

REFERENCE TITLE: adult hemp beverages; policies; procedures

State of Arizona  
Senate  
Fifty-seventh Legislature  
First Regular Session  
2025

## **SB 1556**

Introduced by  
Senator Shope

### AN ACT

AMENDING SECTIONS 3-314, 4-101, 4-112, 4-114, 4-201, 4-202, 4-203, 4-204, 4-205, 4-205.01, 4-205.02, 4-205.04, 4-205.05, 4-205.06, 4-205.08, 4-205.10, 4-205.13, 4-206.01, 4-207.01, 4-207.02, 4-207.03, 4-208, 4-209, 4-210, 4-212, 4-213 AND 4-215, ARIZONA REVISED STATUTES; AMENDING TITLE 4, CHAPTER 2, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 4-216; AMENDING SECTIONS 4-222, 4-223 AND 4-224, ARIZONA REVISED STATUTES; REPEALING SECTION 4-225, ARIZONA REVISED STATUTES; AMENDING TITLE 4, CHAPTER 2, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING A NEW SECTION 4-225; AMENDING SECTIONS 4-226, 4-227, 4-227.01, 4-241, 4-242, 4-243, 4-243.01, 4-243.02, 4-243.04, 4-244, 4-244.02 AND 4-244.05, ARIZONA REVISED STATUTES; AMENDING TITLE 4, CHAPTER 2, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 4-245; AMENDING SECTIONS 4-250.01, 4-251, 4-301, 4-302, 4-311, 4-312, 36-136, 42-3001, 42-3051, 42-3052, 42-3351, 42-3352, 42-3354 AND 42-3355, ARIZONA REVISED STATUTES; AMENDING TITLE 42, CHAPTER 3, ARTICLE 8, ARIZONA REVISED STATUTES, BY ADDING SECTION 42-3357; APPROPRIATING MONIES; RELATING TO ADULT BEVERAGES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 3-314, Arizona Revised Statutes, is amended to  
3 read:

4 3-314. Industrial hemp licenses; applications; fees;  
5 fingerprinting requirements; renewal; revocation;  
6 applicability

7 A. A grower, harvester, transporter or processor shall obtain an  
8 industrial hemp license from the department.

9 B. A grower, harvester, transporter or processor shall apply for a  
10 license pursuant to rules and orders adopted by the director.

11 C. An application for an original or renewal industrial hemp  
12 license shall comply with all of the following:

13 1. Be on a form that is provided by the department.

14 2. Include complete and accurate information.

15 3. Be accompanied by the license fee prescribed by the director.

16 The director shall deposit, pursuant to sections 35-146 and 35-147, fees  
17 collected under this paragraph in the industrial hemp trust fund  
18 established by section 3-315.

19 D. An applicant shall provide proof to the department of having a  
20 valid fingerprint clearance card issued pursuant to section 41-1758.07 for  
21 the purpose of validating applicant eligibility.

22 E. A license issued pursuant to this section is valid for one year,  
23 unless revoked, and may be renewed as provided by the department. Rather  
24 than renewing a licensee's license every year, a licensee may renew the  
25 licensee's license every two years by paying a license fee that is twice  
26 the amount designated by the fee schedule in rule that is adopted by the  
27 director and other applicable fees. Licensees that renew every two years  
28 shall comply with any annual reporting requirements.

29 F. The department may revoke or refuse to issue or renew a license  
30 for a violation of any law of this state, any federal law or any rule or  
31 order adopted by the director.

32 G. A member of an Indian tribe may apply for a license pursuant to  
33 this section. If a member of an Indian tribe is issued a license pursuant  
34 to this section, the member is subject to the requirements prescribed in  
35 this article.

36 H. THIS ARTICLE DOES NOT APPLY TO AN ADULT HEMP BEVERAGES  
37 MANUFACTURER AS DEFINED IN SECTION 4-101 THAT IS NOT ENGAGED AS A GROWER,  
38 HARVESTER, TRANSPORTER OR PROCESSOR OF INDUSTRIAL HEMP.

39 Sec. 2. Heading change

40 The heading to title 4, Arizona Revised Statutes, is changed from  
41 "ALCOHOLIC BEVERAGES" to "ALCOHOLIC BEVERAGES AND ADULT HEMP BEVERAGES".

42 Sec. 3. Section 4-101, Arizona Revised Statutes, is amended to  
43 read:

44 4-101. Definitions

45 In this title, unless the context otherwise requires:

1 1. "Act of violence":

2 (a) Means an incident that consists of a riot, a fight, an  
3 altercation or tumultuous conduct and that meets at least one of the  
4 following criteria:

5 (i) Bodily injuries are sustained by any person and the injuries  
6 would be obvious to a reasonable person.

7 (ii) Is of sufficient intensity as to require the intervention of a  
8 peace officer to restore normal order.

9 (iii) A weapon is brandished, displayed or used.

10 (iv) A licensee or an employee or contractor of the licensee fails  
11 to follow a clear and direct lawful order from a law enforcement officer  
12 or a fire marshal.

13 (b) Does not include the use of nonlethal devices by a peace  
14 officer.

15 2. "ADULT HEMP BEVERAGE" MEANS ANY BEVERAGE THAT CONTAINS LESS THAN  
16 THIRTY MILLIGRAMS PER LITER BY VOLUME OF TOTAL TETRAHYDROCANNABINOL, THAT  
17 IS DERIVED FROM INDUSTRIAL HEMP AND THAT IS INTENDED FOR HUMAN  
18 CONSUMPTION.

19 3. "ADULT HEMP BEVERAGES MANUFACTURER" MEANS ANY INDIVIDUAL,  
20 PARTNERSHIP, CORPORATION, COOPERATIVE ASSOCIATION OR OTHER BUSINESS ENTITY  
21 THAT IS LICENSED TO MANUFACTURE HEMP-DERIVED TETRAHYDROCANNABINOL INTO  
22 ADULT HEMP BEVERAGES PRODUCTS.

23 4. "ADULT HEMP BEVERAGES MULTIPLE-SERVING CONTAINER" MEANS ANY  
24 RESEALABLE CONTAINER THAT CONTAINS AN ADULT HEMP BEVERAGE AND THAT HAS AN  
25 INTERNAL VOLUME OF AT LEAST THREE HUNDRED SEVENTY-FIVE MILLILITERS OR  
26 12.68 FLUID OUNCES.

27 5. "ADULT HEMP BEVERAGES SINGLE-SERVING CONTAINER" MEANS ANY  
28 NONRESEALABLE CONTAINER THAT CONTAINS AN ADULT HEMP BEVERAGE AND THAT HAS  
29 AN INTERNAL VOLUME OF AT LEAST TWO HUNDRED MILLILITERS OR 6.76 FLUID  
30 OUNCES.

31 ~~2-~~ 6. "Aggrieved party" means a person who resides at, owns or  
32 leases property within a one-mile radius of premises proposed to be  
33 licensed and who filed a written request with the department to speak in  
34 favor of or opposition to the issuance of the license not later than sixty  
35 days after filing the application or fifteen days after action by the  
36 local governing body, whichever is sooner.

37 ~~3-~~ 7. "Beer":

38 (a) Means any beverage obtained by the alcoholic fermentation,  
39 infusion or decoction of barley malt, hops, rice, bran or other grain,  
40 glucose, sugar or molasses, or any combination of them, and may include,  
41 as adjuncts in fermentation, honey, fruit, fruit juice, fruit concentrate,  
42 herbs, spices and other food materials.

43 (b) Includes beer aged in an empty wooden barrel previously used to  
44 contain wine or distilled spirits and as such is not considered a dilution  
45 or mixture of any other spirituous liquor.

1           ~~4.~~ 8. "Biometric identity verification device" means a device  
2 authorized by the department that instantly verifies the identity and age  
3 of a person by an electronic scan of a biometric of the person, through a  
4 fingerprint, iris image, facial image or other biometric characteristic,  
5 or any combination of these characteristics, that references the person's  
6 identity and age against any record described in section 4-241, subsection  
7 K, and that meets all of the following conditions:

8           (a) The authenticity of the record was previously verified by an  
9 electronic authentication process.

10           (b) The identity of and information about the record holder was  
11 previously verified through either:

12           (i) A secondary, electronic authentication process or set of  
13 processes using commercially available data, such as a public records  
14 query or a knowledge-based authentication quiz.

15           (ii) Using a state or federal government system of records for  
16 digital authentication.

17           (c) The authenticated record was securely linked to biometrics  
18 contemporaneously collected from the verified record holder and is stored  
19 in a centralized, highly secured, encrypted biometric database.

20           ~~5.~~ 9. "Board" means the state liquor board.

21           ~~6.~~ 10. "Bona fide guest" means:

22           (a) An individual who is personally familiar to the member, who is  
23 personally sponsored by the member and whose presence as a guest is in  
24 response to a specific and personal invitation.

25           (b) In the case of a club that meets the criteria prescribed in  
26 paragraph ~~8-~~ 12, subdivision (a) of this section, a current member of the  
27 armed services of the United States who presents proper military  
28 identification and any member of a recognized veterans' organization of  
29 the United States and of any country allied with the United States during  
30 current or past wars or through treaty arrangements.

31           ~~7.~~ 11. "Broken package" means any container of spirituous liquor  
32 on which the United States tax seal has been broken or removed or **ANY**  
33 **CONTAINER OF SPIRITUOUS LIQUOR OR ADULT HEMP BEVERAGES** from which the cap,  
34 cork or seal placed on the container by the manufacturer has been removed.

35           ~~8.~~ 12. "Club" includes any of the following organizations where  
36 the sale of spirituous liquor **OR ADULT HEMP BEVERAGES** for consumption on  
37 the premises is made only to members, spouses of members, families of  
38 members, bona fide guests of members and guests at other events authorized  
39 in this title:

40           (a) A post, chapter, camp or other local unit composed solely of  
41 veterans and its duly recognized auxiliary that has been chartered by the  
42 Congress of the United States for patriotic, fraternal or benevolent  
43 purposes and that has, as the owner, lessee or occupant, operated an  
44 establishment for that purpose in this state.

1 (b) A chapter, aerie, parlor, lodge or other local unit of an  
2 American national fraternal organization that has, as the owner, lessee or  
3 occupant, operated an establishment for fraternal purposes in this state.  
4 An American national fraternal organization as used in this subdivision  
5 shall actively operate in at least thirty-six states or have been in  
6 active continuous existence for at least twenty years.

7 (c) A hall or building association of a local unit mentioned in  
8 subdivisions (a) and (b) of this paragraph of which all of the capital  
9 stock is owned by the local unit or the members and that operates the  
10 clubroom facilities of the local unit.

11 (d) A golf club that has more than fifty bona fide members and that  
12 owns, maintains or operates a bona fide golf links together with a  
13 clubhouse.

14 (e) A social club that has more than one hundred bona fide members  
15 who are actual residents of the county in which it is located, that owns,  
16 maintains or operates club quarters, that is authorized and incorporated  
17 to operate as a nonprofit club under the laws of this state, and that has  
18 been continuously incorporated and operating for a period of at least one  
19 year. The club shall have had, during this one-year period, a bona fide  
20 membership with regular meetings conducted at least once each month, and  
21 the membership shall be and shall have been actively engaged in carrying  
22 out the objects of the club. The club's membership shall consist of bona  
23 fide dues-paying members paying dues of at least \$6 per year, payable  
24 monthly, quarterly or annually, which have been recorded by the secretary  
25 of the club, and the members at the time of application for a club license  
26 shall be in good standing having for at least one full year paid dues. At  
27 least fifty-one percent of the members shall have signified their  
28 intention to secure a social club license by personally signing a  
29 petition, on a form prescribed by the board, which shall also include the  
30 correct mailing address of each signer. The petition shall not have been  
31 signed by a member at a date earlier than one hundred eighty days before  
32 the filing of the application. The club shall qualify for exemption from  
33 the payment of state income taxes under title 43. It is the intent of  
34 this subdivision that a license shall not be granted to a club that is, or  
35 has been, primarily formed or activated to obtain a license to sell liquor  
36 OR ADULT HEMP BEVERAGES, but solely to a bona fide club, where the sale of  
37 liquor OR ADULT HEMP BEVERAGES is incidental to the main purposes of the  
38 club.

39 (f) An airline club operated by or for airlines that are  
40 certificated by the United States government and that maintain or operate  
41 club quarters located at airports with international status.

42 ~~9-~~ 13. "Company" or "association", when used in reference to a  
43 corporation, includes successors or assigns.

