

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO H.B. 2199

(Reference to printed bill)

1 Page 1, between lines 1 and 2, insert:

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 county,
22 or the board's designee, if the event is to be held in an unincorporated
23 area or by the governing body of the city or town, or the governing body's

1 designee, if the event is to be held in a city or town. A denial by the
2 county, city or town must be forwarded to the director within sixty days
3 after the submission of an application to the county, city or town, unless
4 the applicant has requested more time for consideration of the application.

5 C. The approval process prescribed in this section does not apply to
6 physical locations that are fully within premises that are licensed
7 pursuant to this title.

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

16 E. The director may issue the special event license only to a
17 government entity or a political party or campaign committee supporting a
18 candidate for public office or a ballot measure, or a nonprofit entity that
19 is organized as a nonprofit entity in this state or pursuant to the laws of
20 another state and that is a nonprofit entity under section 501(c) of the
21 internal revenue code of the United States. The nonprofit entity shall
22 demonstrate that it is in good standing in this state. An applicant for a
23 special event license may contract with a special event contractor for
24 assistance in selling and serving spirituous liquor at the special event.
25 The special event contractor shall be listed on the application form. The
26 director shall require a special event contractor to provide the
27 controlling persons' identification and background information deemed
28 necessary to identify the special event contractor and to demonstrate proof
29 of the contractor's authority to conduct business in this state, including
30 providing copies of any required state or local business licenses or
31 permits. The department shall maintain a list of special event contractors

1 that have been employed by special event licensees during the past year and
2 that are not otherwise in penalty status pursuant to subsection I of this
3 section. A licensee holding a currently active series 6, 7, 11 or 12
4 license may serve as the special event contractor for a special event
5 license without any additional requirements. A new applicant for an
6 initial special event license may be required by the department to
7 demonstrate it is qualified, capable and reliable to conduct a special
8 event. The department may require new special event contractors and new
9 special event licensees to require persons who serve or sell spirituous
10 liquor to patrons at the special event to complete an approved training
11 course in accordance with section 4-112, subsection G, paragraph 2. A
12 special event contractor is subject to examinations conducted pursuant to
13 section 4-112, subsection G, paragraph 1.

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

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

22 2. The proceeds of the event are for a charitable or nonprofit
23 purpose.

24 3. The affiliate provides a copy of a charter or letter from the
25 parent nonprofit entity or organization that is organized under section
26 501(c) of the internal revenue code of the United States that recognizes
27 the affiliate as a subordinate to the parent organization.

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

30 G. The director may issue a special event license concurrently with
31 ~~a~~ wine festival ~~license~~ LICENSES, ~~and~~ ~~a~~ craft distillery festival ~~license~~

1 ~~and may approve the location of the wine festival license within an~~
2 ~~excluded area of a special event license specifically described in each~~
3 ~~license~~ LICENSES AND MICROBREWERY FESTIVAL LICENSES. Notwithstanding
4 section 4-244, paragraphs 13 and 19, ~~both~~ ALL licenses shall allow the
5 presence of purchased spirituous liquor in the possession of the purchaser.

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

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

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

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

29 4. The wholesaler or wholesalers who furnished the spirituous
30 liquor.

1 I. In addition to all other actions that may be taken by the
2 director for a violation of this title or the rules adopted pursuant to
3 this title by the special event licensee or special event contractor, the
4 department may limit the right of the licensee to obtain a special event
5 license for a period of up to one year or may limit the right of the
6 special event contractor to support any licensed special event for a period
7 of up to one year. Any penalty issued pursuant to this subsection may be
8 appealed to the board pursuant to section 4-210.02 as if the order was a
9 sanction against a licensee. An organization that is issued a license
10 pursuant to subsection A, paragraph 2 of this section shall receive at
11 least seventy-five percent of the gross receipts of the auction. Up to
12 twenty-five percent of the gross receipts of a special event auction
13 conducted pursuant to subsection A, paragraph 2 of this section may be used
14 to pay reasonable and necessary expenses incurred in connection with the
15 auction. All expenses shall be supported by written contracts, invoices or
16 receipts, which shall be made available to the director on request. An
17 organization that is issued a license pursuant to subsection A, paragraph 2
18 of this section shall not sell at auction more than twenty twelve-bottle
19 cases of spirituous liquor annually under a special event license.

