

Senate Engrossed House Bill
liquor; policies; procedures

State of Arizona
House of Representatives
Fifty-sixth Legislature
Second Regular Session
2024

HOUSE BILL 2185

AN ACT

AMENDING SECTIONS 4-203.02, 4-203.06, 4-206.01, 4-207.03 AND 4-243,
ARIZONA REVISED STATUTES; RELATING TO LIQUOR.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 4-203.02, Arizona Revised Statutes, is amended
3 to read:

4 4-203.02. Special event license; rules

5 A. The director may issue on a temporary basis:

6 1. A daily on-sale special event license authorizing the sale of
7 spirituous liquor for consumption on the premises where sold. The fee for
8 the license is \$25 per day. The director shall transfer the monies
9 collected to the department of health services for the purposes prescribed
10 in title 36, chapter 18, article 2.

11 2. A daily off-sale special event license authorizing a charitable
12 auction for the sale of spirituous liquor for consumption off premises.

13 B. Before the director may issue a temporary special event license,
14 a special event that is to occur at an otherwise unlicensed location or by
15 a licensee at a location that is not fully within the licensee's existing
16 licensed premises must be approved by the board of supervisors of a
17 county, or the board's designee, if the event is to be held in an
18 unincorporated area, ~~or~~ by the governing body of the city or town, or the
19 governing body's designee, if the event is to be held in a city or town **OR**
20 **BY THE PRESIDENT OF A UNIVERSITY UNDER THE JURISDICTION OF THE ARIZONA**
21 **BOARD OF REGENTS IF THE EVENT IS TO BE HELD ON THE UNIVERSITY'S PROPERTY.**
22 A denial by the county, city or town must be forwarded to the director
23 within sixty days after the submission of an application to the county,
24 city or town, unless the applicant has requested more time for
25 consideration of the application.

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

29 D. A physical location, other than a physical location that is
30 owned, operated, leased, managed or controlled by the United States, this
31 state or a city, town or county of this state, that is not licensed
32 pursuant to this title may not be issued more than a total of thirty days
33 of special event licenses during the same calendar year. All applications
34 for a special event license issued pursuant to this section must be
35 submitted to the department at least ten days before the scheduled event.
36 The director may waive the ten-day requirement for good cause shown.

37 E. The director may issue the special event license only to a
38 government entity or a political party or campaign committee supporting a
39 candidate for public office or a ballot measure, or a nonprofit entity
40 that is organized as a nonprofit entity in this state or pursuant to the
41 laws of another state and that is a nonprofit entity under section 501(c)
42 of the internal revenue code of the United States. The nonprofit entity
43 shall demonstrate that it is in good standing in this state. An applicant
44 for a special event license may contract with a special event contractor
45 for assistance in selling and serving spirituous liquor at the special

1 event. The special event contractor shall be listed on the application
2 form. The director shall require a special event contractor to provide
3 the controlling persons' identification and background information deemed
4 necessary to identify the special event contractor and to demonstrate
5 proof of the contractor's authority to conduct business in this state,
6 including providing copies of any required state or local business
7 licenses or permits. The department shall maintain a list of special
8 event contractors that have been employed by special event licensees
9 during the past year and that are not otherwise in penalty status pursuant
10 to subsection I of this section. A licensee holding a currently active
11 series 6, 7, 11 or 12 license may serve as the special event contractor
12 for a special event license without any additional requirements. A new
13 applicant for an initial special event license may be required by the
14 department to demonstrate it is qualified, capable and reliable to conduct
15 a special event. The department may require new special event contractors
16 and new special event licensees to require persons who serve or sell
17 spirituous liquor to patrons at the special event to complete an approved
18 training course in accordance with section 4-112, subsection G,
19 paragraph 2. A special event contractor is subject to examinations
20 conducted pursuant to section 4-112, subsection G, paragraph 1.

21 F. The director may issue a temporary special event license under
22 subsection E of this section to an affiliate of a national, statewide or
23 international parent nonprofit organization for a special event if all of
24 the following requirements are met:

25 1. The affiliate holding the event provides a letter from the
26 internal revenue service that the parent organization is a nonprofit
27 entity under section 501(c)(4) of the internal revenue code of the United
28 States with a group ruling.

29 2. The proceeds of the event are for a charitable or nonprofit
30 purpose.

31 3. The affiliate provides a copy of a charter or letter from the
32 parent nonprofit entity or organization that is organized under section
33 501(c) of the internal revenue code of the United States that recognizes
34 the affiliate as a subordinate to the parent organization.

35 4. The affiliate and its members have not previously violated this
36 title, local requirements for special events or any fire code.