1           ~~10.~~ 14. "Control" means the power to direct or cause the direction  
 2 of the management and policies of an applicant or licensee, whether  
 3 through the ownership of voting securities or a partnership interest, by  
 4 agreement or otherwise. Control is presumed to exist if a person has the  
 5 direct or indirect ownership of or power to vote ten percent or more of  
 6 the outstanding voting securities of the applicant or licensee or to  
 7 control in any manner the election of one or more of the directors of the  
 8 applicant or licensee. In the case of a partnership, control is presumed  
 9 to mean the general partner or a limited partner who holds ten percent or  
 10 more of the voting rights of the partnership. For the purposes of  
 11 determining the percentage of voting securities owned, controlled or held  
 12 by a person, there shall be aggregated with the voting securities  
 13 attributed to the person the voting securities of an officer, partner,  
 14 employee or agent of the person or a spouse, parent or child of the  
 15 person. Control is also presumed to exist if a creditor of the applicant  
 16 or licensee holds a beneficial interest in ten percent or more of the  
 17 liabilities of the licensee. The presumptions in this paragraph regarding  
 18 control are rebuttable.

19           ~~11.~~ 15. "Controlling person" means a person directly or indirectly  
 20 possessing control of an applicant or licensee.

21           ~~12.~~ 16. "Craft distiller" means a distiller in the United States  
 22 or in a territory or possession of the United States that holds a license  
 23 pursuant to section 4-205.10.

24           ~~13.~~ 17. "Craft producer" means a licensed farm winery, a licensed  
 25 microbrewery or a licensed craft distiller.

26           ~~14.~~ 18. "Department" means the department of liquor licenses and  
 27 control.

28           ~~15.~~ 19. "Director" means the director of the department of liquor  
 29 licenses and control.

30           ~~16.~~ 20. "Distilled spirits" includes alcohol, brandy, whiskey,  
 31 rum, tequila, mescal, gin, absinthe, a compound or mixture of any of them  
 32 or of any of them with any vegetable or other substance, alcohol bitters,  
 33 bitters containing alcohol, fruits preserved in ardent spirits, and any  
 34 alcoholic mixture or preparation, whether patented or otherwise, that may  
 35 in sufficient quantities produce intoxication.

36           ~~17.~~ 21. "Employee" means any person who performs any service on  
 37 licensed premises on a full-time, part-time or contract basis with consent  
 38 of the licensee, whether or not the person is denominated an employee or  
 39 independent contractor or otherwise. Employee does not include a person  
 40 who is exclusively on the premises for musical or vocal performances, for  
 41 repair or maintenance of the premises or for the delivery of goods to the  
 42 licensee.

43           ~~18.~~ 22. "Farm winery" means a winery in the United States or in a  
 44 territory or possession of the United States that holds a license pursuant  
 45 to section 4-205.04.

1           ~~19.~~ 23. "Government license" means a license to serve and sell  
2           spirituous liquor on specified premises available only to a state agency,  
3           state board, state commission, county, city, town, community college or  
4           state university or the national guard or Arizona coliseum and exposition  
5           center on application by the governing body of the state agency, state  
6           board, state commission, county, city, town, community college or state  
7           university or the national guard or Arizona exposition and state fair  
8           board.  
9           24. "HEMP OR INDUSTRIAL HEMP":  
10           (a) HAS THE SAME MEANING AS INDUSTRIAL HEMP AS DEFINED IN SECTION  
11           3-311.  
12           (b) DOES NOT INCLUDE MARIJUANA AS DEFINED IN SECTION 36-2850.  
13           25. "HEMP BEVERAGES MANUFACTURE" AND "HEMP BEVERAGES MANUFACTURING"  
14           MEANS TO COMPOUND, BLEND, INFUSE OR OTHERWISE MAKE OR PREPARE AN ADULT  
15           HEMP BEVERAGE.  
16           26. "HEMP-DERIVED           TETRAHYDROCANNABINOL"           MEANS           DELTA-9  
17           TETRAHYDROCANNABINOL EXTRACTED FROM INDUSTRIAL HEMP THAT IS WATER SOLUBLE  
18           AND USED IN THE MANUFACTURE OF ADULT HEMP BEVERAGES FOR HUMAN CONSUMPTION.  
19           ~~20.~~ 27. "Legal drinking age" means twenty-one years of age or  
20           older.  
21           ~~21.~~ 28. "License" means a license or ~~an interim~~ A retail permit  
22           issued pursuant to this title.  
23           ~~22.~~ 29. "Licensee" means a person who has been issued a license or  
24           an interim retail permit pursuant to this title or a special event  
25           licensee.  
26           ~~23.~~ 30. "License fees" means fees collected for license issuance,  
27           license application, license renewal, interim permit issuance and license  
28           transfer between persons or locations.  
29           ~~24.~~ 31. "Manager" means a natural person who meets the standards  
30           required of licensees and who has authority to organize, direct, carry on,  
31           control or otherwise operate a licensed business on a temporary or  
32           full-time basis.  
33           ~~25.~~ 32. "Menu food item" means a food item from a regular menu,  
34           special menu or happy hour menu that is prepared by the licensee or the  
35           licensee's employee.  
36           ~~26.~~ 33. "Microbrewery" means a brewery in the United States or in  
37           a territory or possession of the United States that meets the requirements  
38           of section 4-205.08.  
39           ~~27.~~ 34. "Mixed cocktail":  
40           (a) Means any drink combined at the premises of an authorized  
41           licensee that contains a spirituous liquor and that is combined with at  
42           least one other ingredient **OTHER THAN AN ADULT HEMP BEVERAGE**, which may  
43           include additional spirituous liquors, fruit juice, vegetable juice,  
44           mixers, cream, flavored syrup or other ingredients except water, and that

1 when combined contains more than one-half of one percent of alcohol by  
2 volume.

3 (b) Does not include a drink sold in an original manufacturer's  
4 packaging or any drink poured from an original manufacturer's package  
5 without the addition of all of the cocktail's other ingredients at the  
6 premises of the licensed bar, liquor store or restaurant.

7 ~~28.~~ 35. "Off-sale retailer" means any person that operates a bona  
8 fide regularly established retail liquor store that sells spirituous  
9 liquors, wines, ~~and~~ beer OR ADULT HEMP BEVERAGES and any established  
10 retail store that sells commodities other than spirituous liquors and that  
11 is engaged in the sale of spirituous liquors OR ADULT HEMP BEVERAGES only  
12 in the original unbroken package, to be taken away from the premises of  
13 the retailer and to be consumed off the premises.

14 ~~29.~~ 36. "On-sale retailer" means any person operating an  
15 establishment where spirituous liquors OR ADULT HEMP BEVERAGES are sold in  
16 the original container for consumption on or off the premises or in  
17 individual portions for consumption on the premises.

18 ~~30.~~ 37. "Permanent occupancy" means the maximum occupancy of the  
19 building or facility as set by the office of the state fire marshal for  
20 the jurisdiction in which the building or facility is located.

21 38. "PERMIT" MEANS A PERMIT ISSUED PURSUANT TO THIS TITLE.

22 ~~31.~~ 39. "Person" includes a partnership, limited liability  
23 company, association, company or corporation, as well as a natural person.

24 ~~32.~~ 40. "Premises" or "licensed premises":

25 (a) Means the area from which the licensee is authorized to sell,  
26 dispense or serve spirituous liquors OR ADULT HEMP BEVERAGES under the  
27 provision of the license.

28 (b) Includes a patio that is not contiguous to the remainder of the  
29 premises or licensed premises if the patio is separated from the remainder  
30 of the premises or licensed premises by a public or private walkway or  
31 driveway not to exceed thirty feet, subject to rules the director may  
32 adopt to establish criteria for noncontiguous premises.

33 41. "PRODUCED" MEANS SPIRITUOUS LIQUOR PRODUCED BY A LICENSED CRAFT  
34 PRODUCER OR A PRODUCER THAT IS FEDERAL EXCISE TAX PAID, BOTTLED, LABELED  
35 AND COMMERCIALY AVAILABLE FOR WHOLESALE OR RETAIL.

36 ~~33.~~ 42. "Registered alcohol OR ADULT HEMP BEVERAGE delivery  
37 contractor":

38 (a) Means a person who delivers spirituous liquor OR ADULT HEMP  
39 BEVERAGES to a consumer on behalf of a bar, beer and wine bar, liquor  
40 store, beer and wine store or restaurant.

41 (b) Does not include:

42 (i) A motor carrier as defined in section 28-5201.

43 (ii) An independent contractor, a subcontractor of an independent  
44 contractor, an employee of an independent contractor or an employee of a  
45 subcontractor as provided in section 4-203, subsection J.



1           ~~34.~~ 43. "Registered mail" includes certified mail.

2           ~~35.~~ 44. "Registered retail agent" means any person who is  
3 authorized pursuant to section 4-222 to purchase spirituous liquors OR  
4 ADULT HEMP BEVERAGES for and on behalf of the person and other retail  
5 licensees.

6           ~~36.~~ 45. "Repeated acts of violence" means:

7           (a) For licensed premises with a permanent occupancy of two hundred  
8 or fewer persons, two or more acts of violence occurring within seven days  
9 or three or more acts of violence occurring within thirty days.

10           (b) For licensed premises with a permanent occupancy of more than  
11 two hundred but not more than four hundred persons, four or more acts of  
12 violence within thirty days.

13           (c) For licensed premises with a permanent occupancy of more than  
14 four hundred but not more than six hundred fifty persons, five or more  
15 acts of violence within thirty days.

16           (d) For licensed premises with a permanent occupancy of more than  
17 six hundred fifty but not more than one thousand fifty persons, six or  
18 more acts of violence within thirty days.

19           (e) For licensed premises with a permanent occupancy of more than  
20 one thousand fifty persons, seven or more acts of violence within thirty  
21 days.

22           ~~37.~~ 46. "Sell" includes soliciting or receiving an order for,  
23 keeping or exposing for sale, directly or indirectly delivering for value,  
24 peddling, keeping with intent to sell and trafficking in.

25           ~~38.~~ 47. "Spirituous liquor" includes alcohol, brandy, whiskey,  
26 rum, tequila, mescal, gin, wine, porter, ale, beer, any malt liquor or  
27 malt beverage, absinthe, a compound or mixture of any of them or of any of  
28 them with any vegetable or other substance, alcohol bitters, bitters  
29 containing alcohol, any liquid mixture or preparation, whether patented or  
30 otherwise, that produces intoxication, fruits preserved in ardent spirits,  
31 and beverages containing more than one-half of one percent of alcohol by  
32 volume.

33           ~~39.~~ 48. "Tamperproof sealed" means designed to prevent consumption  
34 without the removal of a tamperproof cap, seal, cork or closure that has a  
35 device, mechanism or adhesive that clearly shows whether a container has  
36 been opened.

37           49. "TOTAL TETRAHYDROCANNABINOL" MEANS ANY COMBINATION OF  
38 TETRAHYDROCANNABINOLIC ACID OR A TETRAHYDROCANNABINOL COMPONENT OR ANY  
39 DERIVATIVE THEREOF.

40           ~~40.~~ 50. "Vehicle" means any means of transportation by land, water  
41 or air, and includes everything made use of in any way for such  
42 transportation.

43           ~~41.~~ 51. "Vending machine" means a machine that dispenses  
44 merchandise through the means of coin, token, credit card or other  
45 nonpersonal means of accepting payment for merchandise received.

1           ~~42.~~ 52. "Veteran" means a person who has served in the United  
2 States air force, army, navy, marine corps or coast guard, as an active  
3 nurse in the services of the American red cross, in the army and navy  
4 nurse corps in time of war, or in any expedition of the armed forces of  
5 the United States, and who has received a discharge other than  
6 dishonorable.

7           ~~43.~~ 53. "Voting security" means any security presently entitling  
8 the owner or holder of the security to vote for the election of directors  
9 of an applicant or a licensee.

10           ~~44.~~ 54. "Wine" means the product obtained by the fermentation of  
11 grapes, other agricultural products containing natural or added sugar or  
12 cider or any such alcoholic beverage fortified with grape brandy and  
13 containing not more than twenty-four percent of alcohol by volume.

14           Sec. 4. Section 4-112, Arizona Revised Statutes, is amended to  
15 read:

16           4-112. Powers and duties of board and director of department  
17   of liquor licenses and control; investigations;  
18   county and municipal regulation; definition

19           A. The board shall:

20           1. Grant and deny applications in accordance with ~~the provisions of~~  
21 this title.

22           2. Adopt rules in order to carry out ~~the provisions of~~ this  
23 section.

24           3. Hear appeals and hold hearings as provided in this section.

25           B. Except as provided in subsection A of this section, the director  
26 shall administer ~~the provisions of~~ this title, including:

27           1. Adopting rules:

28           (a) For carrying out ~~the provisions of~~ this title.

29           (b) For the proper conduct of the business to be carried on under  
30 each specific type of spirituous liquor **OR ADULT HEMP BEVERAGES** license.

31           (c) To enable and assist state officials and political subdivisions  
32 to collect taxes levied or imposed in connection with spirituous liquors  
33 **OR ADULT HEMP BEVERAGES**.

34           (d) For the issuance and revocation of certificates of registration  
35 of retail agents, including provisions governing the shipping, storage and  
36 delivery of spirituous liquors **OR ADULT HEMP BEVERAGES** by registered  
37 retail agents, the keeping of records and the filing of reports by  
38 registered retail agents.