20 J. The director may adopt those rules the director determines are
21 necessary to implement and administer this section including a ~~limitation~~
22 **LIMIT** on the number of times during a calendar year a qualified
23 organization may apply for and be issued a license under this section. The
24 qualified organization issued a license pursuant to subsection A, paragraph
25 1 of this section must receive at least twenty-five percent of the gross
26 revenues of all spirituous liquor sold at the special events, which shall
27 be supported by a contract between the parties to be supplied at the time
28 of application.

29 K. At an event conducted under a license issued pursuant to
30 subsection A of this section, the licensee may conduct a wine pull or
31 distilled spirits pull of up to twenty twelve-bottle cases of wine and up

1 to ten twelve-bottle cases of distilled spirits per day of a licensed
2 special event not to exceed five days per year. The special event licensee
3 shall be responsible for compliance with the case limits in this section.
4 An organization that is issued a license pursuant to subsection A,
5 paragraph 2 of this section shall not sell more than twenty cases of
6 spirituous liquor annually under a special event license. For the purposes
7 of this subsection, "wine pull" or "distilled spirits pull" means an
8 activity where, for a set price, one or more attendees at a special event
9 pay for the opportunity to select at the event one or more bottles of wine
10 or distilled spirits where the variety and vintage are undisclosed.

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

13 M. A licensed producer or wholesaler may donate spirituous liquor
14 directly to a nonprofit entity that is issued a license pursuant to
15 subsection A of this section. The licensed producer or wholesaler, ~~shall~~
16 in such instances, SHALL issue a ~~net zero~~ NET-ZERO cost billing invoice in
17 the name of the special event licensee. All licensees making or receiving
18 spirituous liquor donations remain subject to the applicable ~~limitations~~
19 LIMITS and requirements stated in this title and in the rules adopted by
20 the department. A licensed producer or wholesaler may also make a monetary
21 donation to a nonprofit entity that is issued a license pursuant to
22 subsection A of this section to help sponsor a special event and the
23 licensed producer or wholesaler may issue a check payable to either the
24 special event licensee or to the approved special event contractor that is
25 contracted to conduct the special event if the special event contractor
26 does not hold a currently active bar license, beer and wine bar license,
27 hotel-motel license or restaurant license.

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

19 Page 2, line 26, after "THAT" strike remainder of line

20 Strike line 27

21 Line 28, strike "FOOD FOR CONSUMPTION OFF THE LICENSED PREMISES," insert
22 "MEETS THE QUALIFICATIONS OF SUBSECTION E OF THIS SECTION,"

23 Line 31, after the period strike remainder of line

24 Strike line 32

25 After line 39, insert:

26 "E. NOTWITHSTANDING SECTION 4-206.01, SUBSECTION G, THROUGH DECEMBER
27 31, 2025, THE DEPARTMENT SHALL PROVIDE FOR A LEASE ADDENDUM TO ANY LEASE
28 MADE PURSUANT TO SUBSECTION A OF THIS SECTION BETWEEN A BAR OR LIQUOR STORE
29 LICENSEE AND A RESTAURANT LICENSEE THAT DERIVES AT LEAST NINETY PERCENT OF
30 ITS GROSS REVENUE FROM THE SALE OF FOOD, INCLUDING SALES OF FOOD FOR
31 CONSUMPTION OFF THE LICENSED PREMISES, AND THAT HAS OFF-SALE SPIRITUOUS

1 LIQUOR SALES THAT EXCEED THIRTY PERCENT OF TOTAL SPIRITUOUS LIQUOR SALES IN
2 EITHER 2023 OR 2024.

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

5 1. ON THE RESTAURANT LICENSEE'S RENEWAL DATE FOR A LEASE MADE
6 PURSUANT TO SUBSECTION A OF THIS SECTION, THE RESTAURANT LICENSEE MAY APPLY
7 TO THE DEPARTMENT ON A FORM PRESCRIBED AND PROVIDED BY THE DEPARTMENT FOR A
8 LEASE ADDENDUM PURSUANT TO THIS SECTION.

9 2. THE DEPARTMENT SHALL ESTABLISH A PROCESS TO FACILITATE AND
10 APPROVE THE LEASE ADDENDUM AND TO GOVERN THE LEASE ADDENDUM, INCLUDING ALL
11 OF THE FOLLOWING:

12 (a) A STANDARD LEASE ADDENDUM FORM.