37 G. The director may issue a special event license concurrently with
38 ~~a wine festival license LICENSES, and a craft distillery festival license~~
39 ~~and may approve the location of the wine festival license within an~~
40 ~~excluded area of a special event license specifically described in each~~
41 ~~license LICENSES AND MICROBREWERY FESTIVAL LICENSES.~~ Notwithstanding
42 section 4-244, paragraphs 13 and 19, ~~both~~ ALL licenses shall allow the
43 presence of purchased spirituous liquor in the possession of the
44 purchaser.

1 H. For the purposes of this section, a special event licensee or an
2 employee of a special event licensee and a special event contractor or an
3 employee of a special event contractor that has been retained for an
4 approved special event may order or purchase spirituous liquor from the
5 holder of a license authorized to sell off-sale or a licensed wholesaler.
6 If a nonprofit entity has obtained a special event license for the purpose
7 of charitable fundraising activities, the nonprofit entity or special
8 event contractor may receive the spirituous liquor from a wholesaler, farm
9 winery, microbrewery or producer as a donation, except that a licensee
10 licensed pursuant to subsection A, paragraph 2 of this section may receive
11 spirituous liquor from a donor when the donor receives no remuneration or
12 payment of any kind, directly or indirectly, other than any tax benefits
13 that might result. Spirituous liquor may be dispensed and served at the
14 special event only by the following persons:

15 1. The special event licensee or an employee of the special event
16 licensee, unless the special event is at the premises of a licensed
17 retailer and the licensed retailer has agreed to dispense and serve the
18 spirituous liquor.

19 2. The special event contractor or an employee of the special event
20 contractor, unless the special event is at the premises of a licensed
21 retailer and the licensed retailer has agreed to dispense and serve the
22 spirituous liquor.

23 3. The producer or producers who furnished the spirituous liquor.

24 4. The wholesaler or wholesalers who furnished the spirituous
25 liquor.

26 I. In addition to all other actions that may be taken by the
27 director for a violation of this title or the rules adopted pursuant to
28 this title by the special event licensee or special event contractor, the
29 department may limit the right of the licensee to obtain a special event
30 license for a period of up to one year or may limit the right of the
31 special event contractor to support any licensed special event for a
32 period of up to one year. Any penalty issued pursuant to this subsection
33 may be appealed to the board pursuant to section 4-210.02 as if the order
34 was a sanction against a licensee. An organization that is issued a
35 license pursuant to subsection A, paragraph 2 of this section shall
36 receive at least seventy-five percent of the gross receipts of the
37 auction. Up to twenty-five percent of the gross receipts of a special
38 event auction conducted pursuant to subsection A, paragraph 2 of this
39 section may be used to pay reasonable and necessary expenses incurred in
40 connection with the auction. All expenses shall be supported by written
41 contracts, invoices or receipts, which shall be made available to the
42 director on request. An organization that is issued a license pursuant to
43 subsection A, paragraph 2 of this section shall not sell at auction more
44 than twenty twelve-bottle cases of spirituous liquor annually under a
45 special event license.

1 J. The director may adopt those rules the director determines are
2 necessary to implement and administer this section, including a ~~limitation~~
3 ~~LIMIT~~ on the number of times during a calendar year a qualified
4 organization may apply for and be issued a license under this
5 section. The qualified organization issued a license pursuant to
6 subsection A, paragraph 1 of this section must receive at least
7 twenty-five percent of the gross revenues of all spirituous liquor sold at
8 the special events, which shall be supported by a contract between the
9 parties to be supplied at the time of application.

10 K. At an event conducted under a license issued pursuant to
11 subsection A of this section, the licensee may conduct a wine pull or
12 distilled spirits pull of up to twenty twelve-bottle cases of wine and up
13 to ten twelve-bottle cases of distilled spirits per day of a licensed
14 special event not to exceed five days per year. The special event
15 licensee shall be responsible for compliance with the case limits in this
16 section. An organization that is issued a license pursuant to subsection
17 A, paragraph 2 of this section shall not sell more than twenty cases of
18 spirituous liquor annually under a special event license. For the
19 purposes of this subsection, "wine pull" or "distilled spirits pull" means
20 an activity where, for a set price, one or more attendees at a special
21 event pay for the opportunity to select at the event one or more bottles
22 of wine or distilled spirits where the variety and vintage are
23 undisclosed.