39           (e) To establish requirements for licensees under section 4-209,  
40 subsection B, paragraph 12.

41           2. Subject to title 41, chapter 4, article 4, employing necessary  
42 personnel and fixing their compensation pursuant to section 38-611.

43           3. Keeping an index record that is a public record open to public  
44 inspection and that contains the name and address of each licensee and the  
45 name and address of any person having an interest, either legal or

1 equitable, in each license as shown by any written document that is placed  
2 on file in the office of the board.

3 4. Providing the board with supplies and personnel as directed by  
4 the board.

5 5. Responding in writing to any law enforcement agency that submits  
6 an investigative report to the department relating to a violation of this  
7 title, setting forth what action, if any, the department has taken or  
8 intends to take on the report and, if the report lacks sufficient  
9 information or is otherwise defective for use by the department, what the  
10 agency must do to remedy the report.

11 6. Taking steps that are necessary to maintain effective liaison  
12 with the department of public safety and all local law enforcement  
13 agencies in the enforcement of this title including the laws of this state  
14 against the consumption of spirituous liquor by persons under the legal  
15 drinking age.

16 7. Providing training to law enforcement agencies in the proper  
17 investigation and reporting of violations of this title.

18 C. The director shall establish within the department a separate  
19 investigations unit that has as its sole responsibility the investigation  
20 of compliance with this title, including the investigation of licensees  
21 alleged to have sold or distributed spirituous liquor OR ADULT HEMP  
22 BEVERAGES in any form to persons under the legal drinking age.  
23 Investigations conducted by this unit may include covert undercover  
24 investigations.

25 D. All employees of the department of liquor licenses and control,  
26 except members of the state liquor board and the director of the  
27 department, shall be employed by the department in the manner prescribed  
28 by the department of administration.

29 E. The director may enter into a contract or agreement with any  
30 public agency for any joint or cooperative action as provided for by title  
31 11, chapter 7, article 3.

32 F. The board or the director may take evidence, administer oaths or  
33 affirmations, issue subpoenas requiring attendance and testimony of  
34 witnesses, cause depositions to be taken and require by subpoena duces  
35 tecum the production of books, papers and other documents that are  
36 necessary for the enforcement of this title. Proceedings held during the  
37 course of a confidential investigation are exempt from title 38, chapter  
38 3, article 3.1. If a person refuses to obey a subpoena or fails to answer  
39 questions as provided by this subsection, the board or the director may  
40 apply to the superior court in the manner provided in section 12-2212.  
41 The board or director may serve subpoenas by personal service or certified  
42 mail, return receipt requested.

43 G. The director may:

- 44 1. Examine books, records and papers of a licensee.

1           2. Require applicants, licensees, employees who serve, sell or  
2 furnish spirituous liquors to retail customers, managers and managing  
3 agents to take training courses approved by the director in spirituous  
4 liquor OR ADULT HEMP BEVERAGES handling and spirituous liquor OR ADULT  
5 HEMP BEVERAGE laws and rules. The director shall adopt rules that set  
6 standards for approving training courses. The director may suspend or  
7 revoke the previous approval of trainers who do not adhere to course  
8 administration requirements prescribed by the department or who do not  
9 meet course standards. If the director suspends or revokes the previous  
10 approval of a trainer pursuant to this paragraph, the trainer may appeal  
11 to the board pursuant to section 4-210.02 as if the suspension or  
12 revocation was a sanction against a licensee. ~~After January 1, 2019,~~ The  
13 rules for on-sale retailer basic training and on-sale retailer management  
14 training shall include security procedures for security personnel assigned  
15 to monitor admission of patrons, interaction with patrons, calls to law  
16 enforcement and strategies for use of force and for the use of  
17 de-escalation techniques. If the retailer uses a registered security  
18 guard, the retailer shall attempt to verify the validity and status of the  
19 security guard's registration certificate. The department's licensed  
20 investigators may participate and receive compensation as lecturers at  
21 approved training courses within this state's jurisdiction that are  
22 conducted by other entities but shall not participate in in-house training  
23 programs for licensees.

24           3. Delegate to employees of the department authority to exercise  
25 powers of the director in order to administer the department.

26           4. Regulate signs that advertise a spirituous liquor OR ADULT HEMP  
27 BEVERAGE product at licensed retail premises.

28           5. Cause to be removed from the marketplace spirituous liquor OR  
29 ADULT HEMP BEVERAGES that may be contaminated.

30           6. Regulate the age and conduct of erotic entertainers at licensed  
31 premises. The age limitation governing these erotic entertainers may be  
32 different from other employees of the licensee.

33           7. Issue and enforce cease and desist orders against any person or  
34 entity that sells beer, wine, ~~or~~ spirituous liquor OR ADULT HEMP BEVERAGES  
35 without an appropriate license or permit.

36           8. Confiscate wines carrying a label including a reference to  
37 Arizona or any Arizona city, town or place unless at least seventy-five  
38 percent by volume of the grapes used in making the wine were grown in this  
39 state.

40           9. Accept and expend private grants of monies, gifts and devises  
41 for conducting educational programs for parents and students on the  
42 repercussions of underage alcohol consumption. State general fund monies  
43 shall not be expended for the purposes of this paragraph. If the director  
44 does not receive sufficient monies from private sources to carry out the  
45 purposes of this paragraph, the director shall not provide the educational

1 programs prescribed in this paragraph. Grant monies received pursuant to  
2 this paragraph are nonlapsing and do not revert to the state general fund  
3 at the close of the fiscal year.

4 10. Procure fingerprint scanning equipment and provide fingerprint  
5 services to license applicants and licensees. The department may charge a  
6 fee for providing these services.

7 11. Accept electronic signatures on all department and licensee  
8 forms and documents and applications. The director may adopt requirements  
9 that would require facsimile signatures to be followed by original  
10 signatures within a specified time period.

11 12. ~~For use after January 1, 2019;~~ Adopt a form that is required to  
12 be used by all on-sale retailers that hire or designate employees to serve  
13 as security personnel. All security personnel job applicants and  
14 employees for on-sale retailers shall complete the form, which shall be  
15 notarized, before assignment to a security role. The form shall require  
16 the applicant or other person to disclose whether in the previous five  
17 years the person has been a registered sex offender or pled guilty TO,  
18 pled no contest TO or been convicted of any offense that constitutes  
19 assault, homicide, domestic violence, sexual misconduct, misconduct  
20 involving a deadly weapon or a drug violation that constitutes the illegal  
21 sale, manufacturing, cultivation or transportation for sale of marijuana,  
22 a dangerous drug or a narcotic drug. A licensee may not hire or assign to  
23 a role as security personnel any person who fails to complete the form or  
24 ~~if the~~ WHOSE form discloses one of the listed offenses within the previous  
25 five years. The licensee shall maintain on file affidavits of all  
26 security personnel hired or designated by the licensee. The form may not  
27 be required for a peace officer who is certified by the Arizona peace  
28 officer standards and training board or other security personnel who hold  
29 a current security guard registration certificate or armed security guard  
30 registration certificate issued pursuant to title 32, chapter 26.

31 H. A county or municipality may enact and enforce ordinances  
32 regulating the age and conduct of erotic entertainers at licensed premises  
33 in a manner at least as restrictive as rules adopted by the director.

34 I. For the purposes of this section, "security personnel":

35 1. Includes individuals whose primary assigned responsibilities  
36 include the security and safety of employees and patrons of an on-sale  
37 retailer premises. ~~Security personnel~~

38 2. Does not include a person whose primary responsibilities include  
39 checking the identification cards of patrons to determine compliance with  
40 age requirements.

41 Sec. 5. Section 4-114, Arizona Revised Statutes, is amended to  
42 read:

43 4-114. Interest in business prohibited; forfeiture of office

44 A. Except for a member designated by the governor to be appointed  
45 from the industry, no member of the board or the director or any employee

1 of the department shall be financially interested directly or indirectly  
2 in any business licensed to deal in spirituous liquors OR ADULT HEMP  
3 BEVERAGES.

4 B. Violation of this section by the director or any member of the  
5 board shall be deemed a resignation by such person, and a violation by an  
6 employee of the department shall result in ~~his~~ THE EMPLOYEE'S immediate  
7 dismissal.

8 Sec. 6. Section 4-201, Arizona Revised Statutes, is amended to  
9 read:

10 4-201. Licensing; application procedure in city, town or  
11 county; burden of proof

12 A. A person desiring a license to manufacture, sell or deal in  
13 spirituous liquors OR ADULT HEMP BEVERAGES shall apply to the director on  
14 a form prescribed and furnished by the director.

15 B. A person who files an application for a license within an  
16 incorporated city or town shall file the application with the  
17 director. The director shall remit the application to the city or town  
18 clerk. The city or town clerk shall immediately file a copy of the  
19 application in the clerk's office and post a copy for a period of twenty  
20 days in a conspicuous place on the front of the premises where the  
21 business is proposed to be conducted, with a statement requiring any  
22 natural person who is a bona fide resident residing or owning or leasing  
23 property within a one-mile radius from the premises proposed to be  
24 licensed, and who is in favor of or opposed to the issuance of the  
25 license, to file written arguments in favor of or opposed to the issuance  
26 of the license with the clerk within twenty days after the date of  
27 posting. The posting shall be limited to a copy of the license  
28 application and shall not contain any attachments filed with the  
29 application. The written argument shall contain the natural person's  
30 complete name, street address or post office box address and written or  
31 electronic signature. If the written arguments are filed by a person on  
32 behalf of a corporation or other legal entity or association, the written  
33 arguments must be accompanied by a copy of the entity's organizing  
34 document, a designation of the office or position that the person holds  
35 within the organization and a copy of the written appointment of the  
36 person to speak on behalf of the organization. If the written arguments  
37 are filed by a neighborhood association, block watch or other  
38 unincorporated association, written arguments must be accompanied by a  
39 letter of authority designating that person as a spokesperson. The  
40 posting shall contain substantially the following:

41 Notice

42 A hearing on a liquor license application OR ADULT HEMP  
43 BEVERAGES LICENSE APPLICATION shall be held before the local  
44 governing body at the following date, time and place:  
45 (Insert date, time and address)

1           The local governing body will recommend to the state liquor  
2           board whether the board should grant or deny the license. The  
3           state liquor board may hold a hearing to consider the  
4           recommendation of the local governing body. Any person  
5           residing or owning or leasing property within a one-mile  
6           radius may contact the state liquor board in writing to  
7           register as a protestor. To request information regarding  
8           procedures before the board and notice of any board hearings  
9           regarding this application, contact the state liquor board at:  
10          (Insert address and telephone number).

11         No arguments shall be filed or accepted by the city or town clerk  
12         thereafter. This subsection does not prevent a bona fide resident  
13         residing or owning or leasing property within a one-mile radius from the  
14         premises proposed to be licensed from testifying in favor of or in  
15         opposition to the issuance of the license, regardless of whether or not  
16         the person is a user or nonuser of spirituous liquor OR ADULT HEMP  
17         BEVERAGES.

18           C. The governing body of the city, town or county shall then enter  
19           an order recommending approval or disapproval within sixty days after the  
20           filing of the application and shall file a certified copy of the order  
21           with the director. If the recommendation is for disapproval, a statement  
22           of the specific reasons containing a summary of the testimony or other  
23           evidence supporting the recommendation for disapproval shall be attached  
24           to the order. All petitions submitted to the governing body within the  
25           twenty-day period for filing protests shall be transmitted to the director  
26           with the certified copy of the order.

27           D. If a person applies for a license to conduct a spirituous liquor  
28           OR ADULT HEMP BEVERAGE business outside an incorporated city or town, the  
29           director shall remit the application to the clerk of the board of  
30           supervisors of the county where the applicant desires to do business, and  
31           the proceedings by the clerk and board of supervisors shall be as provided  
32           for cities and towns.

