

REFERENCE TITLE: liquor; licensing; processes; procedures

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

## **HB 2223**

Introduced by  
Representatives Gress: Wilmeth

AN ACT

AMENDING SECTIONS 4-101, 4-201.01 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 4-201.01, Arizona Revised Statutes, is amended to  
25 read:

26           4-201.01. Extending time limits

27           A. In the event any decision, hearing, ~~or~~ or other action by the  
28 department, including the board, is alleged to be untimely, an aggrieved  
29 person may file a demand that the department take action within fifteen  
30 days. In the event the department does not then act, the aggrieved person  
31 may file an action in superior court seeking an order requiring the  
32 department to act.

33           B. Notwithstanding ~~the provisions of~~ subsection A of this section,  
34 if the director determines that it is in the public interest to extend the  
35 time limits for action by the department, including the board **OR A LOCAL**  
36 **GOVERNING BODY**, in connection with a license issuance or transfer or  
37 acquisition of control, the director may extend the time limits by up to  
38 one hundred five days. **WHEN THE REQUEST FOR AN EXTENSION OF THE TIME**  
39 **LIMIT IS MADE BY A LOCAL GOVERNING BODY, THE EXTENSION MAY BE GRANTED WHEN**  
40 **THE APPLICANT OR THE DIRECTOR AGREES WITH THE REQUEST.** The director may  
41 further extend the time limits as the director deems necessary if special  
42 circumstances such as litigation affecting the ownership of the license,  
43 bankruptcy, probate or other circumstances deemed meritorious by the  
44 director prevent the department from completing its action or the director  
45 requires additional time to complete an investigation of an applicant's



1 qualifications for licensure pursuant to section 4-202. ~~In no event shall~~  
2 The director MAY NOT extend the time limits more than one year except as  
3 necessary in the event of litigation affecting the ownership of the  
4 license, bankruptcy or probate or except on a written request of the  
5 applicant or licensee that the director determines is supported by good  
6 cause.

7 Sec. 3. Section 4-205.02, Arizona Revised Statutes, is amended to  
8 read:

9 4-205.02. Restaurant license; issuance; regulatory  
10 provisions; expiration; off-sale leases and  
11 permits; fee; definitions

12 A. The director may issue a restaurant license to any restaurant in  
13 this state that is regularly open for serving food to guests for  
14 compensation and that has suitable kitchen facilities connected with the  
15 restaurant for keeping, cooking and preparing foods required for ordinary  
16 meals.

17 B. The director shall issue the license in the name of the  
18 restaurant on application for the license by the owner or lessee of the  
19 restaurant, if the applicant is otherwise qualified to hold a spirituous  
20 liquor license. The holder of such a license is subject to the penalties  
21 prescribed for any violation of the law relating to alcoholic beverages.

22 C. The holder of a restaurant license may sell and serve spirituous  
23 liquors solely for consumption on the licensed premises. For the purpose  
24 of this subsection, "licensed premises" may include rooms, areas or  
25 locations in which the restaurant normally sells or serves spirituous  
26 liquors pursuant to regular operating procedures and practices and that  
27 are contiguous to the restaurant or a noncontiguous patio pursuant to  
28 section 4-101, paragraph ~~31~~ 32. For the purposes of this subsection, a  
29 restaurant licensee must submit proof of tenancy or permission from the  
30 landowner or lessor for all property to be included in the licensed  
31 premises.

32 D. In addition to other grounds prescribed in this title on which a  
33 license may be revoked, the director may require the holder of a  
34 restaurant license issued pursuant to this section to surrender the  
35 license in any case in which the licensee ceases to operate as a  
36 restaurant, as prescribed in subsection A of this section. The surrender  
37 of a license pursuant to this subsection does not prevent the director  
38 from revoking the license for other grounds prescribed in this title or  
39 for making deliberate material misrepresentations to the department  
40 regarding the licensee's equipment, service or entertainment items or  
41 seating capacity in applying for the restaurant license.

