizona Revised Statutes, is amended to
4 read:

5 4-241. Selling or giving liquor to underage person; illegally
6 obtaining liquor by underage person; violation;
7 classification; definition

8 A. If a licensee, an employee of the licensee or any other person
9 questions or has reason to question that the person ordering, purchasing,
10 attempting to purchase or otherwise procuring or attempting to procure the
11 serving or delivery of spirituous liquor or entering a portion of a
12 licensed premises when the primary use is the sale or service of
13 spirituous liquor is under the legal drinking age, the licensee, employee
14 of the licensee or other person shall do all of the following:

15 1. Demand identification from the person.

16 2. Examine the identification to determine that the identification
17 reasonably appears to be a valid, unaltered identification that has not
18 been defaced.

19 3. Examine the photograph in the identification and determine that
20 the person reasonably appears to be the same person in the identification.

21 4. Determine that the date of birth in the identification indicates
22 the person is not under the legal drinking age.

23 B. A licensee or an employee of the licensee who follows the
24 procedures prescribed in subsection A of this section and who records and
25 retains a record of the person's identification on this particular visit,
26 or a licensee or an employee of the licensee who uses a biometric identity
27 verification device to verify a person is not under the legal drinking age
28 as provided in subsection W of this section, is not in violation of
29 subsection J of this section or section 4-244, paragraph 9 or 22. This
30 defense applies to actions of the licensee and all employees of the
31 licensee after the procedure prescribed in subsection A or W of this
32 section has been employed during the particular visit to the licensed
33 premises by the person. A licensee or an employee of the licensee is not
34 required to demand and examine identification of a person pursuant to
35 subsection A or W of this section if, during this visit to the licensed
36 premises by the person, the licensee or any employee of the licensee has
37 previously followed the procedure prescribed in subsection A or W of this
38 section.

39 C. Proof that the licensee or employee followed the entire
40 procedure prescribed in subsection A of this section but did not record
41 and retain a record as prescribed in subsection B of this section is an
42 affirmative defense to a criminal charge under subsection J of this
43 section or under section 4-244, paragraph 9 or 22 or a disciplinary action
44 under section 4-210 for a violation of subsection J of this section or
45 section 4-244, paragraph 9 or 22. This defense applies to actions of the

1 licensee and all employees of the licensee after the procedure has been
2 employed during the particular visit to the licensed premises by the
3 person.

4 D. A licensee or an employee who has not recorded and retained a
5 record of the identification AS prescribed by subsection B of this section
6 is presumed not to have followed any of the elements prescribed in
7 subsection A of this section.

8 E. For the purposes of section 4-244, paragraph 22, a licensee or
9 an employee who has not recorded and retained a record of the
10 identification AS prescribed by subsection B of this section is presumed
11 to know that the person entering or attempting to enter a portion of a
12 licensed premises when the primary use is the sale or service of
13 spirituous liquor is under the legal drinking age.

14 F. It is a defense to a violation of subsection A of this section
15 if the person ordering, purchasing, attempting to purchase or otherwise
16 procuring or attempting to procure the serving or delivery of spirituous
17 liquor or to enter a portion of a licensed premises when the primary use
18 is the sale or service of spirituous liquor is not under the legal
19 drinking age.

20 G. A person penalized for a violation of subsection J of this
21 section or section 4-244, paragraph 22 shall not be additionally penalized
22 for a violation of subsection A or W of this section relating to the same
23 event.

24 H. The defenses provided in this section do not apply to a licensee
25 or an employee who has actual knowledge that the person exhibiting the
26 identification is under the legal drinking age.

27 I. Any of the following types of records are acceptable forms for
28 recording the person's identification:

29 1. A writing containing the type of identification, the date of
30 issuance of the identification, the name on the identification, the date
31 of birth on the identification and the signature of the person.

32 2. An electronic file or printed document produced by a device that
33 reads the person's age from the identification.

34 3. A dated and signed photocopy of the identification.

35 4. A photograph of the identification.

36 5. A digital copy of the identification.

37 J. An off-sale retail licensee or employee of an off-sale retail
38 licensee shall require an instrument of identification from any customer
39 who appears to be under twenty-seven years of age and who is using a
40 drive-through or other physical feature of the licensed premises that
41 allows a customer to purchase spirituous liquor without leaving the
42 customer's vehicle.

43 K. The following written instruments are the only types of
44 identification that are acceptable under subsection A of this section:

1 1. An unexpired driver license issued by this state. A driver
2 license issued to a person who is under twenty-one years of age is no
3 longer an acceptable type of identification under this paragraph thirty
4 days after the person turns twenty-one years of age.