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

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

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

22 (e) IF THE UNDERLYING LEASE MADE PURSUANT TO SUBSECTION A OF THIS
23 SECTION IS TRANSFERRED TO ANOTHER RESTAURANT LICENSEE PURSUANT TO
24 SUBSECTION B, PARAGRAPH 3, SUBDIVISION (e) OF THIS SECTION, THE LEASE
25 ADDENDUM IS ALSO TRANSFERRED.

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

29 (g) THIS TITLE AND RULES ADOPTED PURSUANT TO THIS TITLE APPLY TO
30 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. THE
4 RESTAURANT LICENSEE LEASING THE OFF-SALE PRIVILEGE IS NOT RESPONSIBLE FOR
5 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 in
23 any county, the director may issue a new license of the same series in the
24 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

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

3 C. In each county, the director, each year, shall issue additional
4 beer and wine bar licenses at the rate of one for each additional five
5 thousand person increase over the population in that county as of July 1,
6 2010. Beginning January 1, 2022, in each county, the director, each year,
7 shall issue additional beer and wine bar licenses at the rate of one for
8 each additional ten thousand person increase over the population in that
9 county as of July 1, 2010. For every license that has been **SURRENDERED**,
10 revoked or reverted in any county, the director may issue a new license of
11 the same series in the same county, except that if there are more than five
12 licenses of a particular class, the director may issue five new licenses
13 plus an additional number of new licenses equivalent to twenty percent of
14 the difference between the number of **SURRENDERED**, revoked or reverted
15 licenses per year and five. The director may waive the issuance of
16 licenses in a county for one year if there has been no request made to the
17 department for the issuance of a new license of that series. For the
18 purposes of this subsection, the population of a county is deemed to be the
19 population estimated as of July 1 of each year by the office of economic
20 opportunity.

21 D. A person issued a license authorized by subsection B or C of this
22 section shall pay an additional issuance fee equal to the license's fair
23 market value that shall be paid to the state general fund. An appraisal
24 shall be conducted to determine the fair market value of that license type
25 in a specific county. The fair market value is defined to mean the price
26 arrived at in good faith that a knowledgeable and willing buyer will pay
27 and is computed by determining the average value, or weighted average value
28 if there are trends in license pricing in that county, of licenses of the
29 same type, free of any encumbrances, sold on the open market in the same
30 county during the prior twelve months, but if there are not three or more
31 sales then the fair market value is determined by two appraisals furnished

1 to the department by independent professional appraisers employed by the
2 director. The valuation method under both approaches shall take into
3 account trends in the value of licenses of the specific type during the
4 previous twelve months. A new license authorized pursuant to subsection B
5 or C of this section may not be issued to a person or entity that has had a
6 similar license revoked or reverted unless the person or entity provides
7 the director with satisfactory proof that all previous liens on the revoked
8 or reverted license have been satisfied in full.

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

12 F. If more than one person applies for an available license, a
13 priority of applicants shall be determined by a random selection method
14 prescribed by the director, except that the number of times that a person
15 may enter the random selection process shall not exceed the number of
16 licenses of that series that are available for issuance. For the purposes
17 of this subsection, a partnership, limited liability company, association,
18 company or corporation is considered the same person if it is owned,
19 managed, operated or controlled by the same controlling person.

20 G. Bar licenses and beer and wine bar licenses shall be issued and
21 used only if the clear primary purpose and actual primary use is for
22 on-sale retailer privileges. The off-sale privileges associated with a bar
23 license and a beer and wine bar license shall be limited to use, which is
24 clearly auxiliary to the active primary on-sale privilege. A bar license
25 or a beer and wine bar license shall not be issued or used if the
26 associated off-sale use, by total retail spirituous liquor sales, exceeds
27 thirty percent of the sales price of on-sale spirituous liquors by the
28 licensee at that location. For dual licenses issued pursuant to a single
29 site or where a second license is issued to a site that already has a
30 spirituous liquor license, other than settlement licenses issued as
31 provided by law, the applicant has the burden of establishing that public

1 convenience and the best interest of the community will be served by the
2 issuance of the license.