33           E. On receipt of an application for a spirituous liquor license OR  
34           ADULT HEMP BEVERAGES MANUFACTURER LICENSE, the director shall set the  
35           application for a hearing by the board on a date following the expiration  
36           of the time fixed for the submitting of the certified order by the  
37           governing body of the city or town or the board of supervisors. If the  
38           city or town or the county recommends approval of the license, a hearing  
39           is not required unless the director, the board or any aggrieved party  
40           requests a hearing on the grounds that the public convenience and the best  
41           interest of the community will not be substantially served if a license is  
42           issued. Any natural person residing or owning or leasing property within  
43           a one-mile radius of the proposed location may file a written protest with  
44           the director on a form prescribed by the director not later than fifteen  
45           calendar days after action by the local governing body or sixty days after



1 the filing of the application, whichever is sooner. The director shall  
2 allow protests to be submitted by ~~e-mail~~ EMAIL. The written argument  
3 shall contain the natural person's complete name, street address or post  
4 office box address and written or electronic signature. If the written  
5 arguments are filed by a person on behalf of a corporation or other legal  
6 entity or association, the written arguments must be accompanied by a copy  
7 of the entity's organizing document, a designation of the office or  
8 position that the person holds within the organization and a copy of the  
9 written appointment of the person to speak on behalf of the  
10 organization. If the written arguments are filed by a neighborhood  
11 association, block watch or other unincorporated association, written  
12 arguments must be accompanied by a letter of authority designating that  
13 person as a spokesperson. If no hearing is requested by the director, the  
14 board or any aggrieved party, the application may be approved by the  
15 director. If the recommendation is for disapproval of an application, the  
16 board shall hold a hearing. If the city, town or county recommends  
17 approval of the license pursuant to subsection C of this section or makes  
18 no recommendation, the director may cancel the hearing and issue the  
19 license unless the board or any aggrieved party requests a hearing. If  
20 the reason for the protest is clearly removed or deemed satisfied by the  
21 director, the board shall cancel the hearing. If the board cancels the  
22 hearing, the department may administratively issue an order without the  
23 applicant licensee or other parties present. The certified order, the  
24 reasons contained in the order and the summary of the testimony and other  
25 evidence supporting the city, town or county disapproval of the  
26 recommendation shall be read into the record before the board and shall be  
27 considered as evidence by the board. The board shall consider the  
28 certified order together with other facts and a report of the director  
29 relating to the qualifications of the applicant. If the governing body of  
30 the city or town or the board of supervisors fails to return to the  
31 director, as provided in ~~subsections~~ SUBSECTION C ~~and D~~ of this section,  
32 its order of disapproval, no hearing is required. An application shall be  
33 approved or disapproved within one hundred five days after the filing of  
34 the application. If, after a hearing by the board where a license has  
35 been approved, a formal written order is not entered within thirty days  
36 after the hearing, the decision of the board is deemed entered on the  
37 thirtieth day after the hearing.

38 F. A hearing may be conducted by an administrative law judge at the  
39 request of the board to make findings and recommendations for use by the  
40 board in determining whether to grant or deny a license. The  
41 administrative law judge shall submit a report of findings to the board  
42 within twenty days after the hearing. The board may affirm, reverse,  
43 adopt, modify, supplement, amend or reject the administrative law judge's  
44 report in whole or in part.



1 G. Except for a person-to-person transfer of a transferable license  
2 for use at the same location and as otherwise provided in section 4-203,  
3 subsection A, in all proceedings before the governing body of a city or  
4 town, the board of supervisors of a county or the board, the applicant  
5 bears the burden of showing that the public convenience requires and that  
6 the best interest of the community will be substantially served by the  
7 issuance of a license.

8 H. In order to prevent the proliferation of spirituous liquor  
9 licenses AND ADULT HEMP BEVERAGES LICENSES, the department may deny a  
10 license to a business on the grounds that the business is inappropriate  
11 for the sale of spirituous liquor OR ADULT HEMP BEVERAGES. An  
12 inappropriate business is one that cannot clearly demonstrate that the  
13 sale of spirituous liquor OR ADULT HEMP BEVERAGES is directly connected to  
14 its primary purpose and that the sale of spirituous liquor OR ADULT HEMP  
15 BEVERAGES is not merely incidental to its primary purpose.

16 I. The board shall adopt, by rule, guidelines that state criteria  
17 for use in determining whether the public convenience requires and the  
18 best interest of the community will be substantially served by the  
19 issuance or transfer of a liquor license OR ADULT HEMP BEVERAGES LICENSE  
20 at the location applied for. These guidelines shall govern the  
21 recommendations and other approvals of the department and the local  
22 governing authority.

23 J. If the governing body of a city or town recommends disapproval  
24 by a two-thirds vote of the members present and voting on an application  
25 for the issuance or transfer of a spirituous liquor license OR ADULT HEMP  
26 BEVERAGES LICENSE that, if approved, would result in a license being  
27 issued at a location either having no license or having a license of a  
28 different series, the application shall not be approved unless the board  
29 decides to approve the application by a two-thirds vote of the members  
30 present and voting.

31 Sec. 7. Section 4-202, Arizona Revised Statutes, is amended to  
32 read:

33 4-202. Qualifications of licensees; application; background  
34 information; prior convictions

35 A. Every spirituous liquor licensee AND ADULT HEMP BEVERAGES  
36 LICENSEE, other than a club licensee, a corporation licensee, a limited  
37 liability company licensee or an out-of-state licensee, shall be a citizen  
38 of the United States and a bona fide resident of this state or a legal  
39 resident alien who is a bona fide resident of this state. If a  
40 partnership, each partner shall be a citizen of the United States and a  
41 bona fide resident of this state or a legal resident alien who is a bona  
42 fide resident of this state, except that for a limited partnership an  
43 individual general partner is required to meet the qualifications of an  
44 individual licensee, a corporate general partner is required to meet the  
45 qualifications of a corporate licensee and a limited partner is not

1 required to be a citizen of the United States, a legal resident alien or a  
2 bona fide resident of this state. If a corporation or limited liability  
3 company, it shall be a domestic corporation or a foreign corporation or a  
4 limited liability company that has qualified to do business in this state.  
5 A person shall hold a club license, corporation license, limited liability  
6 company license, partnership license or out-of-state license through an  
7 agent who ~~shall be~~ IS a natural person and ~~meet~~ WHO MEETS the  
8 qualifications for licensure, except that an agent for an out-of-state  
9 license as specified in section 4-209, subsection B, paragraph 2 need not  
10 be a resident of this state. Notice of change of agent shall be filed  
11 with the director within thirty days after a change. For the purposes of  
12 this subsection, "agent" means a person who is designated by an applicant  
13 or licensee to receive communications from the department and to file  
14 documents and sign documents for filing with the department on behalf of  
15 the applicant or licensee.

16 B. A person shall file an application for a spirituous liquor  
17 license OR AN ADULT HEMP BEVERAGES MANUFACTURER LICENSE on a form  
18 prescribed by the director. The director shall require any applicant and  
19 may require any controlling person, other than a bank or licensed lending  
20 institution, to furnish background information and to submit a full set of  
21 fingerprints to the department. The department of liquor licenses and  
22 control shall submit the fingerprints to the department of public safety  
23 for the purpose of obtaining a state and federal criminal records check  
24 pursuant to section 41-1750 and Public Law 92-544. The department of  
25 public safety may exchange this fingerprint data with the federal bureau  
26 of investigation. If a license is issued or transferred when fees are  
27 waived pursuant to section 4-209, subsection I, ~~no~~ AN additional  
28 background check is NOT required if the person has already completed a  
29 background investigation in connection with the continuing business.

30 C. Each applicant or licensee shall designate a person who ~~shall be~~  
31 IS responsible for managing the premises. The designated person may be  
32 the applicant or licensee. The manager shall be a natural person and  
33 shall meet all the requirements for licensure. The same person may be  
34 designated as the manager for more than one premises owned by the same  
35 licensee. Notice of a change in the manager shall be filed with the  
36 director within thirty days after a change.

37 D. No license shall be issued to any person who, within one year  
38 before application, has had a license revoked. The director shall not  
39 issue an interim permit or restaurant license to any person who, at the  
40 same location, has been required to surrender a restaurant license  
41 pursuant to section 4-205.02, subsection D or section 4-213 until twelve  
42 months after the date of the surrender. No license shall be issued to or  
43 renewed for any person who, within five years before application, has been  
44 convicted of a felony, or convicted of an offense in another state that  
45 would be a felony in this state. For a conviction of a corporation to be

1 a basis for a denial under this section, the limitations that are provided  
2 in section 4-210, subsection A, paragraph 8 shall apply. No corporation  
3 shall have its annual license issued or renewed unless it has on file with  
4 the department a list of its officers and directors and any stockholders  
5 who own ten percent or more of the corporation.

6 E. The department of liquor licenses and control shall receive  
7 criminal history record information from the department of public safety  
8 for applicants for employment with the department of liquor licenses and  
9 control or for a license issued by the department of liquor licenses and  
10 control.

11 F. The department shall not issue or renew a license for any person  
12 who on the request of the director fails to provide the department with  
13 complete financial disclosure statements indicating all financial holdings  
14 of the person or any other person in or relating to the license applied  
15 for, including all cosignatories on financial holdings, land, buildings,  
16 leases or other forms of indebtedness that the applicant has incurred or  
17 will incur.

18 Sec. 8. Section 4-203, Arizona Revised Statutes, is amended to  
19 read:

20 4-203. Licenses; issuance; transfer; reversion to state;  
21 tastings; rules; off-sale privileges; order  
22 requirements

23 A. A spirituous liquor license **INCLUDING, IF APPLICABLE, THE**  
24 **PRIVILEGE TO MANUFACTURE, SELL OR DEAL IN ADULT HEMP BEVERAGES, OR AN**  
25 **ADULT HEMP BEVERAGE MANUFACTURER LICENSE** shall be issued only after  
26 satisfactory showing of the capability, qualifications and reliability of  
27 the applicant and, with the exception of wholesaler, producer, government  
28 or club licenses, that the public convenience requires and that the best  
29 interest of the community will be substantially served by the issuance.  
30 If an application is filed for the issuance of a transferable or  
31 nontransferable license, other than for a craft distiller license, a  
32 microbrewery license or a farm winery license, for a location that on the  
33 date the application is filed has a valid license of the same series, or  
34 in the case of a restaurant license application filed for a location with  
35 a valid hotel-motel license, issued at that location, there shall be a  
36 rebuttable presumption that the public convenience and best interest of  
37 the community at that location was established at the time the location  
38 was previously licensed. The presumption may be rebutted by competent  
39 contrary evidence. The presumption shall not apply once the licensed  
40 location has not been in use for more than one hundred eighty days and the  
41 presumption shall not extend to the personal qualifications of the  
42 applicant.

43 B. The license shall be to manufacture, sell or deal in spirituous  
44 liquors **OR ADULT HEMP BEVERAGES** only at the place and in the manner

1 provided in the license. A separate license shall be issued for each  
2 specific business, and each shall specify:

3 1. The particular spirituous liquors OR ADULT HEMP BEVERAGES that  
4 the licensee is authorized to manufacture, sell or deal in.

5 2. The place of business for which issued.

6 3. The purpose for which the liquors OR ADULT HEMP BEVERAGES may be  
7 manufactured or sold.

8 C. A spirituous liquor license issued to a bar, a liquor store or a  
9 beer and wine bar shall be transferable as to any permitted location  
10 within the same county, if the transfer meets the requirements of an  
11 original application. A spirituous liquor license may be transferred to a  
12 person qualified to be a licensee, if the transfer is pursuant to either  
13 judicial decree, nonjudicial foreclosure of a legal or equitable lien,  
14 including security interests held by financial institutions pursuant to  
15 section 4-205.05, a sale of the license, a bona fide sale of the entire  
16 business and stock in trade, or other bona fide transactions that are  
17 provided for by rule. Any change in ownership of the business of a  
18 licensee, directly or indirectly, as defined by rule is deemed a transfer,  
19 except that there is no transfer if a new artificial person is added to  
20 the ownership of a licensee's business but the controlling persons remain  
21 identical to the controlling persons that have been previously disclosed  
22 to the director as part of the licensee's existing ownership. THE NEW  
23 OWNER OF A LICENSE TRANSFERRED PURSUANT TO THIS SUBSECTION THAT INCLUDES  
24 LICENSING FOR ADULT HEMP BEVERAGES MAY ELECT TO REMOVE ADULT HEMP  
25 BEVERAGES FROM THE TRANSFERRED LICENSE BY NOTIFYING THE DEPARTMENT.

26 D. All applications for a new license pursuant to section 4-201 or  
27 for a transfer to a new location pursuant to subsection C of this section  
28 shall be filed with and determined by the director, except when the  
29 governing body of the city or town or the board of supervisors receiving  
30 an application pursuant to section 4-201 orders disapproval of the  
31 application or when the director, the state liquor board or any aggrieved  
32 party requests a hearing. The application shall then be presented to the  
33 state liquor board, and the new license or transfer shall not become  
34 effective unless approved by the state liquor board.

35 E. A person who assigns, surrenders, transfers or sells control of  
36 a SPIRITUOUS liquor license or business that has a spirituous liquor  
37 license shall notify the director within thirty business days after the  
38 assignment, surrender, transfer or sale. A spirituous liquor license  
39 shall not be leased or subleased. A concession agreement entered into  
40 under section 4-205.03 is not considered a lease or sublease in violation  
41 of this section.