42 E. Neither the director nor the board may initially issue a  
43 restaurant license if either finds that there is sufficient evidence that  
44 the operation will not satisfy the criteria adopted by the director for  
45 issuing a restaurant license described in section 4-209, subsection B,

1 paragraph 12. The director shall issue a restaurant license only if the  
 2 applicant has submitted a plan for the operation of the restaurant. The  
 3 plan shall be completed on forms provided by the department and shall  
 4 include listings of all restaurant equipment and service items, the  
 5 restaurant seating capacity and other information requested by the  
 6 department to substantiate that the restaurant will operate in compliance  
 7 with this section.

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

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

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

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

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

43 K. Notwithstanding section 4-207, beginning January 1, 2026, a  
 44 restaurant applicant or licensee may apply for a permit to allow the sale  
 45 of mixed cocktails for consumption off the licensed premises pursuant to

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

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

17 M. For the purposes of this section:

18 1. "Gross revenue":

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

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

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

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

33 4-205.14. Microbrewery festival license; microbrewery fair  
34 license; fee

35 A. THE DIRECTOR MAY ISSUE ON A TEMPORARY BASIS A MICROBREWERY  
36 FESTIVAL LICENSE THAT AUTHORIZES:

37 1. THE SAMPLING OF THE MICROBREWERY PRODUCTS ON THE MICROBREWERY  
38 FESTIVAL PREMISES.

39 2. THE SALE OF PRODUCTS FOR CONSUMPTION ON THE MICROBREWERY  
40 FESTIVAL PREMISES.

41 3. THE SALE OF PRODUCTS IN THE ORIGINAL CONTAINER FOR CONSUMPTION  
42 OFF THE MICROBREWERY FESTIVAL PREMISES.

43 B. BEFORE THE DIRECTOR MAY ISSUE A MICROBREWERY FESTIVAL LICENSE, A  
44 MICROBREWERY FESTIVAL THAT IS TO OCCUR AT AN OTHERWISE UNLICENSED LOCATION  
45 OR AT A LOCATION THAT IS NOT FULLY WITHIN THE LICENSEE'S EXISTING LICENSED

1 PREMISES MUST BE APPROVED BY THE BOARD OF SUPERVISORS OF THE COUNTY, OR  
2 THE BOARD'S DESIGNEE, IF THE EVENT IS TO BE HELD IN AN UNINCORPORATED AREA  
3 OR BY THE GOVERNING BODY OF THE CITY OR TOWN, OR THE GOVERNING BODY'S  
4 DESIGNEE, IF THE EVENT IS TO BE HELD IN A CITY OR TOWN. A DENIAL BY THE  
5 COUNTY, CITY OR TOWN MUST BE FORWARDED TO THE DIRECTOR WITHIN SIXTY DAYS  
6 AFTER THE SUBMISSION OF AN APPLICATION TO THE COUNTY, CITY OR TOWN UNLESS  
7 THE APPLICANT HAS REQUESTED MORE TIME FOR CONSIDERATION OF THE  
8 APPLICATION.

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

12 D. THE DIRECTOR MAY ISSUE ONE OR MORE MICROBREWERY FESTIVAL  
13 LICENSES FOR EACH LICENSED MICROBREWERY, FOR A TOTAL OF UP TO ONE HUNDRED  
14 FIFTY CALENDAR DAYS FOR EACH MICROBREWERY. THE DIRECTOR MAY ESTABLISH A  
15 FEE FOR EACH DAY OF EACH EVENT FOR A MICROBREWERY FESTIVAL LICENSE.

16 E. ANY MICROBREWERY MAY APPLY FOR A MICROBREWERY FESTIVAL LICENSE  
17 PURSUANT TO THIS SECTION.

18 F. A REPRESENTATIVE OF THE LICENSED MICROBREWERY MAY CONSUME SMALL  
19 AMOUNTS OF THE PRODUCTS OF THE LICENSED MICROBREWERY ON THE FESTIVAL  
20 PREMISES FOR THE PURPOSE OF QUALITY CONTROL.

