

REFERENCE TITLE: **restaurants; small alcohol ratio exemption**

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

# **HB 2199**

Introduced by  
Representative Gress

**AN ACT**

**AMENDING SECTION 4-203.06, 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 4-203.06, Arizona Revised Statutes, is amended  
3 to read:

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

5 A. Notwithstanding section 4-203, subsection E and section 4-210,  
6 subsection A, paragraph 6, through December 31, 2025, bar and liquor store  
7 licensees, through the department, shall lease to restaurant licensees the  
8 privilege of selling mixed cocktails for consumption off the licensed  
9 premises in accordance with section 4-244, paragraph 32, subdivision (d).  
10 The lease shall be for a period of one year and shall be renewable for  
11 successive terms of one year. The department shall establish a lease  
12 amount that fairly recognizes, and is derived from, the commercial value  
13 of the privilege to sell mixed cocktails for consumption off the licensed  
14 premises.

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

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

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

25 3. The department shall establish a process to facilitate and  
26 approve the lease conveyance and to govern the leases, including the  
27 following:

28 (a) A standard form of lease.

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

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

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

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

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

43 (g) If the bar or liquor store lessor sells its license during the  
44 term of the lease, the purchaser of the bar or liquor store license  
45 becomes the new lessor.

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

3 (i) During the term of the lease, all violations and liability for  
4 liquor service under the lease shall be attributed only to the restaurant  
5 licensee leasing the mixed cocktail off-sale privilege. The restaurant  
6 licensee leasing the off-sale privilege is not responsible for violations  
7 committed by the lessor.

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

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

12 6. The department of liquor licenses and control may adopt a  
13 procedure to pay the lease amount to the lessor and may use the department  
14 of administration to facilitate the payments.

15 7. During the term of the lease, all violations and liability for  
16 the liquor service under the lease shall be attributed only to the  
17 restaurant licensee leasing the privilege. Pursuant to section 4-210, the  
18 director may immediately suspend a lease for any violation of this title  
19 or any rule adopted pursuant to this title by the restaurant licensee.  
20 The restaurant licensee leasing the off-sale privilege is not responsible  
21 for violations committed by the lessor.

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

26 9. EXCEPT FOR A RESTAURANT LICENSEE THAT DERIVES AT LEAST NINETY  
27 PERCENT OF ITS GROSS REVENUE FROM THE SALE OF FOOD, INCLUDING SALES OF  
28 FOOD FOR CONSUMPTION OFF THE LICENSED PREMISES, the restaurant licensee  
29 leasing the off-sale privilege is subject to the limit on off-sale use by  
30 the restaurant licensee's total spirituous liquor sales as prescribed in  
31 section 4-206.01, subsection G. FOR THE PURPOSES OF THIS PARAGRAPH,  
32 "GROSS REVENUE" HAS THE SAME MEANING PRESCRIBED IN SECTION 4-205.02.

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

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