42 F. If a person other than those persons originally licensed  
43 acquires control over a license or licensee, the person shall file notice  
44 of the acquisition with the director within thirty business days after the  
45 acquisition of control and a list of officers, directors or other

1 controlling persons on a form prescribed by the director. There is no  
2 acquisition of control if a new person is added to the ownership of a  
3 licensee's business but the controlling persons remain identical to the  
4 controlling persons that have been previously disclosed to the director as  
5 part of the licensee's existing ownership. All officers, directors or  
6 other controlling persons shall meet the qualifications for licensure as  
7 prescribed by this title. On request, the director shall conduct a  
8 preinvestigation before the assignment, sale or transfer of control of a  
9 license or licensee, the reasonable costs of which, not more than \$1,000,  
10 shall be borne by the applicant. The preinvestigation shall determine  
11 whether the qualifications for licensure as prescribed by this title are  
12 met. On receipt of notice of an acquisition of control or request of a  
13 preinvestigation, the director, within fifteen days after receipt, shall  
14 forward the notice of the acquisition of control to the local governing  
15 body of the city or town, if the licensed premises is in an incorporated  
16 area, or the county, if the licensed premises is in an unincorporated  
17 area. The director shall include in the notice to the local governing  
18 body written instructions on how the local governing body may examine,  
19 free of charge, the results of the department's investigation regarding  
20 the capabilities, qualifications and reliability of all officers,  
21 directors or other controlling persons listed in the application for  
22 acquisition of control. The local governing body, or the governing body's  
23 designee, may provide the director with a recommendation, either in favor  
24 of or against the acquisition of control, within sixty days after the  
25 director mails the notice, but section 4-201 does not apply to the  
26 acquisition of control provided for in this section. A local governing  
27 body may charge not more than one fee, regardless of the number of  
28 licenses held by the applicant, for review of one or more applications for  
29 acquisition of control submitted to the department at the same time and  
30 for the same entity. Within one hundred five days after filing the notice  
31 of the acquisition of control, the director shall determine whether the  
32 applicant is qualified, capable and reliable for licensure. A  
33 recommendation by the local governing body, or the governing body's  
34 designee, against the acquisition of control or denial by the director  
35 shall be set for a hearing before the board. The person who has acquired  
36 control of a license or licensee has the burden of an original application  
37 at the hearing, and the board shall make its determination pursuant to  
38 section 4-202 and this section with respect to capability, reliability and  
39 qualification.

40 G. A licensee who holds a license in nonuse status for more than  
41 five months shall be required to pay a \$100 surcharge for each month  
42 thereafter. The surcharge shall be paid at the time the license is  
43 returned to active status. A license automatically reverts to the state  
44 after being held in continuous nonuse for more than thirty-six months.  
45 The director may waive the surcharge and may extend the time period

1 provided in this subsection for good cause if the licensee files a written  
2 request for an extension of time to place the license in active status  
3 before the date of the automatic reversion. Unless the reverted license  
4 of the licensee has been subsequently reissued, the director shall relieve  
5 a licensee or its legal representative from a prior license reversion  
6 under this section if the request for such relief is filed in writing not  
7 later than two years after the date of reversion. A license shall not be  
8 deemed to have gone into active status if the license is transferred to a  
9 location that at the time of or immediately before the transfer had an  
10 active license of the same type, unless the licenses are under common  
11 ownership or control.

12 H. A restructuring of a licensee's business is not an acquisition  
13 of control, a transfer of a spirituous liquor license or the issuance of a  
14 new spirituous liquor license OR AN ADULT HEMP BEVERAGES MANUFACTURER  
15 LICENSE if both of the following apply:

16 1. All of the controlling persons of the licensee and the new  
17 business entity are identical.

18 2. There is no change in control or beneficial ownership.

19 I. If subsection H of this section applies, the licensee's history  
20 of violations of this title is the history of the new business entity.  
21 The director may prescribe a form and shall require the applicant to  
22 provide the necessary information to ensure compliance with this  
23 subsection and subsections F and G of this section.

24 J. Notwithstanding subsection B of this section, the holder of a  
25 retail license in this state having off-sale privileges, except a bar,  
26 beer and wine bar or restaurant licensee, may take orders by telephone,  
27 mail, fax or catalog, through the internet or by other means for the sale  
28 and delivery of spirituous liquor OR ADULT HEMP BEVERAGES off of the  
29 licensed premises to a person in this state in connection with the sale of  
30 spirituous liquor OR ADULT HEMP BEVERAGES. Notwithstanding the definition  
31 of "sell" prescribed in section 4-101, the placement of an order and  
32 payment pursuant to this section is not a sale until delivery has been  
33 made. At the time that the order is placed, the licensee shall inform the  
34 purchaser that state law requires a purchaser of spirituous liquor OR  
35 ADULT HEMP BEVERAGES to be at least twenty-one years of age and that the  
36 person accepting delivery of the spirituous liquor OR THE ADULT HEMP  
37 BEVERAGES is required to comply with this state's age identification  
38 requirements as prescribed in section 4-241, subsections A and K. The  
39 licensee may maintain a delivery service and may contract with one or more  
40 independent contractors, that may also contract with one or more  
41 independent contractors, or may contract with a common carrier for  
42 delivery of spirituous liquor OR ADULT HEMP BEVERAGES if the spirituous  
43 liquor ~~is~~ OR ADULT HEMP BEVERAGES ARE loaded for delivery at the premises  
44 of the retail licensee in this state and delivered in this state. Except  
45 if the person delivering the order has personally retrieved and bagged or

1 otherwise packaged the container of spirituous liquor for delivery and the  
2 licensee records, or requires to be recorded electronically, the  
3 identification information for each delivery, all containers of spirituous  
4 liquor OR ADULT HEMP BEVERAGES delivered pursuant to this subsection shall  
5 be conspicuously labeled with the words "contains alcohol OR ADULT HEMP  
6 BEVERAGES, signature of person who is twenty-one years of age or older is  
7 required for delivery". The licensee is responsible for any violation of  
8 this title or any rule adopted pursuant to this title that is committed in  
9 connection with any sale or delivery of spirituous liquor OR ADULT HEMP  
10 BEVERAGES. Delivery must be made by an employee of the licensee or other  
11 authorized person as provided by this section who is at least twenty-one  
12 years of age to a customer who is at least twenty-one years of age and who  
13 displays an identification at the time of delivery that complies with  
14 section 4-241, subsection K. The retail licensee shall collect payment  
15 for the full price of the spirituous liquor OR THE ADULT HEMP BEVERAGES  
16 from the purchaser before the product leaves the licensed premises. The  
17 director shall adopt rules that set operational limits for the delivery of  
18 spirituous liquors OR ADULT HEMP BEVERAGES by the holder of a retail  
19 license having off-sale privileges. With respect to the delivery of  
20 spirituous liquor OR ADULT HEMP BEVERAGES, for any violation of this title  
21 or any rule adopted pursuant to this title that is based on the act or  
22 omission of a licensee's employee or other authorized person, the  
23 mitigation provision of section 4-210, subsection G applies, with the  
24 exception of the training requirement. For the purposes of this  
25 subsection and notwithstanding the definition of "sell" prescribed in  
26 section 4-101, section 4-241, subsections A and K apply only at the time  
27 of delivery. For the purposes of compliance with this subsection, an  
28 independent contractor, a subcontractor of an independent contractor, the  
29 employee of an independent contractor or the employee of a subcontractor  
30 is deemed to be acting on behalf of the licensee when making a delivery of  
31 spirituous liquor OR ADULT HEMP BEVERAGES for the licensee.

32 K. Except as provided in subsection J of this section, Arizona  
33 licensees may transport spirituous liquors OR ADULT HEMP BEVERAGES for  
34 themselves in vehicles owned, leased or rented by the licensee.

35 L. Notwithstanding subsection B of this section, an off-sale retail  
36 licensee may provide consumer tasting of wines OR ADULT HEMP BEVERAGES off  
37 of the licensed premises subject to all applicable provisions of section  
38 4-206.01.

39 M. The director may adopt reasonable rules to protect the public  
40 interest and prevent abuse by licensees of the activities permitted such  
41 licensees by subsections J and L of this section.

42 N. Failure to pay any surcharge prescribed by subsection G of this  
43 section or failure to report the period of nonuse of a license shall be  
44 grounds for revocation of the license or grounds for any other sanction  
45 provided by this title. The director may consider extenuating



1 circumstances if control of the license is acquired by another party in  
2 determining whether or not to impose any sanctions under this subsection.

3 O. If a licensed location has not been in use for three years, the  
4 location must requalify for a license pursuant to subsection A of this  
5 section and shall meet the same qualifications required for issuance of a  
6 new license except when the director deems that the nonuse of the location  
7 was due to circumstances beyond the licensee's control and an extension of  
8 time has been granted pursuant to subsection G of this section.

9 P. If the licensee's interest is forfeited pursuant to section  
10 4-210, subsection L, the location shall requalify for a license pursuant  
11 to subsection A of this section and shall meet the same qualifications  
12 required for issuance of a new license except when a bona fide lienholder  
13 demonstrates mitigation pursuant to section 4-210, subsection K.

14 Q. The director may implement a procedure for the issuance of a  
15 license with a licensing period of two years.

16 R. For any sale of a farm winery or craft distiller or change in  
17 ownership of a farm winery or craft distiller directly or indirectly, the  
18 business, stock-in-trade and spirituous liquor may be transferred with the  
19 ownership, in compliance with the applicable requirements of this title.

20 S. Notwithstanding subsection B of this section, bar, beer and wine  
21 bar, liquor store, beer and wine store or restaurant licensees in this  
22 state may take orders by telephone, mail, fax or catalog, through the  
23 internet or by other means for the sale and delivery of spirituous liquor  
24 OR ADULT HEMP BEVERAGES off the licensed premises as follows:

25 1. Bar licensees for beer, wine, distilled spirits, ~~and~~ mixed  
26 cocktails AND ADULT HEMP BEVERAGES.

27 2. Beer and wine bar licensees for beer, ~~and~~ wine AND ADULT HEMP  
28 BEVERAGES.

29 3. Liquor store licensees for beer, wine, distilled spirits, ~~and~~  
30 mixed cocktails AND ADULT HEMP BEVERAGES.

31 4. Beer and wine store licensees for beer, ~~and~~ wine AND ADULT HEMP  
32 BEVERAGES.

33 5. Restaurant licensees for any of the following:

34 (a) Mixed cocktails, with the sale of menu food items for  
35 consumption on or off the licensed premises, if the restaurant holds a  
36 permit issued pursuant to section 4-203.07 and section 4-205.02,  
37 subsection K or a lease pursuant to section 4-203.06.

38 (b) Beer if the restaurant holds a permit issued pursuant to  
39 section 4-205.02, subsection H.

40 (c) Beer, wine, ~~and~~ distilled spirits AND ADULT HEMP BEVERAGES if  
41 the restaurant holds an off-sale privileges lease with a bar or liquor  
42 store pursuant to section 4-203.07.

43 (d) Beer, ~~and~~ wine AND ADULT HEMP BEVERAGES if the restaurant holds  
44 an off-sale privileges lease with a beer and wine bar pursuant to section  
45 4-203.07.



1 T. Notwithstanding the definition of "sell" prescribed in section  
2 4-101, placing an order and paying for that order pursuant to subsection S  
3 of this section is not a sale until delivery has been made. At the time  
4 that the order is placed, the licensee shall inform the purchaser that  
5 state law requires a purchaser of spirituous liquor OR ADULT HEMP  
6 BEVERAGES to be at least twenty-one years of age and that the person  
7 accepting delivery of the spirituous liquor OR ADULT HEMP BEVERAGE is  
8 required to comply with this state's age identification requirements as  
9 prescribed in section 4-241, subsections A and K. The licensee may  
10 maintain a delivery service and may contract with one or more alcohol AND  
11 ADULT HEMP BEVERAGE delivery contractors registered pursuant to section  
12 4-205.13 for delivery of spirituous liquor OR ADULT HEMP BEVERAGES if the  
13 spirituous liquor ~~is~~ OR THE ADULT HEMP BEVERAGES ARE packaged and  
14 tamperproof sealed by the bar, beer and wine bar, liquor store, beer and  
15 wine store or restaurant licensee or the licensee's employee and is loaded  
16 for delivery at the premises of the restaurant, beer and wine bar, liquor  
17 store, beer and wine store or bar licensee in this state and delivered in  
18 this state on the same business day. A liquor store or beer and wine  
19 store licensee may contract with one or more independent contractors as  
20 provided in subsection J of this section for delivery of spirituous liquor  
21 OR ADULT HEMP BEVERAGES if the spirituous liquor ~~is~~ OR ADULT HEMP  
22 BEVERAGES ARE loaded for delivery at the premises of the liquor store or  
23 beer and wine store licensee in this state and delivered in this state on  
24 the same business day. All containers of spirituous liquor OR ADULT HEMP  
25 BEVERAGES delivered pursuant to subsection S of this section shall be  
26 tamperproof sealed and conspicuously labeled with the words "contains  
27 alcohol OR ADULT HEMP BEVERAGES, signature of person who is twenty-one  
28 years of age or older is required for delivery". The licensee is  
29 responsible for any violation of this title or any rule adopted pursuant  
30 to this title that is committed in connection with any sale or delivery of  
31 spirituous liquor OR ADULT HEMP BEVERAGES. Delivery must be made by an  
32 employee of the licensee or an employee or authorized independent  
33 contractor of a registered alcohol delivery contractor as provided by this  
34 section who is at least twenty-one years of age and delivery must be made  
35 to a customer who is at least twenty-one years of age and who displays an  
36 identification at the time of delivery that complies with section 4-241,  
37 subsection K. The restaurant, beer and wine bar, liquor store, beer and  
38 wine store or bar licensee shall collect payment for the full price of the  
39 spirituous liquor OR ADULT HEMP BEVERAGE from the purchaser before the  
40 product leaves the licensed premises. The director shall adopt rules that  
41 set operational limits for the delivery of spirituous liquor OR ADULT HEMP  
42 BEVERAGE pursuant to this subsection and subsection S of this section with  
43 respect to the delivery of spirituous liquor. For any violation of this  
44 title or any rule adopted pursuant to this title that is based on the act  
45 or omission of a licensee's employee or a registered alcohol delivery

1 contractor, the mitigation provision of section 4-210, subsection G  
2 applies, with the exception of the training requirement. For the purposes  
3 of this subsection and notwithstanding the definition of "sell" prescribed  
4 in section 4-101, section 4-241, subsections A and K apply only at the  
5 time of delivery. An alcohol AND ADULT HEMP BEVERAGE delivery contractor,  
6 a subcontractor of an alcohol AND ADULT HEMP BEVERAGE delivery contractor,  
7 an employee of an alcohol AND ADULT HEMP BEVERAGE delivery contractor or  
8 an employee of a subcontractor is deemed to be acting on behalf of the  
9 licensee when making a delivery of spirituous liquor OR ADULT HEMP  
10 BEVERAGES for the licensee. For the purposes of this subsection,  
11 "business day" means between the hours of 6:00 a.m. of one day and  
12 2:00 a.m. of the next day.