21 G. THE DIRECTOR MAY ISSUE A MICROBREWERY FAIR LICENSE WITH THE  
22 PERMISSION OF STATE FAIR ORGANIZERS OR COUNTY FAIR ORGANIZERS. ANY  
23 MICROBREWERY MAY ALLOW THE SAMPLING OF MICROBREWERY PRODUCTS ON THE FAIR  
24 PREMISES, THE SALE OF THE PRODUCTS FOR CONSUMPTION ON THE FAIR PREMISES  
25 AND THE SALE OF THE PRODUCTS IN ORIGINAL CONTAINERS FOR CONSUMPTION OFF OF  
26 THE FAIR PREMISES AT ANY SANCTIONED STATE FAIR OR COUNTY FAIR. THE  
27 DIRECTOR MAY ESTABLISH A FEE FOR EACH DAY FOR EACH EVENT FOR A  
28 MICROBREWERY FAIR LICENSE.

29 H. SECTION 4-201 DOES NOT APPLY TO THE LICENSES PROVIDED UNDER THIS  
30 SECTION.

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

33 4-207. Restrictions on licensing premises near school  
34 buildings; definition

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

1 within three hundred horizontal feet of a fenced recreational area  
2 adjacent to such school building.

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

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

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

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

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

11 5. Playing area of a golf course issued a license pursuant to this  
12 article.

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

15 7. Craft distillery festival license issued pursuant to section  
16 4-205.11.

17 8. Farm winery festival license issued pursuant to section  
18 4-203.03.

19 9. MICROBREWERY FESTIVAL LICENSE OR MICROBREWERY FAIR LICENSE  
20 ISSUED PURSUANT TO SECTION 4-205.14.

21 C. Notwithstanding subsection A of this section:

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

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

42 3. A person may be issued a liquor store license pursuant to  
43 sections 4-201, 4-202, 4-203 and 4-206.01 for premises that have a beer  
44 and wine store license validly issued if the premises, on the date an  
45 application for such license is filed, are within three hundred horizontal

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

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

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

30 D. For the purposes of this section, "entertainment district" means  
31 a specific contiguous area that is designated an entertainment district by  
32 a resolution adopted by the governing body of a city or town, that  
33 consists of not more than one square mile, that is not less than  
34 one-eighth of a mile in width and that contains a significant number of  
35 entertainment, artistic and cultural venues, including music halls,  
36 concert facilities, theaters, arenas, stadiums, museums, studios,  
37 galleries, restaurants, bars and other related facilities.

38 Sec. 6. Section 4-207.03, Arizona Revised Statutes, is amended to  
39 read:

40 4-207.03. Extended premises; application; requirements; fee

41 A. An on-sale spirituous liquor licensee may apply to the director  
42 to extend the licensed premises on an individual day or hour basis or on a  
43 regular recurring basis. The application for an extended premises shall  
44 be on a form prescribed by the director. The application shall contain  
45 plans and diagrams that completely disclose and designate the physical

1 arrangement of the proposed extended premises. The applicant licensee  
2 shall submit a copy of the application to the local governing body ~~at~~  
3 ~~least sixty days before submitting the application to the director.~~ The  
4 local governing body or the local governing body's designee may review the  
5 application and provide an advisory recommendation to the director. IF  
6 THE LOCAL GOVERNING BODY OR THE LOCAL GOVERNING BODY'S DESIGNEE COMPLETES  
7 THE REVIEW AND PROVIDES AN ADVISORY RECOMMENDATION TO THE DIRECTOR BEFORE  
8 THE CONCLUSION OF THE SIXTY-DAY PERIOD, THE DIRECTOR MAY ACT ON THE  
9 APPLICATION BEFORE THE EXPIRATION OF THE SIXTY-DAY PERIOD.

10 B. The applicant licensee shall submit with the application a  
11 security plan. The applicant licensee shall identify the security  
12 measures that will be implemented by the applicant licensee for the  
13 extended premises. The security plan shall:

- 14 1. Provide for the safety of patrons.
- 15 2. Ensure that an individual who is under the legal drinking age  
16 does not purchase, possess or consume spirituous liquor on the extended  
17 premises.
- 18 3. Prevent the unauthorized removal of spirituous liquor from the  
19 extended premises.
- 20 4. Prevent the unauthorized carrying of spirituous liquor onto the  
21 extended premises.