24 L. Section 4-201 does not apply to the licenses provided for under
25 this section.

26 M. A licensed producer or wholesaler may donate spirituous liquor
27 directly to a nonprofit entity that is issued a license pursuant to
28 subsection A of this section. The licensed producer or wholesaler, ~~shall~~
29 in such instances, ~~shall~~ SHALL issue a ~~net-zero~~ NET-ZERO cost billing invoice in
30 the name of the special event licensee. All licensees making or receiving
31 spirituous liquor donations remain subject to the applicable ~~limitations~~
32 ~~LIMITS~~ and requirements stated in this title and in the rules adopted by
33 the department. A licensed producer or wholesaler may also make a
34 monetary donation to a nonprofit entity that is issued a license pursuant
35 to subsection A of this section to help sponsor a special event and the
36 licensed producer or wholesaler may issue a check payable to either the
37 special event licensee or to the approved special event contractor that is
38 contracted to conduct the special event if the special event contractor
39 does not hold a currently active bar license, beer and wine bar license,
40 hotel-motel license or restaurant license.

41 N. A licensed wholesaler may temporarily leave a delivery vehicle
42 and other items of equipment necessary for the sale or service of
43 spirituous liquor on the premises of a licensed special event for the
44 duration of the event and up to one business day before and after the
45 event.

1 0. The holder of a license authorized to sell off-sale or a
2 licensed wholesaler may leave purchased spirituous liquor products at a
3 special event if the products are properly described on a preliminary
4 billing invoice that is issued in the name of the special event licensee.
5 The holder of a license authorized to sell off-sale or the licensed
6 wholesaler has up to five business days after the special event ends to
7 make any necessary billing adjustments and issue a final billing invoice
8 to the special event licensee. Within one business day after the
9 conclusion of the special event, the special event licensee or a special
10 event contractor shall return unbroken packages of spirituous liquor to
11 the appropriate off-sale licensee or wholesaler subject to the applicable
12 rules of the United States alcohol and tobacco tax and trade bureau and
13 the policy of the applicable off-sale licensee or wholesaler.

14 P. The director may adopt rules deemed necessary to implement and
15 administer this section for special event contractors.

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

18 4-203.06. Mixed cocktails; off-sale privileges; leases; fees

19 A. Notwithstanding section 4-203, subsection E and section 4-210,
20 subsection A, paragraph 6, through December 31, 2025, bar and liquor store
21 licensees, through the department, shall lease to restaurant licensees the
22 privilege of selling mixed cocktails for consumption off the licensed
23 premises in accordance with section 4-244, paragraph 32, subdivision (d).
24 The lease shall be for a period of one year and shall be renewable for
25 successive terms of one year. The department shall establish a lease
26 amount that fairly recognizes, and is derived from, the commercial value
27 of the privilege to sell mixed cocktails for consumption off the licensed
28 premises.

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

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

35 2. On the director approving the application of a restaurant
36 licensee, the director shall randomly select a bar or liquor store license
37 for the lease of the bar or liquor store licensee's mixed cocktail
38 off-sale privileges to the restaurant licensee through the department.

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

42 (a) A standard form of lease.

43 (b) The term of the lease, which shall be one year except for the
44 first year of the lease. During the first year of the lease, the director
45 may set a lease term that is less than ~~one~~ ONE year in order to align the

1 lease renewal date with the renewal date of the restaurant license. The
2 lease payment amount for the first year may be prorated.

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

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

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

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

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

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

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

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

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

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

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

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

40 9. EXCEPT FOR A RESTAURANT LICENSEE THAT MEETS THE QUALIFICATIONS
41 OF SUBSECTION E OF THIS SECTION, the restaurant licensee leasing the
42 off-sale privilege is subject to the limit on off-sale use by the
43 restaurant licensee's total spirituous liquor sales as prescribed in
44 section 4-206.01, subsection G.

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

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

8 E. NOTWITHSTANDING SECTION 4-206.01, SUBSECTION G, THROUGH DECEMBER
9 31, 2025, THE DEPARTMENT SHALL PROVIDE FOR A LEASE ADDENDUM TO ANY LEASE
10 MADE PURSUANT TO SUBSECTION A OF THIS SECTION BETWEEN A BAR OR LIQUOR
11 STORE LICENSEE AND A RESTAURANT LICENSEE THAT DERIVES AT LEAST NINETY
12 PERCENT OF ITS GROSS REVENUE FROM THE SALE OF FOOD, INCLUDING SALES OF
13 FOOD FOR CONSUMPTION OFF THE LICENSED PREMISES, AND THAT HAS OFF-SALE
14 SPIRITUOUS LIQUOR SALES THAT EXCEED THIRTY PERCENT OF TOTAL SPIRITUOUS
15 LIQUOR SALES IN EITHER 2023 OR 2024.