13 U. A licensee that has off-sale privileges and that delivers  
14 spirituous liquor OR ADULT HEMP BEVERAGES as prescribed in this section  
15 shall complete a written record of each delivery at the time of delivery.  
16 The written record shall include all of the following:

- 17 1. The name of the licensee making the delivery.
- 18 2. The complete address of the licensee making the delivery.
- 19 3. The licensee's license number.
- 20 4. The date and time of the delivery.
- 21 5. The address where the delivery was made.
- 22 6. The type and brand of all spirituous liquor OR ADULT HEMP  
23 BEVERAGE delivered.

24 V. A licensee that has off-sale privileges and that delivers  
25 spirituous liquor OR ADULT HEMP BEVERAGES as prescribed in this section  
26 shall obtain the following information from the individual who accepts  
27 delivery:

- 28 1. The individual's name.
- 29 2. The individual's date of birth.
- 30 3. The individual's signature. The licensee making the delivery  
31 may use an electronic signature system to comply with the requirements of  
32 this paragraph.

33 Sec. 9. Section 4-204, Arizona Revised Statutes, is amended to  
34 read:

35 4-204. Personal representative or fiduciary acting for  
36 licensee

37 A. A person acting as administrator, executor or guardian of the  
38 estate of any licensee or a person acting as receiver for any licensee,  
39 trustee of the bankrupt estate of any licensee or assignee for the benefit  
40 of creditors of a licensee is authorized, ~~upon~~ ON receiving permission  
41 from the director, to sell and deal in spirituous liquors OR ADULT HEMP  
42 BEVERAGES under authority of the license issued to the licensee for whom  
43 the person is acting for a period not exceeding twenty-four months ~~from~~  
44 AFTER the date of the appointment of such person as administrator,

1 executor, guardian, receiver, trustee or assignee for the benefit of  
2 creditors.

3 B. ~~The provisions of~~ This section ~~shall~~ DOES not apply if at any  
4 time during the twenty-four months an administrator, executor or guardian  
5 of the estate of a licensee who has received the permission from the  
6 director as provided in subsection A of this section transfers the license  
7 to the surviving spouse or the guardian of the minor child of the  
8 licensee.

9 C. A person, authorized representative or assignee, meeting the  
10 qualifications of section 4-202, not licensed under ~~the provisions of~~ this  
11 chapter, ~~AND~~ AND owning or possessing spirituous liquor OR ADULT HEMP  
12 BEVERAGES as a result of enforcement of a security interest in the  
13 property of a wholesaler licensed under this chapter is authorized, ~~upon~~  
14 ON receiving permission from the director, to sell such spirituous liquor  
15 OR ADULT HEMP BEVERAGES to a licensee authorized to sell spirituous liquor  
16 OR ADULT HEMP BEVERAGES for resale. Sections 4-201, 4-203 and 4-243.01  
17 ~~shall DO~~ DO not apply to nor restrict the authority granted under this  
18 ~~provision~~ SUBSECTION.

19 Sec. 10. Section 4-205, Arizona Revised Statutes, is amended to  
20 read:

21 4-205. Issuance of club license; regulatory provisions;  
22 revocation

23 A. The director may issue one club license to any club as defined  
24 in section 4-101.

25 B. The holder of a club license is authorized to sell and serve  
26 alcoholic beverages OR ADULT HEMP BEVERAGES for consumption only within  
27 the licensed establishment owned, leased or occupied by the club, and only  
28 to bona fide members of the club, and to serve and sell to members' bona  
29 fide guests. Attendance at private clubs is limited to enrolled members  
30 of the club and their spouses, families and bona fide guests. Admitted  
31 nonmember guests shall not exceed more than fifty percent of attendance  
32 during any month. This provision shall not limit the ability of a member  
33 or the club to host wedding receptions, group meetings, civic association  
34 meetings, scheduled social functions, including bingo games, and other  
35 member or club hosted functions where individuals are not admitted on the  
36 basis of being a guest of a member of the club and attendance at the event  
37 shall not be considered in computing the fifty percent requirement.  
38 Member recruitment events that are hosted by the club or other members  
39 where individuals are not admitted on the basis of being a guest of a  
40 member of the club or not in attendance at other specified events  
41 authorized in this section shall be limited to not more than twelve events  
42 in a calendar year for each club.

43 C. No member and no officer, agent or employee of a club licensee  
44 shall be paid or shall directly or indirectly receive, in the form of  
45 salary or other compensation, any of the profits from the revenue

1 producing activities of the club or from the distribution or sale of  
2 alcoholic beverages OR ADULT HEMP BEVERAGES to the members of the club or  
3 to its guests, beyond the amount of the salary as fixed and voted on at a  
4 regular meeting by the members of the club licensee or by its governing  
5 body out of the general revenue of the licensee, nor shall such salaries  
6 or compensation be in excess of reasonable compensation for the services  
7 actually performed.

8 D. The director may revoke a club license issued pursuant to this  
9 section if the licensee ceases to operate as a bona fide club as defined  
10 in section 4-101.

11 E. A club may not hold a spirituous liquor license OR AN ADULT HEMP  
12 BEVERAGES MANUFACTURER LICENSE other than one issued pursuant to this  
13 section, except that any club that on January 1, 1975 holds a spirituous  
14 liquor license other than one issued pursuant to this section may use the  
15 license until such time as the license is revoked or reverted.

16 Sec. 11. Section 4-205.01, Arizona Revised Statutes, is amended to  
17 read:

18 4-205.01. Hotel-motel license; issuance; revocation

19 A. The director may issue a hotel-motel license to any hotel or  
20 motel in this state that has in conjunction with such hotel or motel a  
21 restaurant where food is served.

22 B. The director shall issue the license in the name of the hotel or  
23 motel upon application for the license by the owner or lessee of the motel  
24 or hotel, provided the applicant is otherwise qualified to hold a  
25 spirituous liquor license. The holder of such license is subject to the  
26 penalties prescribed for any violation of the law relating to alcoholic  
27 beverages OR ADULT HEMP BEVERAGES.

28 C. The holder of a hotel-motel license may sell and serve  
29 spirituous liquors OR ADULT HEMP BEVERAGES solely for consumption on the  
30 licensed premises. For the purpose of this subsection, "licensed  
31 premises" shall include all public and private rooms, facilities and areas  
32 in which spirituous liquors OR ADULT HEMP BEVERAGES may be sold or served  
33 in the normal operating procedures of the hotel or motel.

34 D. In addition to other grounds prescribed in this title upon which  
35 a license may be revoked, the director may revoke a hotel-motel license  
36 issued pursuant to this section in any case in which the licensee ceases  
37 to operate as a hotel or motel, as prescribed in subsection A of this  
38 section.

39 E. For the purposes of this section, the licensee shall be subject  
40 to the standards and qualifications of a restaurant licensee as provided  
41 in section 4-205.02. If an independent person or entity manages and  
42 supervises the sale and service of spirituous liquor OR ADULT HEMP  
43 BEVERAGES at the premises pursuant to section 4-243.04, subsection A,  
44 paragraph 3, the person or entity may contract with the owner of the  
45 premises to sell and serve food on the premises. For the purpose of

1 determining whether forty ~~per cent~~ PERCENT of the licensee's gross  
2 revenues are derived from the sale of food, sales of food made by the  
3 owner of the premises are deemed sales of food made by the licensee.

4 Sec. 12. Section 4-205.02, Arizona Revised Statutes, is amended to  
5 read:

6 4-205.02. Restaurant license; issuance; regulatory  
7 provisions; expiration; off-sale leases and  
8 permits; fee; definitions

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

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

20 C. The holder of a restaurant license may sell and serve spirituous  
21 liquors OR ADULT HEMP BEVERAGES solely for consumption on the licensed  
22 premises. For the purpose of this subsection, "licensed premises" may  
23 include rooms, areas or locations in which the restaurant normally sells  
24 or serves spirituous liquors OR ADULT HEMP BEVERAGES pursuant to regular  
25 operating procedures and practices and that are contiguous to the  
26 restaurant or a noncontiguous patio pursuant to section 4-101, paragraph  
27 ~~32~~ 40. For the purposes of this subsection, a restaurant licensee must  
28 submit proof of tenancy or permission from the landowner or lessor for all  
29 property to be included in the licensed premises.

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

40 E. Neither the director nor the board may initially issue a  
41 restaurant license if either finds that there is sufficient evidence that  
42 the operation will not satisfy the criteria adopted by the director for  
43 issuing a restaurant license described in section 4-209, subsection B,  
44 paragraph 12. The director shall issue a restaurant license only if the  
45 applicant has submitted a plan for the operation of the restaurant. The

1 plan shall be completed on forms provided by the department and shall  
2 include listings of all restaurant equipment and service items, the  
3 restaurant seating capacity and other information requested by the  
4 department to substantiate that the restaurant will operate in compliance  
5 with this section.

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

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

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

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

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

41 K. Notwithstanding section 4-207, beginning January 1, 2026, a  
42 restaurant applicant or licensee may apply for a permit to allow the sale  
43 of mixed cocktails for consumption off the licensed premises pursuant to  
44 section 4-203.07 and section 4-244, paragraph 32, subdivision (d), on a  
45 form prescribed and furnished by the director. The sale of mixed

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

12 L. A restaurant licensee shall cease selling spirituous liquor,  
13 including mixed cocktails **OR ADULT HEMP BEVERAGES**, for off-premises  
14 consumption when the licensee ceases regular kitchen service for food.

15 M. For the purposes of this section:

16 1. "Gross revenue":

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

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

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

30 Sec. 13. Section 4-205.04, Arizona Revised Statutes, is amended to  
31 read:

32 4-205.04. Farm winery license; issuance; regulatory  
33 provisions; retail site; fee; definition

34 A. The director may issue a farm winery license to any person who  
35 meets the requirements of subsection C of this section. Each location  
36 that engages in producing ~~or manufacturing~~ these products must obtain a  
37 separate farm winery license. The licensee may not transfer the farm  
38 winery license from person to person or from location to location.

39 B. An applicant for a farm winery license, at the time of filing  
40 the application for the license, shall accompany the application with the  
41 license fee. A person who holds a farm winery license shall report  
42 annually at the end of each calendar year, at the time and in the manner  
43 as the director prescribes, the amount of wine produced ~~or manufactured~~ by  
44 the licensee during the calendar year. In addition to any provision of  
45 this title, if the total amount of wine produced ~~or manufactured~~ during

1 the year exceeds the amount permitted annually by the license, the  
2 licensee shall apply for and receive a producer's license only on  
3 surrender of the farm winery license or licenses.