5 2. An unexpired driver license issued by any other state, the
6 District of Columbia, any territory of the United States or Canada if the
7 license includes a picture of the person and the person's date of birth.

8 3. An unexpired nonoperating identification license issued pursuant
9 to section 28-3165. An unexpired nonoperating license issued to a person
10 who is under twenty-one years of age is no longer an acceptable type of
11 identification under this paragraph thirty days after the person turns
12 twenty-one years of age.

13 4. A form of identification license issued by any other state, the
14 District of Columbia, any territory of the United States or Canada if the
15 license is substantially equivalent to a nonoperating identification
16 license issued pursuant to section 28-3165 and includes a picture of the
17 person and the person's date of birth.

18 5. An unexpired armed forces identification card that includes the
19 person's picture and date of birth.

20 6. A valid unexpired passport or a valid unexpired resident alien
21 card that contains a photograph of the person and the person's date of
22 birth.

23 7. A VALID UNEXPIRED CONSULAR IDENTIFICATION CARD THAT IS ISSUED BY
24 A FOREIGN GOVERNMENT IF THE FOREIGN GOVERNMENT USES BIOMETRIC IDENTITY
25 VERIFICATION TECHNIQUES IN ISSUING THE CONSULAR IDENTIFICATION CARD. FOR
26 THE PURPOSES OF THIS PARAGRAPH, "BIOMETRIC IDENTITY VERIFICATION
27 TECHNIQUES" HAS THE SAME MEANING PRESCRIBED IN SECTION 41-5001.

28 L. A person who is under the legal drinking age and who
29 misrepresents the person's age to any person by means of a written
30 instrument of identification with the intent to induce a person to sell,
31 serve, give or furnish spirituous liquor contrary to law is guilty of a
32 class 1 misdemeanor.

33 M. A person who is under the legal drinking age and who solicits
34 another person to purchase, sell, give, serve or furnish spirituous liquor
35 contrary to law is guilty of a class 3 misdemeanor.

36 N. A person who is under the legal drinking age and who uses a
37 fraudulent or false written instrument of identification or identification
38 of another person or uses a valid license or identification of another
39 person to gain access to a licensed establishment is guilty of a class 1
40 misdemeanor.

41 O. A person who uses a driver or nonoperating identification
42 license in violation of subsection L or N of this section is subject to
43 suspension of the driver or nonoperating identification license as
44 provided in section 28-3309. A person who does not have a valid driver or
45 nonoperating identification license and who uses a driver or nonoperating

1 identification license of another in violation of subsection N of this
2 section has the person's right to apply for a driver or nonoperating
3 identification license suspended as provided by section 28-3309.

4 P. A person who knowingly influences the sale, giving or serving of
5 spirituous liquor to a person under the legal drinking age by
6 misrepresenting the age of such person or who orders, requests, receives
7 or procures spirituous liquor from any licensee, employee or other person
8 with the intent of selling, giving or serving it to a person under the
9 legal drinking age is guilty of a class 1 misdemeanor. A licensee or
10 employee of a licensee who has actual knowledge that a person is under the
11 legal drinking age and who admits the person into any portion of the
12 licensed premises in violation of section 4-244, paragraph 22 is in
13 violation of this subsection. In addition to other penalties provided by
14 law, a judge may suspend a driver license issued to or the driving
15 privilege of a person for not more than thirty days for a first conviction
16 and not more than six months for a second or subsequent conviction under
17 this subsection.

18 Q. A person who is at least eighteen years of age and who is an
19 occupant of an unlicensed premises is guilty of a class 1 misdemeanor if
20 the person knowingly hosts on the unlicensed premises a gathering of two
21 or more persons who are under the legal drinking age and if the person
22 knows that one or more of the persons under the legal drinking age are in
23 possession of or consuming spirituous liquor on the unlicensed premises.

24 R. For the purposes of subsection Q of this section:

25 1. "Hosts" means allowing or promoting a party, gathering or event
26 at a person's place of residence or other premises under the person's
27 ownership or control where spirituous liquor is served to, in the
28 possession of or consumed by an underage person.

29 2. "Occupant" means a person who has legal possession or the legal
30 right to exclude others from the unlicensed premises.

31 S. A peace officer shall forward or electronically transfer to the
32 director of the department of transportation the affidavit required by
33 section 28-3310 if the peace officer has arrested a person for the
34 commission of an offense for which, on conviction, suspension of the
35 license or privilege to operate a motor vehicle is required by section
36 28-3309, subsection A, B, C or D, or if the peace officer has confiscated
37 a false identification document used by the person to gain access to
38 licensed premises.

39 T. A person who acts under a program of testing compliance with
40 this title that is approved by the director is not in violation of section
41 4-244.