22 C. The applicant licensee shall file with the application and may  
23 modify from time to time a schedule showing the date and time periods when  
24 the extended premises will be in use. The applicant licensee shall  
25 provide at least ten days' written notice of the modification to the  
26 department.

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

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

32 F. A licensee with extended premises may not allow an individual  
33 who is under the legal drinking age and who is not accompanied by a  
34 spouse, parent, grandparent or legal guardian of legal drinking age to  
35 remain in an area on the extended premises during hours in which the  
36 primary use of the premises is the sale, dispensing or consumption of  
37 spirituous liquor after the licensee or licensee's employees know or  
38 should have known that the individual is under the legal drinking age.

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

41 4-241. Selling or giving liquor to underage person; illegally  
42 obtaining liquor by underage person; violation;  
43 classification; definition

44 A. If a licensee, an employee of the licensee or any other person  
45 questions or has reason to question that the person ordering, purchasing,

1 attempting to purchase or otherwise procuring or attempting to procure the  
2 serving or delivery of spirituous liquor or entering a portion of a  
3 licensed premises when the primary use is the sale or service of  
4 spirituous liquor is under the legal drinking age, the licensee, employee  
5 of the licensee or other person shall do all of the following:

6 1. Demand identification from the person.

7 2. Examine the identification to determine that the identification  
8 reasonably appears to be a valid, unaltered identification that has not  
9 been defaced.

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

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

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

30 C. Proof that the licensee or employee followed the entire  
31 procedure prescribed in subsection A of this section but did not record  
32 and retain a record as prescribed in subsection B of this section is an  
33 affirmative defense to a criminal charge under subsection J of this  
34 section or under section 4-244, paragraph 9 or 22 or a disciplinary action  
35 under section 4-210 for a violation of subsection J of this section or  
36 section 4-244, paragraph 9 or 22. This defense applies to actions of the  
37 licensee and all employees of the licensee after the procedure has been  
38 employed during the particular visit to the licensed premises by the  
39 person.

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

44 E. For the purposes of section 4-244, paragraph 22, a licensee or  
45 an employee who has not recorded and retained a record of the



1 identification AS prescribed by subsection B of this section is presumed  
2 to know that the person entering or attempting to enter a portion of a  
3 licensed premises when the primary use is the sale or service of  
4 spirituous liquor is under the legal drinking age.

5 F. It is a defense to a violation of subsection A of this section  
6 if the person ordering, purchasing, attempting to purchase or otherwise  
7 procuring or attempting to procure the serving or delivery of spirituous  
8 liquor or to enter a portion of a licensed premises when the primary use  
9 is the sale or service of spirituous liquor is not under the legal  
10 drinking age.

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

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

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

20 1. A writing containing the type of identification, the date of  
21 issuance of the identification, the name on the identification, the date  
22 of birth on the identification and the signature of the person.

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

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

26 4. A photograph of the identification.

27 5. A digital copy of the identification.

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

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

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

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

43 3. An unexpired nonoperating identification license issued pursuant  
44 to section 28-3165. An unexpired nonoperating license issued to a person  
45 who is under twenty-one years of age is no longer an acceptable type of

1 identification under this paragraph thirty days after the person turns  
2 twenty-one years of age.

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

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

10 6. A valid unexpired passport or a valid unexpired resident alien  
11 card that contains a photograph of the person and the person's date of  
12 birth.

13 7. A VALID UNEXPIRED CONSULAR IDENTIFICATION CARD THAT IS ISSUED BY  
14 A FOREIGN GOVERNMENT IF THE FOREIGN GOVERNMENT USES BIOMETRIC IDENTITY  
15 VERIFICATION TECHNIQUES IN ISSUING THE CONSULAR IDENTIFICATION CARD. FOR  
16 THE PURPOSES OF THIS PARAGRAPH, "BIOMETRIC IDENTITY VERIFICATION  
17 TECHNIQUES" HAS THE SAME MEANING PRESCRIBED IN SECTION 41-5001.