4 C. A person may be licensed as a farm winery to sell wine produced  
5 ~~or manufactured~~ if in a calendar year it produces at least two hundred  
6 gallons and not more than forty thousand gallons of wine and if the winery  
7 either holds a winery permit issued by the United States alcohol and  
8 tobacco tax and trade bureau or has a contract pursuant to subsection D of  
9 this section for the production ~~or manufacturing~~ of wine from grapes or  
10 other fruit grown on at least five producing acres of land owned or  
11 controlled by the applicant and the land has been devoted to fruit growing  
12 for at least three consecutive calendar years. **THE TOTAL QUANTITY OF**  
13 **ADULT HEMP BEVERAGES SOLD SHALL NOT EXCEED TWENTY THOUSAND GALLONS IN A**  
14 **CALENDAR YEAR AND THE TOTAL QUANTITY OF ADULT HEMP BEVERAGES MANUFACTURED**  
15 **SHALL NOT BE AGGREGATED WITH THE TOTAL QUANTITY OF WINE PRODUCED.** A  
16 licensed farm winery may make sales and deliveries of wine **OR ADULT HEMP**  
17 **BEVERAGES** only as specifically provided in this section and as follows:

18 1. A licensed farm winery may make sales and deliveries of wine **OR**  
19 **ADULT HEMP BEVERAGES** to wholesalers licensed to sell wine **OR ADULT HEMP**  
20 **BEVERAGES** under this title.

21 2. A licensed farm winery may serve wine **OR ADULT HEMP BEVERAGES**  
22 produced or manufactured on the premises for the purpose of sampling the  
23 wine **OR ADULT HEMP BEVERAGES**. The wine may include wine produced pursuant  
24 to subsection D of this section and section 4-243.03.

25 3. A representative of the licensed farm winery may consume small  
26 amounts of the products of the licensed farm winery on the premises for  
27 the purpose of sampling the wine **OR ADULT HEMP BEVERAGE**. The wine may  
28 include wine produced pursuant to subsection D of this section and section  
29 4-243.03.

30 4. A licensed farm winery may sell to a consumer physically present  
31 on the premises wine **OR ADULT HEMP BEVERAGES** produced or manufactured on  
32 the premises in the original container for consumption on or off the  
33 premises. The wine may include wine produced pursuant to subsection D of  
34 this section and section 4-243.03.

35 5. A licensed farm winery may purchase and sell wine produced,  
36 packaged and labeled **OR ADULT HEMP BEVERAGES MANUFACTURED** by another  
37 licensed farm winery for sampling and consumption on or off the premises  
38 only if the retail sale is to a consumer physically present on the  
39 premises of the farm winery, except that the sales of wine produced,  
40 packaged and labeled **OR ADULT HEMP BEVERAGES MANUFACTURED** by another  
41 winery may not exceed twenty percent of the farm winery's sales by  
42 volume. The percentage limitation shall not apply to wine produced  
43 pursuant to subsection D of this section and section 4-243.03.

44 6. If the licensed farm winery is not otherwise engaged in the  
45 business of a distiller, vintner, brewer, rectifier, blender or other



1 producer of spirituous liquor in any jurisdiction, the licensed farm  
2 winery may hold licenses prescribed in section 4-209, subsection B,  
3 paragraph 12 on the licensed farm winery premises or other retail  
4 premises. Except as provided in paragraph 5 of this subsection, the  
5 licensed farm winery shall purchase all other spirituous liquor **OR ADULT**  
6 **HEMP BEVERAGES** for sale at the on-sale retail premises from wholesalers  
7 that are licensed in this state, except that a licensed farm winery may:

8 (a) Purchase wine **OR ADULT HEMP BEVERAGES** from other farm wineries  
9 pursuant to paragraph 7 of this subsection.

10 (b) Make deliveries of the wine that the farm winery produces **OR**  
11 **THE ADULT HEMP BEVERAGES THAT IT MANUFACTURES** to the farm winery's own  
12 commonly controlled retail licensed premises.

13 7. A licensed farm winery that produces not more than twenty  
14 thousand gallons of wine **AND THAT MANUFACTURES NOT MORE THAN TWENTY**  
15 **THOUSAND GALLONS OF ADULT HEMP BEVERAGES** in a calendar year may make sales  
16 and deliveries of the wine **OR ADULT HEMP BEVERAGES** that the licensed farm  
17 winery produces to on-sale and off-sale retailers.

18 8. Notwithstanding section 4-244, paragraphs 3 and 7, an on-sale or  
19 off-sale retailer may purchase and accept delivery of wine **OR ADULT HEMP**  
20 **BEVERAGES** from a licensed farm winery pursuant to paragraph 7 of this  
21 subsection.

22 9. A licensed farm winery that produces not more than twenty  
23 thousand gallons of wine **AND MANUFACTURES NOT MORE THAN TWENTY THOUSAND**  
24 **GALLONS OF ADULT HEMP BEVERAGES** in a calendar year may make sales and  
25 deliveries of wine that the licensed farm winery produces **OR ADULT HEMP**  
26 **BEVERAGES THAT THE FARM WINERY MANUFACTURES** to consumers off of the  
27 licensed premises and that is ordered by telephone, mail, fax or  
28 catalogue, through the internet or by other means if all of the following  
29 apply:

30 (a) The purchaser of the wine **OR ADULT HEMP BEVERAGE** provided the  
31 licensed farm winery with verification of the purchaser's legal age to  
32 purchase alcohol.

33 (b) The shipping container in which the wine **OR ADULT HEMP BEVERAGE**  
34 is shipped is marked to require the signature on delivery of an adult who  
35 is of legal age to purchase alcohol **OR ADULT HEMP BEVERAGES** and delivery  
36 confirmation.

37 (c) The wine ~~is~~ **OR ADULT HEMP BEVERAGES ARE** for personal use only  
38 and not for resale.

39 (d) The wine ~~is~~ **OR ADULT HEMP BEVERAGES ARE** delivered by the  
40 licensed farm winery or shipped by the licensed farm winery by a common  
41 carrier to a residential or business address other than a premises  
42 licensed pursuant to this title.

43 (e) The purchaser could have carried the wine **OR ADULT HEMP**  
44 **BEVERAGES** lawfully into or within this state.

1 (f) The delivery is made by a person who is at least twenty-one  
2 years of age.

3 (g) The farm winery collects payment for the price of the  
4 spirituous liquor OR ADULT HEMP BEVERAGES not later than at the time of  
5 delivery.

6 10. A licensed farm winery may make sales and deliveries as  
7 expressly permitted by sections 4-203.03, 4-203.04 and 4-244.04.

8 D. A person otherwise qualified to receive a farm winery license  
9 may enter into a custom crush arrangement where a licensed winery produces  
10 or manufactures wine from grapes or other fruit supplied by the person.  
11 The winery receiving the fruit shall be licensed by the United States  
12 alcohol and tobacco tax and trade bureau and the department and is  
13 responsible for filing all reports that relate to its wine production ~~or~~  
14 ~~manufacturing~~ with the United States alcohol and tobacco tax and trade  
15 bureau and the department. Each person supplying the grapes or other  
16 fruit shall first apply for and receive a farm winery license and shall  
17 report to the department all volumes of wine from its custom crush  
18 arrangements, which shall not be allocated to the gallonage of the  
19 receiving farm winery if the supplying farm winery has an active basic  
20 permit issued by the United States alcohol and tobacco tax and trade  
21 bureau.

22 E. On application by a farm winery licensee, the director may  
23 authorize a farm winery licensee to operate up to two remote tasting and  
24 retail premises if:

25 1. The wine OR ADULT HEMP BEVERAGES sold at the premises ~~is~~ ARE  
26 limited to wine produced ~~or manufactured~~ by the licensed farm winery OR  
27 ADULT HEMP BEVERAGES MANUFACTURED BY THE LICENSED FARM WINERY and wines  
28 produced ~~or manufactured~~ by other licensed farm wineries OR ADULT HEMP  
29 BEVERAGES MANUFACTURED BY OTHER LICENSED FARM WINERIES, including wines  
30 produced ~~or manufactured~~ pursuant to subsection D of this section and  
31 section 4-243.03. The farm winery may sell wine OR ADULT HEMP BEVERAGES  
32 to a consumer physically present on the premises for consumption on or off  
33 the premises. Sales of wines OR ADULT HEMP BEVERAGES not produced or  
34 manufactured by the farm winery are limited to not more than twenty  
35 percent of the total sales by volume at that location. The percentage  
36 limitation shall not apply to wine produced pursuant to subsection D of  
37 this section and section 4-243.03.

38 2. The farm winery licensee:

39 (a) Remains responsible for the premises.

40 (b) Obtains approval for the premises from the local governing body  
41 before submitting an application to the department. A copy of an order  
42 from the local governing body recommending approval of the premises must  
43 be filed with the department as part of the application.

44 (c) Does not sublease the premises.

1 (d) Has an agent who is a natural person who meets the  
2 qualifications of licensure in this state.

3 (e) Meets the qualifications for a license pursuant to section  
4 4-203, subsection A.

5 F. A farm winery licensee may hold a craft distiller license issued  
6 pursuant to section 4-205.10. The farm winery and craft distiller  
7 licensee is subject to all other requirements of this section and section  
8 4-205.10. The farm winery may provide sampling and sales of the distilled  
9 spirits AND ADULT HEMP BEVERAGES pursuant to section 4-205.10, subsection  
10 C, paragraphs 2 and 3 on the same premises as the wine sampling and retail  
11 sales.

12 G. The farm winery is liable for any violation committed in  
13 connection with any sale or delivery of the wine AND ADULT HEMP BEVERAGE.  
14 The rules adopted by the director pursuant to section 4-203, subsection J  
15 apply to the delivery of wine AND ADULT HEMP BEVERAGES under subsection C,  
16 paragraph 9 of this section. An act or omission of any person who makes a  
17 sale or delivery of wine OR ADULT HEMP BEVERAGES for a licensee under  
18 subsection C, paragraph 9 of this section is deemed to be an act or  
19 omission of the licensee for the purposes of section 4-210, subsection A,  
20 paragraph 9.

21 H. A farm winery that sells or delivers wine OR ADULT HEMP  
22 BEVERAGES pursuant to this section shall:

23 1. Pay to the department of revenue all luxury taxes imposed  
24 pursuant to title 42, chapter 3 and all transaction privilege or use taxes  
25 imposed pursuant to title 42, chapter 5.

26 2. File all returns or reports required by law.

27 I. A delivery of wine OR ADULT HEMP BEVERAGES by a farm winery to a  
28 purchaser in this state is a transaction deemed to have occurred in this  
29 state.

30 J. The director shall adopt rules in order to administer this  
31 section.

32 K. The director may charge an additional farm winery license fee  
33 adopted pursuant to section 4-209 for issuing licenses, authorizations or  
34 approvals pursuant to subsections D and E of this section.

~~35 L. The farm winery licensee that operates primarily as a remote  
36 tasting room premises may exchange the farm winery license for a remote  
37 tasting room license without an additional fee, not later than  
38 December 31, 2018. The new remote tasting room license must be connected  
39 to a farm winery license, with common ownership, that complies with all  
40 requirements for a farm winery license pursuant to subsections C and E of  
41 this section.~~

42 M. L. Production and storage space of the farm winery is excluded  
43 from the licensed farm winery premises and is not the public area unless  
44 that space is also used for the sale of wine OR ADULT HEMP BEVERAGES to  
45 the public or consumption of or sampling of wine OR ADULT HEMP BEVERAGES

1 by the public or to provide other services to the public. Pursuant to  
2 section 4-118, the director, the director's agents or any peace officer  
3 may inspect spaces excluded by this subsection. For the purposes of this  
4 subsection, "public area" means a place within a farm winery that is  
5 accessible to the public and in which the farm winery authorizes the  
6 presence of members of the public.

7 M. FOR THE PURPOSES OF THIS SECTION, WITH RESPECT TO ADULT HEMP  
8 BEVERAGES, "MANUFACTURE" OR "MANUFACTURING" MEANS TO COMPOUND, BLEND,  
9 INFUSE OR OTHERWISE MAKE OR PREPARE AN ADULT HEMP BEVERAGES PRODUCT.

10 Sec. 14. Section 4-205.05, Arizona Revised Statutes, is amended to  
11 read:

12 4-205.05. Disposal of seized or recovered liquor and adult  
13 hemp beverages

14 A. The director may issue a temporary permit of any series  
15 authorizing the disposal at public auction of spirituous liquor OR ADULT  
16 HEMP BEVERAGES that ~~has~~ HAVE been seized by any agency of this state, the  
17 federal government, any political subdivision of this state, any financial  
18 institution as defined in section 6-101 that has a security interest in a  
19 license, the federal government pursuant to statute or a trustee in  
20 bankruptcy that acquires the spirituous liquor OR ADULT HEMP BEVERAGES of  
21 a debtor. A bid at a public auction shall not be accepted from a licensee  
22 if the spirituous liquors OR ADULT HEMP BEVERAGES offered for sale at the  
23 auction were seized or acquired from that licensee. The director shall  
24 issue the permit only if presented with proper documents of seizure by the  
25 appropriate official or the appointment of a trustee in bankruptcy. The  
26 director may dispose of seized spirituous liquor OR ADULT HEMP BEVERAGES  
27 in whole or in part by public auction, by providing the spirituous liquor  
28 OR ADULT HEMP BEVERAGES to law enforcement for training and investigation  
29 purposes only or by authorizing a qualified person to recycle the  
30 spirituous liquor OR ADULT HEMP BEVERAGES.