42 U. Law enforcement agencies may use persons who are under the legal
43 drinking age to test compliance with this section and section 4-244,
44 paragraph 9 by a licensee if the law enforcement agency has reasonable
45 suspicion that the licensee is violating this section or section 4-244,

1 paragraph 9. A person who is under the legal drinking age and who
2 purchases or attempts to purchase spirituous liquor under the direction of
3 a law enforcement agency pursuant to this subsection is immune from
4 prosecution for that purchase or attempted purchase. Law enforcement
5 agencies may use a person under the legal drinking age pursuant to this
6 subsection only if:

7 1. The person is at least fifteen but not more than nineteen years
8 of age.

9 2. The person is not employed on an incentive or quota basis.

10 3. The person's appearance is that of a person who is under the
11 legal drinking age.

12 4. A photograph of the person is taken ~~no~~ NOT more than twelve
13 hours before the purchase or attempted purchase. The photograph shall
14 accurately depict the person's appearance and attire. A licensee or an
15 employee of a licensee who is cited for selling spirituous liquor to a
16 person under the legal drinking age pursuant to this subsection is allowed
17 to inspect the photograph immediately after the citation is issued. The
18 person's appearance at any trial or administrative hearing that results
19 from a citation shall not be substantially different from the person's
20 appearance at the time the citation was issued.

21 5. The person places, receives and pays for the person's order of
22 spirituous liquor. An adult shall not accompany the person onto the
23 premises of the licensee.

24 6. The person does not consume any spirituous liquor.

25 V. The department may adopt rules to carry out the purposes of this
26 section.

27 W. In lieu of or in addition to the procedures prescribed in
28 subsection A of this section, a licensee, an employee of the licensee or
29 any other person who questions or has reason to question ~~that~~ WHETHER
30 the person ordering, purchasing, attempting to purchase or otherwise procuring
31 or attempting to procure the serving or delivery of spirituous liquor or
32 entering a portion of a licensed premises when the primary use is the sale
33 or service of spirituous liquor is under the legal drinking age, the
34 licensee, employee of the licensee or other person may use a biometric
35 identity verification device to determine the person's age. In any
36 instance where the device indicates the person is under the legal drinking
37 age, the attempted purchase, procurement or entry shall be denied.

38 Sec. 8. Section 4-243, Arizona Revised Statutes, is amended to
39 read:

40 4-243. Commercial coercion or bribery unlawful; exceptions

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

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

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

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

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

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

19 6. To guarantee a loan or repayment of a financial obligation of
20 the retailer.

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

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

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

26 B. This section does not prohibit any distiller, vintner, brewer,
27 rectifier, blender or other producer or wholesaler of any spirituous
28 liquor from:

29 1. Giving financial and other forms of event sponsorship assistance
30 to nonprofit or charitable organizations for purposes of charitable
31 fundraising that are issued special event licenses by the department.
32 This section does not prohibit suppliers from advertising their
33 sponsorship at such special events.

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

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

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

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

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

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

6 (f) All sampling procedures shall comply with federal sampling laws
7 and regulations.

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

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

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

16 (c) Sampling is limited to three ounces of beer, one and one-half
17 ounces of wine or one ounce of distilled spirits per person per day for
18 consumption on the premises and up to seventy-two ounces of beer and two
19 ounces of distilled spirits per person per day for consumption off the
20 premises.

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

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

27 (f) A producer conducting sampling shall buy the sampled product
28 from a wholesaler or from the retailer where the sampling is being
29 conducted. If the product for the sampling is purchased from the
30 retailer, the amount paid for the product must be the same amount that the
31 retailer charges for sale to the general public.

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

34 (h) The producer or wholesaler shall designate an area in which
35 sampling is conducted that is in the portion of the licensed premises
36 where spirituous liquor is primarily displayed and separated from the
37 remainder of the off-sale retailer's premises by a wall, rope, door,
38 cable, cord, chain, fence or other barrier. The producer or wholesaler
39 shall not allow persons under the legal drinking age from entering the
40 area in which sampling is conducted. If the retail location has been
41 issued a permanent sampling privilege from the department, the requirement
42 for separation from the remainder of the premises by wall, rope, door,
43 cable, cord, chain, fence or other barrier is not required.

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

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

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

7 (l) All sampling procedures shall comply with federal sampling laws
8 and regulations.