16 F. LEASE ADDENDUMS MADE PURSUANT TO SUBSECTION E OF THIS SECTION
17 ARE SUBJECT TO ALL OF THE FOLLOWING CONDITIONS:

18 1. ON THE RESTAURANT LICENSEE'S RENEWAL DATE FOR A LEASE MADE
19 PURSUANT TO SUBSECTION A OF THIS SECTION, THE RESTAURANT LICENSEE MAY
20 APPLY TO THE DEPARTMENT ON A FORM PRESCRIBED AND PROVIDED BY THE
21 DEPARTMENT FOR A LEASE ADDENDUM PURSUANT TO THIS SECTION.

22 2. THE DEPARTMENT SHALL ESTABLISH A PROCESS TO FACILITATE AND
23 APPROVE THE LEASE ADDENDUM AND TO GOVERN THE LEASE ADDENDUM, INCLUDING ALL
24 OF THE FOLLOWING:

25 (a) A STANDARD LEASE ADDENDUM FORM.

26 (b) THE TERM OF THE LEASE ADDENDUM SHALL BE THE SAME AS THE TERM OF
27 THE LEASE BEING RENEWED BY THE RESTAURANT LICENSEE.

28 (c) THE AMOUNT OF THE LEASE ADDENDUM, WHICH MAY BE EQUAL TO ANY
29 DOLLAR AMOUNT DETERMINED BY THE DIRECTOR FOR A LEASE ISSUED PURSUANT TO
30 SUBSECTION A OF THIS SECTION.

31 (d) DURING THE TERM OF THE LEASE ADDENDUM, THE RESTAURANT LICENSEE
32 SHALL NOT BE SUBJECT TO THE LIMIT ON OFF-SALE USE BY THE RESTAURANT
33 LICENSEE'S TOTAL SPIRITUOUS LIQUOR SALES AS PRESCRIBED IN SECTION
34 4-206.01, SUBSECTION G.

35 (e) IF THE UNDERLYING LEASE MADE PURSUANT TO SUBSECTION A OF THIS
36 SECTION IS TRANSFERRED TO ANOTHER RESTAURANT LICENSEE PURSUANT TO
37 SUBSECTION B, PARAGRAPH 3, SUBDIVISION (e) OF THIS SECTION, THE LEASE
38 ADDENDUM IS ALSO TRANSFERRED.

39 (f) THE PRIVILEGES CONVEYED TO THE LESSEE DURING THE TERM OF THE
40 LEASE ADDENDUM WILL CONTINUE IF THE BAR OR LIQUOR STORE LESSOR HAS ITS
41 LICENSE SUSPENDED OR REVOKED.

42 (g) THIS TITLE AND RULES ADOPTED PURSUANT TO THIS TITLE APPLY TO
43 BOTH THE LESSOR AND LESSEE.

44 (h) DURING THE TERM OF THE LEASE ADDENDUM, ALL VIOLATIONS AND
45 LIABILITY FOR LIQUOR SERVICE UNDER THE LEASE SHALL BE ATTRIBUTED ONLY TO

1 THE RESTAURANT LICENSEE LEASING THE MIXED COCKTAIL OFF-SALE PRIVILEGE. THE
2 RESTAURANT LICENSEE LEASING THE OFF-SALE PRIVILEGE IS NOT RESPONSIBLE FOR
3 VIOLATIONS COMMITTED BY THE LESSOR.

4 3. THE RESTAURANT LICENSEE SHALL PAY TO THE DEPARTMENT ANY LEASE
5 ADDENDUM PAYMENTS IN FULL IN ADVANCE.

6 4. THE PROCEDURE TO PAY THE LEASE ADDENDUM AMOUNT TO THE LESSOR
7 SHALL BE THE SAME AS THE PROCEDURE ADOPTED BY THE DEPARTMENT PURSUANT TO
8 SUBSECTION B, PARAGRAPH 6 OF THIS SECTION.

9 Sec. 3. Section 4-206.01, Arizona Revised Statutes, is amended to
10 read:

11 4-206.01. Bar, beer and wine bar or liquor store licenses;
12 number permitted; fee; sampling privileges;
13 off-sale permit

14 A. The director shall determine the total number of spirituous
15 liquor licenses by type and in each county. The director shall publish a
16 listing of that information as determined by the director.

17 B. In each county, the director, each year, shall issue additional
18 bar or liquor store licenses at the rate of one of each type for each
19 additional ten thousand person increase over the population in that county
20 as of July 1, 2010. For every license that has been revoked or reverted
21 in any county, the director may issue a new license of the same series in
22 the same county, except that if there are more than five licenses of a
23 particular class, the director may issue five new licenses plus an
24 additional number of new licenses equivalent to twenty percent of the
25 difference between the number of revoked or reverted licenses per year and
26 five. The director may waive the issuance of licenses in a county for one
27 year where there has been no request made to the department for the
28 issuance of a new license of that series. For the purposes of this
29 subsection, the population of a county is deemed to be the population
30 estimated by the office of economic opportunity as of July 1 of each year.

