

House Engrossed

restaurants; small alcohol ratio exemption

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

# HOUSE BILL 2199

AN ACT

AMENDING SECTIONS 4-203.02, 4-203.06, 4-206.01 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 THE FOLLOWING on a temporary basis,  
6 SUBJECT TO THE APPROVAL OF THE BOARD OF SUPERVISORS FOR EVENTS TO BE HELD  
7 IN AN UNINCORPORATED AREA OF THE COUNTY, THE GOVERNING BODY OF A CITY OR  
8 TOWN FOR EVENTS TO BE HELD IN THE CITY OR TOWN OR THE PRESIDENT OF A  
9 UNIVERSITY UNDER THE JURISDICTION OF THE ARIZONA BOARD OF REGENTS FOR  
10 EVENTS TO BE HELD ON THE UNIVERSITY'S PROPERTY:

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

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

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

29 C. The approval process prescribed in this section does not apply  
30 to physical locations that are fully within premises that are licensed  
31 pursuant to this title.

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

40 E. The director may issue the special event license only to a  
41 government entity or a political party or campaign committee supporting a  
42 candidate for public office or a ballot measure, or a nonprofit entity  
43 that is organized as a nonprofit entity in this state or pursuant to the  
44 laws of another state and that is a nonprofit entity under section 501(c)  
45 of the internal revenue code of the United States. The nonprofit entity

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

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

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

32 2. The proceeds of the event are for a charitable or nonprofit  
33 purpose.

34 3. The affiliate provides a copy of a charter or letter from the  
35 parent nonprofit entity or organization that is organized under section  
36 501(c) of the internal revenue code of the United States that recognizes  
37 the affiliate as a subordinate to the parent organization.

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

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

1 presence of purchased spirituous liquor in the possession of the  
2 purchaser.

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

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

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

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

26 4. The wholesaler or wholesalers who furnished the spirituous  
27 liquor.

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

1 than twenty twelve-bottle cases of spirituous liquor annually under a  
2 special event license.

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

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

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

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

43 N. A licensed wholesaler may temporarily leave a delivery vehicle  
44 and other items of equipment necessary for the sale or service of  
45 spirituous liquor on the premises of a licensed special event for the

1 duration of the event and up to one business day before and after the  
2 event.

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

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

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

20 4-203.06. Mixed cocktails; off-sale privileges; leases; fees

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

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

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

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

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

44 (a) A standard form of lease.

1 (b) The term of the lease, which shall be one year except for the  
2 first year of the lease. During the first year of the lease, the director  
3 may set a lease term that is less than ~~a~~ ONE year in order to align the  
4 lease renewal date with the renewal date of the restaurant license. The  
5 lease payment amount for the first year may be prorated.

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

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

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

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

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

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

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

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

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

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

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

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

43 9. EXCEPT FOR A RESTAURANT LICENSEE THAT MEETS THE QUALIFICATIONS  
44 OF SUBSECTION E OF THIS SECTION, the restaurant licensee leasing the  
45 off-sale privilege is subject to the limit on off-sale use by the

1 restaurant licensee's total spirituous liquor sales as prescribed in  
2 section 4-206.01, subsection G.

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

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

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

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

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

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

27 (a) A STANDARD LEASE ADDENDUM FORM.

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

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

33 (d) DURING THE TERM OF THE LEASE ADDENDUM, THE RESTAURANT LICENSEE  
34 SHALL NOT BE SUBJECT TO THE LIMIT ON OFF-SALE USE BY THE RESTAURANT  
35 LICENSEE'S TOTAL SPIRITUOUS LIQUOR SALES AS PRESCRIBED IN SECTION  
36 4-206.01, SUBSECTION G.

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

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

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



1 (h) DURING THE TERM OF THE LEASE ADDENDUM, ALL VIOLATIONS AND  
2 LIABILITY FOR LIQUOR SERVICE UNDER THE LEASE SHALL BE ATTRIBUTED ONLY TO  
3 THE RESTAURANT LICENSEE LEASING THE MIXED COCKTAIL OFF-SALE PRIVILEGE.  
4 THE RESTAURANT LICENSEE LEASING THE OFF-SALE PRIVILEGE IS NOT RESPONSIBLE  
5 FOR VIOLATIONS COMMITTED BY THE LESSOR.

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

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

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

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

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

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

33 C. In each county, the director, each year, shall issue additional  
34 beer and wine bar licenses at the rate of one for each additional five  
35 thousand person increase over the population in that county as of July 1,  
36 2010. Beginning January 1, 2022, in each county, the director, each year,  
37 shall issue additional beer and wine bar licenses at the rate of one for  
38 each additional ten thousand person increase over the population in that  
39 county as of July 1, 2010. For every license that has been **SURRENDERED**,  
40 revoked or reverted in any county, the director may issue a new license of  
41 the same series in the same county, except that if there are more than  
42 five licenses of a particular class, the director may issue five new  
43 licenses plus an additional number of new licenses equivalent to twenty  
44 percent of the difference between the number of **SURRENDERED**, revoked or  
45 reverted licenses per year and five. The director may waive the issuance

1 of licenses in a county for one year if there has been no request made to  
2 the department for the issuance of a new license of that series. For the  
3 purposes of this subsection, the population of a county is deemed to be  
4 the population estimated as of July 1 of each year by the office of  
5 economic opportunity.

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

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

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

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

1 site or where a second license is issued to a site that already has a  
2 spirituous liquor license, other than settlement licenses issued as  
3 provided by law, the applicant has the burden of establishing that public  
4 convenience and the best interest of the community will be served by the  
5 issuance of the license.

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

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

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

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

1 under the same procedures for the issuance of a spirituous liquor license  
2 prescribed in section 4-201. After a sampling privilege has been issued  
3 for a liquor store license or a beer and wine store license, the sampling  
4 privilege shall be noted on the license itself and in the records of the  
5 department. The sampling rights associated with a license are not  
6 transferable. The director may charge a fee for processing each  
7 application for sampling privileges and a renewal fee as provided in this  
8 section. A city or town shall not charge any fee relating to the issuance  
9 or renewal of a sampling privilege. Notwithstanding section 4-244,  
10 paragraph 19, a liquor store licensee or a beer and wine store licensee  
11 that holds a license with sampling privileges may provide spirituous  
12 liquor sampling subject to the following requirements:

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

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

18 3. The licensed retailer shall make sales of sampled products from  
19 the licensed retail premises.

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

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

28 6. Accurate records of sampling products dispensed shall be  
29 retained by the licensee.

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

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

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

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

1 issued to the same licensee. If a beer and wine store license and a bar  
2 license are issued at the same premises, for purposes of reporting liquor  
3 purchases under each license, all off-sale beer and wine sales are  
4 conclusively presumed to be purchased under the beer and wine store  
5 license.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

32 2. DOES not include signs, dispensing or tapping machines or  
33 equipment or refrigerators.

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

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

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