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

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

26 N. A person who is under the legal drinking age and who uses a  
27 fraudulent or false written instrument of identification or identification  
28 of another person or uses a valid license or identification of another  
29 person to gain access to a licensed establishment is guilty of a class 1  
30 misdemeanor.

31 O. A person who uses a driver or nonoperating identification  
32 license in violation of subsection L or N of this section is subject to  
33 suspension of the driver or nonoperating identification license as  
34 provided in section 28-3309. A person who does not have a valid driver or  
35 nonoperating identification license and who uses a driver or nonoperating  
36 identification license of another in violation of subsection N of this  
37 section has the person's right to apply for a driver or nonoperating  
38 identification license suspended as provided by section 28-3309.

39 P. A person who knowingly influences the sale, giving or serving of  
40 spirituous liquor to a person under the legal drinking age by  
41 misrepresenting the age of such person or who orders, requests, receives  
42 or procures spirituous liquor from any licensee, employee or other person  
43 with the intent of selling, giving or serving it to a person under the  
44 legal drinking age is guilty of a class 1 misdemeanor. A licensee or  
45 employee of a licensee who has actual knowledge that a person is under the

1 legal drinking age and who admits the person into any portion of the  
2 licensed premises in violation of section 4-244, paragraph 22 is in  
3 violation of this subsection. In addition to other penalties provided by  
4 law, a judge may suspend a driver license issued to or the driving  
5 privilege of a person for not more than thirty days for a first conviction  
6 and not more than six months for a second or subsequent conviction under  
7 this subsection.

8 Q. A person who is at least eighteen years of age and who is an  
9 occupant of an unlicensed premises is guilty of a class 1 misdemeanor if  
10 the person knowingly hosts on the unlicensed premises a gathering of two  
11 or more persons who are under the legal drinking age and if the person  
12 knows that one or more of the persons under the legal drinking age are in  
13 possession of or consuming spirituous liquor on the unlicensed premises.

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

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

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

21 S. A peace officer shall forward or electronically transfer to the  
22 director of the department of transportation the affidavit required by  
23 section 28-3310 if the peace officer has arrested a person for the  
24 commission of an offense for which, on conviction, suspension of the  
25 license or privilege to operate a motor vehicle is required by section  
26 28-3309, subsection A, B, C or D, or if the peace officer has confiscated  
27 a false identification document used by the person to gain access to  
28 licensed premises.

29 T. A person who acts under a program of testing compliance with  
30 this title that is approved by the director is not in violation of section  
31 4-244.

32 U. Law enforcement agencies may use persons who are under the legal  
33 drinking age to test compliance with this section and section 4-244,  
34 paragraph 9 by a licensee if the law enforcement agency has reasonable  
35 suspicion that the licensee is violating this section or section 4-244,  
36 paragraph 9. A person who is under the legal drinking age and who  
37 purchases or attempts to purchase spirituous liquor under the direction of  
38 a law enforcement agency pursuant to this subsection is immune from  
39 prosecution for that purchase or attempted purchase. Law enforcement  
40 agencies may use a person under the legal drinking age pursuant to this  
41 subsection only if:

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

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

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

3           4. A photograph of the person is taken ~~no~~ NOT more than twelve  
4 hours before the purchase or attempted purchase. The photograph shall  
5 accurately depict the person's appearance and attire. A licensee or an  
6 employee of a licensee who is cited for selling spirituous liquor to a  
7 person under the legal drinking age pursuant to this subsection is allowed  
8 to inspect the photograph immediately after the citation is issued. The  
9 person's appearance at any trial or administrative hearing that results  
10 from a citation shall not be substantially different from the person's  
11 appearance at the time the citation was issued.

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

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

16           V. The department may adopt rules to carry out the purposes of this  
17 section.

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

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

31           4-243. Commercial coercion or bribery unlawful; exceptions

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

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

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

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

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

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

9           6. To guarantee a loan or repayment of a financial obligation of  
10 the retailer.