31 C. In each county, the director, each year, shall issue additional
32 beer and wine bar licenses at the rate of one for each additional five
33 thousand person increase over the population in that county as of July 1,
34 2010. Beginning January 1, 2022, in each county, the director, each year,
35 shall issue additional beer and wine bar licenses at the rate of one for
36 each additional ten thousand person increase over the population in that
37 county as of July 1, 2010. For every license that has been **SURRENDERED**,
38 revoked or reverted in any county, the director may issue a new license of
39 the same series in the same county, except that if there are more than
40 five licenses of a particular class, the director may issue five new
41 licenses plus an additional number of new licenses equivalent to twenty
42 percent of the difference between the number of **SURRENDERED**, revoked or
43 reverted licenses per year and five. The director may waive the issuance
44 of licenses in a county for one year if there has been no request made to
45 the department for the issuance of a new license of that series. For the

1 purposes of this subsection, the population of a county is deemed to be
2 the population estimated as of July 1 of each year by the office of
3 economic opportunity.

4 D. A person issued a license authorized by subsection B or C of
5 this section shall pay an additional issuance fee equal to the license's
6 fair market value that shall be paid to the state general fund. An
7 appraisal shall be conducted to determine the fair market value of that
8 license type in a specific county. The fair market value is defined to
9 mean the price arrived at in good faith that a knowledgeable and willing
10 buyer will pay and is computed by determining the average value, or
11 weighted average value if there are trends in license pricing in that
12 county, of licenses of the same type, free of any encumbrances, sold on
13 the open market in the same county during the prior twelve months, but if
14 there are not three or more sales then the fair market value is determined
15 by two appraisals furnished to the department by independent professional
16 appraisers employed by the director. The valuation method under both
17 approaches shall take into account trends in the value of licenses of the
18 specific type during the previous twelve months. A new license authorized
19 pursuant to subsection B or C of this section may not be issued to a
20 person or entity that has had a similar license revoked or reverted unless
21 the person or entity provides the director with satisfactory proof that
22 all previous liens on the revoked or reverted license have been satisfied
23 in full.

24 E. The director shall employ professional appraisal services to
25 determine the fair market value of bar, beer and wine bar or liquor store
26 licenses.

27 F. If more than one person applies for an available license, a
28 priority of applicants shall be determined by a random selection method
29 prescribed by the director, except that the number of times that a person
30 may enter the random selection process shall not exceed the number of
31 licenses of that series that are available for issuance. For the purposes
32 of this subsection, a partnership, limited liability company, association,
33 company or corporation is considered the same person if it is owned,
34 managed, operated or controlled by the same controlling person.

35 G. Bar licenses and beer and wine bar licenses shall be issued and
36 used only if the clear primary purpose and actual primary use is for
37 on-sale retailer privileges. The off-sale privileges associated with a
38 bar license and a beer and wine bar license shall be limited to use, which
39 is clearly auxiliary to the active primary on-sale privilege. A bar
40 license or a beer and wine bar license shall not be issued or used if the
41 associated off-sale use, by total retail spirituous liquor sales, exceeds
42 thirty percent of the sales price of on-sale spirituous liquors by the
43 licensee at that location. For dual licenses issued pursuant to a single
44 site or where a second license is issued to a site that already has a
45 spirituous liquor license, other than settlement licenses issued as

1 provided by law, the applicant has the burden of establishing that public
2 convenience and the best interest of the community will be served by the
3 issuance of the license.

4 H. The director may issue a beer and wine store license to the
5 holder of a beer and wine bar license simultaneously at the same premises.
6 An applicant for a beer and wine bar license and a beer and wine store
7 license may consolidate the application and may apply for both licenses at
8 the same time. The holder of each license shall fully comply with this
9 title. A beer and wine bar license and beer and wine store license on the
10 same premises shall be owned by and issued to the same licensee.

11 I. The director may issue a **BAR OR** beer and wine bar license to the
12 holder of a liquor store license issued simultaneously at the same
13 premises. An applicant for a liquor store license and a **BAR OR** beer and
14 wine bar license may consolidate the application and may apply for both
15 licenses at the same time. The holder of each license shall fully comply
16 with this title. A liquor store license and a **BAR OR** beer and wine bar
17 license on the same premises shall be owned by and issued to the same
18 licensee.