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

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

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

1 K. An applicant for a liquor store license or a beer and wine store
2 license and the licensee of a liquor store license or a beer and wine store
3 license may apply for sampling privileges associated with the license.
4 Beer and wine store premises containing less than five thousand square feet
5 must dedicate at least seventy-five percent of retail shelf space to the
6 sale of spirituous liquor in order to be eligible for sampling
7 privileges. A person desiring a sampling privilege associated with a
8 liquor store license shall apply to the director on a form prescribed and
9 furnished by the director. The application for sampling privileges may be
10 filed for an existing license or may be submitted with an initial license
11 application. The request for sampling approval, the review of the
12 application and the issuance of approval shall be conducted under the same
13 procedures for the issuance of a spirituous liquor license prescribed in
14 section 4-201. After a sampling privilege has been issued for a liquor
15 store license or a beer and wine store license, the sampling privilege
16 shall be noted on the license itself and in the records of the
17 department. The sampling rights associated with a license are not
18 transferable. The director may charge a fee for processing each
19 application for sampling privileges and a renewal fee as provided in this
20 section. A city or town shall not charge any fee relating to the issuance
21 or renewal of a sampling privilege. Notwithstanding section 4-244,
22 paragraph 19, a liquor store licensee or a beer and wine store licensee
23 that holds a license with sampling privileges may provide spirituous liquor
24 sampling subject to the following requirements:

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

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

30 3. The licensed retailer shall make sales of sampled products from
31 the licensed retail premises.

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

6 5. The sampling shall be conducted under the supervision of an
7 employee of a sponsoring distiller, vintner, brewer, wholesaler or retail
8 licensee.

9 6. Accurate records of sampling products dispensed shall be retained
10 by the licensee.

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

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

15 L. If a beer and wine bar license and a beer and wine store license
16 are issued at the same premises, for the purposes of reporting liquor
17 purchases under each license, all spirituous beverages purchased for
18 sampling are conclusively presumed to be purchased under the beer and wine
19 bar license and all spirituous liquor sold off-sale are conclusively
20 presumed to be purchased under the beer and wine store license.

21 M. The director may issue a beer and wine store license to the
22 holder of a bar license simultaneously at the same premises. An applicant
23 for a beer and wine store license and a bar license may consolidate the
24 application and may apply for both licenses at the same time. The holder
25 of each license shall fully comply with this title. A beer and wine store
26 license and a bar license on the same premises shall be owned by and issued
27 to the same licensee. If a beer and wine store license and a bar license
28 are issued at the same premises, for purposes of reporting liquor purchases
29 under each license, all off-sale beer and wine sales are conclusively
30 presumed to be purchased under the beer and wine store license.

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

1 4-243. Commercial coercion or bribery unlawful; exceptions

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

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

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

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

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

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

23 6. To guarantee a loan or repayment of a financial obligation of the
24 retailer.

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

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

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

1 B. This section does not prohibit any distiller, vintner, brewer,
2 rectifier, blender or other producer or wholesaler of any spirituous liquor
3 from:

4 1. Giving financial and other forms of event sponsorship assistance
5 to nonprofit or charitable organizations for purposes of charitable
6 fundraising that are issued special event licenses by the department. This
7 section does not prohibit suppliers from advertising their sponsorship at
8 such special events.

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

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

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

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

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

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

24 (f) All sampling procedures shall comply with federal sampling laws
25 and regulations.

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

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

30 (b) The producer or wholesaler shall notify the department in
31 writing or by electronic means at least five days before the sampling of

1 the date, time and location of the sampling and of the name of the
2 wholesaler or producer distributing the product.

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

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

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

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

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

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

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

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

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

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

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

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

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

23 2. DOES not include signs, dispensing or tapping machines or
24 equipment or refrigerators.

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

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

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

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

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

14 Sec. 5. Nonenforcement; sale of food; spirituous liquor sales;
15 retroactive

16 Notwithstanding section 4-203.06, Arizona Revised Statutes, as
17 amended by this act, beginning January 1, 2024, a restaurant licensee that
18 derives at least ninety percent of its gross revenue from the sale of food,
19 including sales of food for consumption off the licensed premises, and that
20 has off-sale spirituous liquor sales that exceed thirty percent of total
21 spirituous liquor sales is not in violation of section 4-206.01, subsection
22 G, Arizona Revised Statutes."

23 Amend title to conform

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