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

13 D. Notwithstanding subsection A, paragraph 4, and subsection B,
14 paragraph 2, subdivision (e) of this section, any wholesaler may furnish
15 without cost promotional items to an on-sale retailer, except that the
16 total market value of the promotional items furnished by that wholesaler
17 to that retailer in any calendar year shall not exceed ~~\$500~~ \$700. For the
18 purposes of this subsection, "promotional items" means items of equipment,
19 supplies, novelties or other advertising specialties that conspicuously
20 display the brand name of a spirituous liquor product. Promotional items
21 do not include signs, ~~or~~ dispensing or tapping machines or equipment **OR**
22 **REFRIGERATORS**.

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

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

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

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

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

1 Sec. 9. Section 4-244.04, Arizona Revised Statutes, is amended to
2 read:

3 4-244.04. Craft producer sampling

4 Notwithstanding section 4-244, paragraphs 13 and 19, a
5 representative of a licensed ~~farm winery~~ CRAFT PRODUCER may consume small
6 amounts and may serve the products of the licensed ~~farm winery~~ CRAFT
7 PRODUCER on the premises of an off-sale retailer or a retailer with
8 off-sale privileges for the purpose of sampling the products of the ~~farm~~
9 ~~winery~~ CRAFT PRODUCER. The licensee of the ~~farm winery~~ CRAFT PRODUCER is
10 liable for any violations of this title committed in connection with such
11 sampling. The director shall regulate the manner of conducting such
12 samplings to prevent abusive practices. The licensed retailer shall make
13 sales of ~~farm winery~~ CRAFT PRODUCER products from the licensed retail
14 premises.

15 Sec. 10. Section 42-3355, Arizona Revised Statutes, is amended to
16 read:

17 42-3355. Return and payment by farm wineries, manufacturers,
18 direct shipment licensees, microbreweries and
19 craft distillers

20 A. ~~Every~~ A farm winery selling vinous liquor at retail or to a
21 retail licensee pursuant to title 4, chapter 2 THAT IS manufactured or
22 produced on the premises, A producer of vinous liquor that sells at retail
23 pursuant to section 4-243.02 or A direct shipment licensee that sells
24 pursuant to section 4-203.04 shall pay the tax under this chapter on all
25 such liquor sold at retail or to a retail licensee within this state and
26 add the amount of the tax to the sales price.

27 B. ~~Every~~ A microbrewery selling malt liquor at retail or to a
28 retail licensee pursuant to title 4, chapter 2 THAT IS manufactured or
29 produced on the premises or a manufacturer of beer that sells at retail
30 pursuant to section 4-243.02 shall pay the tax under this chapter on all
31 malt liquor sold at retail or to a retail licensee within this state and
32 add the amount of the tax to the sales price.

33 C. ~~Every~~ A craft distiller selling spirituous liquor at retail or
34 to a retail licensee pursuant to title 4, chapter 2, ~~THAT IS~~ manufactured
35 or produced on the premises or a distiller of spirituous liquor that sells
36 at retail pursuant to section 4-243.02 shall pay the tax under this
37 chapter on all spirituous liquor sold at retail or to a retail licensee
38 within this state and add the amount of the tax to the sales price.

39 D. The farm winery, manufacturer, microbrewery, craft distiller or
40 direct shipment licensee shall pay the tax to the department ~~monthly~~
41 ANNUALLY on or before the twentieth day of the FIRST month ~~next~~ OF THE
42 YEAR succeeding the ~~month~~ YEAR in which the tax accrues.

1 E. On or before that date, the farm winery, manufacturer,
2 microbrewery, craft distiller or direct shipment licensee shall prepare a
3 sworn return for the ~~month~~ YEAR in which the tax accrues in the form
4 prescribed by the department, showing:

5 1. The amount of liquors or beer sold in this state during the
6 ~~month~~ YEAR in which the tax accrues.

7 2. The amount of tax for the period covered by the return.

8 3. Any other information that the department deems necessary for
9 the proper administration of this chapter.

10 F. The farm winery, manufacturer, microbrewery, craft distiller or
11 direct shipment licensee shall deliver the return, together with a
12 remittance of the amount of the tax due, to the department.

13 G. Any taxpayer that fails to pay the tax within ten days after the
14 date on which the payment becomes due is subject to and shall pay a
15 penalty determined under section 42-1125, plus interest at the rate
16 determined pursuant to section 42-1123 from the time the tax was due and
17 payable until paid.

18 H. For reporting periods beginning from and after December 31,
19 2019, or when the department has established an electronic filing program,
20 whichever is later, each taxpayer shall file electronically any report or
21 return required under this chapter. The report or return is considered to
22 be filed and received by the department on the date of the electronic
23 postmark pursuant to section 42-1105.02.

24 Sec. 11. Applicability

25 Section 42-3355, Arizona Revised Statutes, as amended by this act,
26 applies to taxable periods beginning from and after December 31, 2023.