19 J. The director may issue a restaurant license to the holder of a
20 beer and wine bar license issued simultaneously at the same premises. An
21 applicant for a restaurant license and a beer and wine bar license may
22 consolidate the application and may apply for both licenses at the same
23 time. The holder of each license shall fully comply with this title. A
24 restaurant license and a beer and wine bar license on the same premises
25 shall be owned by and issued to the same licensee. The limitation stated
26 in subsection G of this section with respect to the off-sale privileges of
27 the beer and wine bar licenses shall be measured against the on-sales of
28 beer and wine sales of the establishment. For the purposes of compliance
29 with section 4-205.02, subsection M, paragraph 2, it shall be conclusively
30 presumed that all on-premises sales of spirituous liquors are made under
31 the authority of the restaurant license.

32 K. An applicant for a liquor store license or a beer and wine store
33 license and the licensee of a liquor store license or a beer and wine
34 store license may apply for sampling privileges associated with the
35 license. Beer and wine store premises containing less than five thousand
36 square feet must dedicate at least seventy-five percent of retail shelf
37 space to the sale of spirituous liquor in order to be eligible for
38 sampling privileges. A person desiring a sampling privilege associated
39 with a liquor store license shall apply to the director on a form
40 prescribed and furnished by the director. The application for sampling
41 privileges may be filed for an existing license or may be submitted with
42 an initial license application. The request for sampling approval, the
43 review of the application and the issuance of approval shall be conducted
44 under the same procedures for the issuance of a spirituous liquor license
45 prescribed in section 4-201. After a sampling privilege has been issued

1 for a liquor store license or a beer and wine store license, the sampling
2 privilege shall be noted on the license itself and in the records of the
3 department. The sampling rights associated with a license are not
4 transferable. The director may charge a fee for processing each
5 application for sampling privileges and a renewal fee as provided in this
6 section. A city or town shall not charge any fee relating to the issuance
7 or renewal of a sampling privilege. Notwithstanding section 4-244,
8 paragraph 19, a liquor store licensee or a beer and wine store licensee
9 that holds a license with sampling privileges may provide spirituous
10 liquor sampling subject to the following requirements:

11 1. Any open product shall be kept locked by the licensee when the
12 sampling area is not staffed.

13 2. The licensee is otherwise subject to all other provisions of
14 this title. The licensee is liable for any violation of this title
15 committed in connection with the sampling.

16 3. The licensed retailer shall make sales of sampled products from
17 the licensed retail premises.

18 4. The licensee shall not charge any customer for the sampling of
19 any products, except that the licensee may charge a fee for bona fide
20 educational classes conducted in a classroom by an instructor on the
21 licensed premises where the sampling of any spirituous liquor product is
22 incidental to the course taught and to the course materials presented.

23 5. The sampling shall be conducted under the supervision of an
24 employee of a sponsoring distiller, vintner, brewer, wholesaler or retail
25 licensee.

26 6. Accurate records of sampling products dispensed shall be
27 retained by the licensee.

28 7. Sampling shall be limited to three ounces of beer or cooler-type
29 products, one and one-half ounces of wine and one ounce of distilled
30 spirits per person, per brand, per day.

31 8. The sampling shall be conducted only on the licensed premises.

32 L. If a beer and wine bar license and a beer and wine store license
33 are issued at the same premises, for the purposes of reporting liquor
34 purchases under each license, all spirituous beverages purchased for
35 sampling are conclusively presumed to be purchased under the beer and wine
36 bar license and all spirituous liquor sold off-sale are conclusively
37 presumed to be purchased under the beer and wine store license.

38 M. The director may issue a beer and wine store license to the
39 holder of a bar license simultaneously at the same premises. An applicant
40 for a beer and wine store license and a bar license may consolidate the
41 application and may apply for both licenses at the same time. The holder
42 of each license shall fully comply with this title. A beer and wine store
43 license and a bar license on the same premises shall be owned by and
44 issued to the same licensee. If a beer and wine store license and a bar
45 license are issued at the same premises, for purposes of reporting liquor

1 purchases under each license, all off-sale beer and wine sales are
2 conclusively presumed to be purchased under the beer and wine store
3 license.