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

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

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

16           B. This section does not prohibit any distiller, vintner, brewer,  
17 rectifier, blender or other producer or wholesaler of any spirituous  
18 liquor from:

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

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

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

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

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

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

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

39           (f) All sampling procedures shall comply with federal sampling laws  
40 and regulations.

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

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

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

5 (c) Sampling is limited to three ounces of beer, one and one-half  
6 ounces of wine or one ounce of distilled spirits per person per day for  
7 consumption on the premises and up to seventy-two ounces of beer and two  
8 ounces of distilled spirits per person per day for consumption off the  
9 premises.

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

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

16 (f) A producer conducting sampling shall buy the sampled product  
17 from a wholesaler or from the retailer where the sampling is being  
18 conducted. If the product for the sampling is purchased from the  
19 retailer, the amount paid for the product must be the same amount that the  
20 retailer charges for sale to the general public.

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

23 (h) The producer or wholesaler shall designate an area in which  
24 sampling is conducted that is in the portion of the licensed premises  
25 where spirituous liquor is primarily displayed and separated from the  
26 remainder of the off-sale retailer's premises by a wall, rope, door,  
27 cable, cord, chain, fence or other barrier. The producer or wholesaler  
28 shall not allow persons under the legal drinking age from entering the  
29 area in which sampling is conducted. If the retail location has been  
30 issued a permanent sampling privilege from the department, the requirement  
31 for separation from the remainder of the premises by wall, rope, door,  
32 cable, cord, chain, fence or other barrier is not required.

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

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

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

41 (l) All sampling procedures shall comply with federal sampling laws  
42 and regulations.

43 C. Notwithstanding subsection A, paragraph 4 of this section, any  
44 wholesaler of any spirituous liquor may sell tobacco products or

1 foodstuffs to a retailer at a price not less than the cost to the  
2 wholesaler.

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

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

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

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

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

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

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

35 4-244.04. Craft producer sampling

36 Notwithstanding section 4-244, paragraphs 13 and 19, a  
37 representative of a licensed ~~farm winery~~ **CRAFT PRODUCER** may consume small  
38 amounts and may serve the products of the licensed ~~farm winery~~ **CRAFT**  
39 **PRODUCER** on the premises of an off-sale retailer or a retailer with  
40 off-sale privileges for the purpose of sampling the products of the ~~farm~~  
41 ~~winery~~ **CRAFT PRODUCER**. The licensee of the ~~farm winery~~ **CRAFT PRODUCER** is  
42 liable for any violations of this title committed in connection with such  
43 sampling. The director shall regulate the manner of conducting such  
44 samplings to prevent abusive practices. The licensed retailer shall make

1 sales of ~~farm winery~~ CRAFT PRODUCER products from the licensed retail  
2 premises.

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

5 42-3355. Return and payment by farm wineries, manufacturers,  
6 direct shipment licensees, microbreweries and  
7 craft distillers

8 A. ~~Every~~ A farm winery selling vinous liquor at retail or to a  
9 retail licensee pursuant to title 4, chapter 2 THAT IS manufactured or  
10 produced on the premises, A producer of vinous liquor that sells at retail  
11 pursuant to section 4-243.02 or A direct shipment licensee that sells  
12 pursuant to section 4-203.04 shall pay the tax under this chapter on all  
13 such liquor sold at retail or to a retail licensee within this state and  
14 add the amount of the tax to the sales price.

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

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

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

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

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

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

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

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

43 G. Any taxpayer that fails to pay the tax within ten days after the  
44 date on which the payment becomes due is subject to and shall pay a  
45 penalty determined under section 42-1125, plus interest at the rate



1 determined pursuant to section 42-1123 from the time the tax was due and  
2 payable until paid.

3 H. For reporting periods beginning from and after December 31,  
4 2019, or when the department has established an electronic filing program,  
5 whichever is later, each taxpayer shall file electronically any report or  
6 return required under this chapter. The report or return is considered to  
7 be filed and received by the department on the date of the electronic  
8 postmark pursuant to section 42-1105.02.

9 Sec. 11. Applicability

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