4 Sec. 4. Section 4-207.03, Arizona Revised Statutes, is amended to
5 read:

6 4-207.03. Extended premises; application; requirements; fee

7 A. ~~An on-sale spirituous~~ A liquor licensee WITH ON-SALE RETAIL
8 PRIVILEGES may apply to the director to extend the licensed premises on an
9 individual day or hour basis, ~~or~~ on a regular recurring basis OR ON AN
10 ONGOING LIMITED USE BASIS TO CONTIGUOUS PRIVATE PROPERTY THAT IS OWNED OR
11 LEASED BY THE APPLICANT LICENSEE OR TO PUBLIC OR PRIVATE PROPERTY THAT THE
12 APPLICANT LICENSEE HAS PERMISSION TO USE. ~~The application for an extended~~
13 ~~premises shall be on a form prescribed by the director. The application~~
14 ~~shall contain plans and diagrams that completely disclose and designate~~
15 ~~the physical arrangement of the proposed extended premises.~~ THE DIRECTOR
16 MAY INCLUDE NONCONTIGUOUS PRIVATE PROPERTY ON THE EXTENDED PREMISES IF THE
17 PROPERTY MEETS THE REQUIREMENTS OF THE DEPARTMENT RULES APPLICABLE TO
18 REGULARLY LICENSED PREMISES. The applicant licensee shall submit a copy
19 of the application, INCLUDING THE PROPOSED DAYS AND TIMES THAT THE
20 EXTENDED PREMISES WILL BE USED, to the local governing body at least sixty
21 days before submitting the application to the director. The local
22 governing body or the local governing body's designee may review the
23 application and provide an advisory recommendation to the director. If
24 the local governing body or the local governing body's designee completes
25 the review and provides an advisory recommendation to the director before
26 the conclusion of the sixty-day period, the director may act on the
27 application before the expiration of the sixty-day period. THE LOCAL
28 GOVERNING BODY MAY CONDUCT AN OPTIONAL SAFETY INSPECTION OF THE EXTENDED
29 PREMISES ON THE DAY OF THE EVENT, BEFORE THE EVENT IF THE EXTENDED
30 PREMISES ARE READY FOR USE BEFORE THE EVENT OR BEFORE THE LOCAL GOVERNING
31 BODY OR DESIGNEE HAS MADE ITS RECOMMENDATIONS, WHICHEVER IS SOONEST.

32 B. THE APPLICATION SHALL CONTAIN A PLAN AND AN ACCURATE DIAGRAM
33 THAT DESIGNATES THE PROPOSED PHYSICAL ARRANGEMENT OF THE PROPOSED EXTENDED
34 PREMISES, INCLUDING THE LOCATION OF INGRESS AND EGRESS FROM THE EXTENDED
35 PREMISES AND OTHER FEATURES OF THE EXTENDED PREMISES AS REQUIRED BY THE
36 DIRECTOR OR AS REQUIRED TO CONFORM WITH APPLICABLE BUILDING CODE AND FIRE
37 SAFETY REQUIREMENTS.

38 ~~B.~~ C. The applicant licensee shall submit with the application a
39 security plan. The applicant licensee shall identify the security
40 measures that will be implemented by the applicant licensee for the
41 extended premises. THE DIRECTOR SHALL DETERMINE THE APPROPRIATE SECURITY
42 MEASURES THAT THE APPLICANT LICENSEE SHALL USE TO CONTROL SPIRITUOUS
43 LIQUOR SERVICE ON THE EXTENDED PREMISES AND TO PROTECT PUBLIC HEALTH AND
44 SAFETY. The security plan shall:

- 45 1. Provide for the safety of patrons.

1 2. Ensure that an individual who is under the legal drinking age
2 does not purchase, possess or consume spirituous liquor on the extended
3 premises.

4 3. Prevent the unauthorized removal of spirituous liquor from the
5 extended premises.

6 4. Prevent the unauthorized carrying of spirituous liquor onto the
7 extended premises.

8 5. BE DESIGNED IN A MANNER TO ENSURE THAT SECURITY AND OVERSIGHT OF
9 THE EXTENDED PREMISES IS PROVIDED BY THE APPLICANT LICENSEE.

10 ~~D.~~ D. The applicant licensee shall file with the application and
11 may modify from time to time a schedule showing the PROPOSED date and time
12 periods when the extended premises will be in use. The applicant licensee
13 shall provide at least ten days' written notice of ~~the~~ ANY modification to
14 the department AND TO THE LOCAL GOVERNING BODY.

15 E. THE LICENSEE MAY NOT MODIFY THE PHYSICAL ARRANGEMENT OF THE
16 EXTENDED PREMISES TO USE ADDITIONAL SPACE OR A DIFFERENT SPACE AND MAY NOT
17 MODIFY THE LOCATION OF INGRESS OR EGRESS OR THE SECURITY TO BE PROVIDED
18 WITHOUT NOTIFYING THE LOCAL GOVERNING BODY AND THE DEPARTMENT AT LEAST TEN
19 DAYS IN ADVANCE OF THE PROPOSED MODIFICATION. THE DEPARTMENT MAY CONSULT
20 WITH THE LOCAL GOVERNING BODY AND MAY APPROVE, REJECT OR MODIFY THE
21 PROPOSED MODIFICATION. FURTHER COMPLIANCE WITH SUBSECTION A OF THIS
22 SECTION IS NOT REQUIRED IF THE ONLY PROPOSED MODIFICATION IS TO REDUCE THE
23 SIZE OF THE EXTENDED PREMISES.

24 ~~F.~~ F. The right of a licensee to use an extended premises may be
25 limited or revoked by the director for a violation of this title or any
26 rule adopted pursuant to this title.

27 ~~G.~~ G. The department may charge a fee in an amount prescribed by
28 the director for the review and processing of applications.

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

36 I. A PERMIT FOR AN EXTENDED PREMISES IS VALID FOR SIX CONSECUTIVE
37 MONTHS OR LESS, WHICH IS CALCULATED FROM THE FIRST DATE OF THE EXTENDED
38 PREMISES TO THE LAST DATE OF THE EXTENDED PREMISES.

39 J. SUBJECT TO SECTION 4-224, THIS SECTION DOES NOT EXEMPT THE
40 APPLICANT LICENSEE FROM COMPLYING WITH ANY LOCAL GOVERNING BODY EVENT
41 PERMIT REQUIREMENTS.

42 K. THIS SECTION DOES NOT APPLY TO A PERMANENT CHANGE IN THE
43 PREMISES AND DOES NOT PREVENT THE DEPARTMENT, TOGETHER WITH A CITY, TOWN
44 OR COUNTY, FROM WAIVING THE REQUIREMENTS OF THIS SECTION FOR AN
45 APPLICATION OR EVENT.

1 Sec. 5. Section 4-243, Arizona Revised Statutes, is amended to
2 read:

3 4-243. Commercial coercion or bribery unlawful; exceptions

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

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

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

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

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

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

26 6. To guarantee a loan or repayment of a financial obligation of
27 the retailer.

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

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

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

33 B. This section does not prohibit any distiller, vintner, brewer,
34 rectifier, blender or other producer or wholesaler of any spirituous
35 liquor from:

36 1. Giving financial and other forms of event sponsorship assistance
37 to nonprofit or charitable organizations for purposes of charitable
38 fundraising that are issued special event licenses by the department.
39 This section does not prohibit suppliers from advertising their
40 sponsorship at such special events.

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

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

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

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

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

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

12 (f) All sampling procedures shall comply with federal sampling laws
13 and regulations.

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

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

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

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

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

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

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

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

40 ~~(h) The producer or wholesaler shall designate an area in which~~
41 ~~sampling is conducted that is in the portion of the licensed premises~~
42 ~~where spirituous liquor is primarily displayed and separated from the~~
43 ~~remainder of the off-sale retailer's premises by a wall, rope, door,~~
44 ~~table, cord, chain, fence or other barrier. The producer or wholesaler~~
45 ~~shall not allow persons under the legal drinking age from entering the~~

1 ~~area in which sampling is conducted. If the retail location has been~~
2 ~~issued a permanent sampling privilege from the department, the requirement~~
3 ~~for separation from the remainder of the premises by wall, rope, door,~~
4 ~~table, cord, chain, fence or other barrier is not required.~~

5 ~~(i)~~ (h) The producer or wholesaler may not provide samples to the
6 retailer or the retailer's employees.

7 ~~(j)~~ (i) Sampling shall not be conducted in retail premises with a
8 total of under five thousand square feet of retail space unless at least
9 seventy-five percent of the retailer's shelf space is dedicated to the
10 sale of spirituous liquor.

11 ~~(k)~~ (j) The producer or wholesaler may not give spirituous liquor
12 or any other gifts or benefits to the off-sale retailer.

13 ~~(l)~~ (k) All sampling procedures shall comply with federal sampling
14 laws and regulations.

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

19 D. Notwithstanding subsection A, paragraph 4, and subsection B,
20 paragraph 2, subdivision (e) of this section, any wholesaler may furnish
21 without cost promotional items to an on-sale retailer, except that the
22 total market value of the promotional items furnished by that wholesaler
23 to that retailer in any calendar year shall not exceed \$700. For the
24 purposes of this subsection, "promotional items":

25 1. Means items of equipment, supplies, novelties or other
26 advertising specialties that conspicuously display the brand name of a
27 spirituous liquor product. ~~Promotional items do~~

28 2. DOES not include signs, dispensing or tapping machines or
29 equipment or refrigerators.

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

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

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

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

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