31 B. Spirituous liquor AND ADULT HEMP BEVERAGES with a stated  
32 expiration date on the label shall not be offered for sale at public  
33 auction after the expiration date and shall either be destroyed or  
34 disposed of as provided in this section. The licensed wholesaler that  
35 distributes the spirituous liquor brand OR ADULT HEMP BEVERAGE in that  
36 sales territory may, but is not required to, accept a return of the  
37 SPIRITOUS liquor OR ADULT HEMP BEVERAGE at no cost for disposal or to  
38 enable it to be returned to the supplier.

39 Sec. 15. Section 4-205.06, Arizona Revised Statutes, is amended to  
40 read:

41 4-205.06. Hotel or motel minibars; rules; definitions

42 A. Notwithstanding any other statute, a hotel or motel may sell  
43 spirituous liquor OR ADULT HEMP BEVERAGES in sealed containers in  
44 individual portions to its registered guests at any time by means of a

1 minibar located in the guest rooms of those registered guests, if all of  
2 the following conditions are met:

3 1. Before providing a key, magnetic card or other similar device  
4 required to attain access to the minibar in a particular guest room to the  
5 registered guest, or before otherwise providing access to the minibar to  
6 the registered guest, the licensee verifies that each registered guest to  
7 whom a key, magnetic card or similar device is provided or to whom access  
8 is otherwise provided is not a person under the legal drinking age.

9 2. All employees handling the spirituous liquors **OR ADULT HEMP**  
10 **BEVERAGES** to be placed in the minibar in any guest room, including an  
11 employee who inventories or restocks and replenishes the spirituous  
12 liquors **OR ADULT HEMP BEVERAGES** in the minibar, are at least eighteen  
13 years of age.

14 3. The minibar is not replenished or restocked with spirituous  
15 liquor **OR ADULT HEMP BEVERAGES** between the hours of 2:00 a.m. and 6:00  
16 a.m.

17 4. The minibar is located on the premises of a person who has been  
18 issued an on-sale retailer's license.

19 5. The minibar contains ~~no~~ **NOT** more than thirty individual portions  
20 of spirituous liquor **OR ADULT HEMP BEVERAGES** at any one time.

21 B. A minibar may be part of another cabinet or similar device,  
22 whether refrigerated in whole or in part or nonrefrigerated, from which  
23 nonalcoholic beverages or food may be purchased by the guests in hotel or  
24 motel guest rooms. The portion of the cabinet or similar device in which  
25 spirituous liquors **OR ADULT HEMP BEVERAGES** are stored shall comply with  
26 the requirements of this section.

27 C. The director may prescribe rules to regulate the use of a  
28 minibar, including rules on the size of containers of spirituous liquors  
29 **OR ADULT HEMP BEVERAGES** and may by rule reduce from thirty the number of  
30 containers of spirituous liquor **OR ADULT HEMP BEVERAGES** placed in the  
31 minibar.

32 D. For the purposes of this section:

33 1. "Hotel" or "motel" means an establishment that is licensed to  
34 sell spirituous liquors **OR ADULT HEMP BEVERAGES** and that contains guest  
35 room accommodations with respect to which the predominant relationship  
36 existing between the occupants of the rooms and the owner or operator of  
37 the establishment is that of innkeeper and guest. For the purposes of  
38 this paragraph, the existence of other legal relationships as between some  
39 occupants and the owner or operator is immaterial.

40 2. "Minibar" means a closed container, either refrigerated in whole  
41 or in part or nonrefrigerated, where access to the interior is restricted  
42 by means of a locking device that requires the use of a key, magnetic card  
43 or similar device.

1           Sec. 16. Section 4-205.08, Arizona Revised Statutes, is amended to  
2 read:

3           4-205.08. Microbrewery license; issuance; regulatory  
4                                   provisions; retail site; definition

5           A. The director may issue a microbrewery license to any  
6 microbrewery. Each location that engages in producing, manufacturing and  
7 bottling these products must obtain a separate microbrewery license. The  
8 licensee may not transfer the microbrewery license from person to person  
9 or from location to location.

10          B. An applicant for a microbrewery license, at the time of filing  
11 the application for the license, shall accompany the application with the  
12 license fee. Persons holding a microbrewery license shall report annually  
13 at the end of each calendar year, at the time and in the manner as the  
14 director prescribes, the amount of beer **OR ADULT HEMP BEVERAGES** produced  
15 ~~or manufactured~~ by them during the calendar year and the amount delivered  
16 pursuant to subsection D, paragraph 4, subdivision (b) of this section.  
17 If the total amount of beer that is produced or **ADULT HEMP BEVERAGES**  
18 manufactured during the calendar year exceeds the amount permitted  
19 annually by the license, the licensee shall apply for and receive a  
20 producer's license only on surrender of the microbrewery license or  
21 licenses and shall have no continuing rights as a microbrewery under this  
22 section. On the surrender of the microbrewery license or licenses, the  
23 licensee shall transfer, surrender or otherwise relinquish control of all  
24 of its retail licenses located remotely from a microbrewery.

25          C. Notwithstanding any other law, a licensed microbrewery may:

26           1. Sell beer produced or **ADULT HEMP BEVERAGES** manufactured on the  
27 premises for consumption on or off the premises.

28           2. Make sales and deliveries of beer that the microbrewery produces  
29 or **ADULT HEMP BEVERAGES THAT THE MICROBREWERY** manufactures to persons  
30 licensed to sell beer **OR ADULT HEMP BEVERAGES** under this title through  
31 wholesalers licensed under this title or as provided in subsection D,  
32 paragraph 4, subdivision (a) or (b) of this section.

33           3. Make sales and deliveries of beer that the microbrewery produces  
34 or **ADULT HEMP BEVERAGES THAT THE MICROBREWERY** manufactures to persons  
35 licensed to sell beer **OR ADULT HEMP BEVERAGES** in another state if lawful  
36 under the laws of that state.

37           4. Serve beer produced ~~or manufactured~~ on the premises **OR ADULT**  
38 **HEMP BEVERAGES MANUFACTURED ON THE PREMISES** for the purpose of sampling  
39 the beer **OR ADULT HEMP BEVERAGES**.

40           5. Sell beer produced or ~~manufactured~~ **ADULT HEMP BEVERAGES**  
41 **MANUFACTURED** by other microbreweries for consumption only on the premises  
42 of the licensee, except that the sales percentage of beer **OR ADULT HEMP**  
43 **BEVERAGES** from other microbreweries may not exceed twenty percent of the  
44 licensee's annual sales of beer **OR ADULT HEMP BEVERAGES** by volume at the  
45 premises. If the other microbrewery has established a distribution

1 relationship with one or more wholesalers who are licensed under this  
2 title, the beer **OR ADULT HEMP BEVERAGES** shall be purchased through those  
3 wholesalers.

4 6. Maintain at no charge a tapping equipment system of a licensed  
5 retailer when the microbrewery sells beer as provided in subsection D,  
6 paragraphs 3 and 4 of this section, including cleaning the tapping  
7 equipment system and replacing bonnet washers, friction rings, valve  
8 stems, hardware, unions, clamps, air tees, screws, tapping devices, tower  
9 heads and single air and beer lines.

10 D. A licensed microbrewery is subject to all of the following  
11 requirements:

12 1. The microbrewery shall produce ~~or manufacture~~ not less than ~~five~~  
13 **ONE** thousand gallons of beer in each calendar year following the first  
14 year of operation.

15 2. The microbrewery shall not produce ~~or manufacture~~ more than six  
16 million two hundred thousand gallons of beer in a calendar year. **THE**  
17 **TOTAL QUANTITY OF ADULT HEMP BEVERAGES MANUFACTURED SHALL NOT EXCEED**  
18 **TWENTY THOUSAND GALLONS IN A CALENDAR YEAR AND THE TOTAL QUANTITY OF ADULT**  
19 **HEMP BEVERAGES MANUFACTURED SHALL NOT BE AGGREGATED WITH THE TOTAL**  
20 **QUANTITY OF BEER PRODUCED.**

21 3. If retail operations are conducted in conjunction with the  
22 microbrewery, the microbrewery may sell other spirituous liquor products  
23 **OR ADULT HEMP BEVERAGE PRODUCTS** if the microbrewery holds an on-sale  
24 retail license for a bar, beer and wine bar or restaurant. The  
25 microbrewery may be issued up to a combined total of seven retail licenses  
26 in this state, whether the premises are located on or adjacent to a  
27 microbrewery or remotely from a microbrewery. The limit on the number of  
28 retail licenses applies on an aggregated basis to all microbreweries **OR**  
29 **OTHER PRODUCER OR MANUFACTURER LICENSES** that are under common control of  
30 any person with control of the microbrewery.

31 4. The microbrewery may make sales and deliveries of beer that it  
32 has produced or ~~manufactured~~ **ADULT HEMP BEVERAGES IT HAS MANUFACTURED** to  
33 both:

34 (a) Retail licensees that meet the requirements prescribed in  
35 paragraph 3 of this subsection in any amount.

36 (b) Any other retail licensee in a cumulative amount not to exceed  
37 ninety-three thousand gallons **OF BEER OR TWENTY THOUSAND GALLONS OF ADULT**  
38 **HEMP BEVERAGES** in total for all licensed retailers in any calendar year.

39 E. A microbrewery that produces ~~or manufactures~~ more than one  
40 million two hundred forty thousand gallons of beer in a calendar year  
41 maintains all of the rights associated with a microbrewery license, except  
42 that the microbrewery shall not:

43 1. Apply for or receive a retail license pursuant to subsection D,  
44 paragraph 3 of this section for premises that are located remotely from  
45 the microbrewery.



1           2. Make sales or deliveries of beer that the microbrewery has  
2 produced or ~~manufactured~~ ADULT HEMP BEVERAGES IT HAS MANUFACTURED to any  
3 retail licensee as provided in subsection D, paragraph 4 of this section,  
4 except for the microbrewery's retail licensees on or adjacent to the  
5 microbrewery.

6           F. The gallonage amounts OF BEER OR ADULT HEMP BEVERAGES prescribed  
7 in subsection D, paragraph 2 and subsection E of this section apply to the  
8 aggregate ~~manufacture or~~ production of all microbreweries that are under  
9 common control of any person with control of the microbrewery.

10           G. A microbrewery that is otherwise engaged as a distiller,  
11 vintner, brewer, rectifier, blender or other producer of spirituous liquor  
12 OR MANUFACTURER OF ADULT HEMP BEVERAGES in any jurisdiction is prohibited  
13 from holding any retail license that is located remotely from a  
14 microbrewery. This subsection does not prohibit a person with control of  
15 more than one microbrewery from conducting retail operations remotely from  
16 a microbrewery pursuant to subsection D, paragraph 3 of this section.

17           H. A microbrewery that sells or delivers beer OR ADULT HEMP  
18 BEVERAGES pursuant to this section shall:

19           1. Pay to the department of revenue all luxury taxes imposed  
20 pursuant to title 42, chapter 3 and all transaction privilege or use taxes  
21 imposed pursuant to title 42, chapter 5.

22           2. File all returns or reports required by law.

23           I. A delivery of beer OR ADULT HEMP BEVERAGES by a microbrewery to  
24 a purchaser in this state is a transaction deemed to have occurred in this  
25 state.

26           J. The director shall adopt rules to administer this section.

27           K. FOR THE PURPOSES FOR THIS SECTION, WITH RESPECT TO ADULT HEMP  
28 BEVERAGES "MANUFACTURE" OR "MANUFACTURING" MEANS TO COMPOUND, BLEND,  
29 INFUSE OR OTHERWISE MAKE OR PREPARE AN ADULT HEMP BEVERAGE PRODUCT.

30           Sec. 17. Section 4-205.10, Arizona Revised Statutes, is amended to  
31 read:

32           4-205.10. Craft distiller license; issuance; regulatory  
33 provisions; fee; definition

34           A. The director may issue a craft distiller license to any person  
35 that meets the requirements of subsection C of this section. Each  
36 location that engages in producing and bottling these products must obtain  
37 a separate craft distiller license. The licensee may not transfer the  
38 craft distiller license from person to person or from location to location  
39 and may not also hold a producer's license. The licensee and all commonly  
40 controlled craft distiller licensees may not manufacture or produce more  
41 than twenty thousand gallons of distilled spirits in a calendar year. For  
42 the purposes of this section, annual gallonage shall be the total proof  
43 gallons of finished distilled product available for wholesale or retail  
44 sale as defined by 26 United States Code section 5002 and rules adopted  
45 pursuant to this section or its successor.



1           B. Persons holding a craft distiller license shall report annually  
2 at the end of each calendar year, at the time and in the manner as the  
3 director prescribes, the amount of distilled spirits that is produced or  
4 ~~manufactured~~ ADULT HEMP BEVERAGES MANUFACTURED by that licensee during the  
5 calendar year. In addition to any other provision of this title, if the  
6 total amount of distilled spirits OR ADULT HEMP BEVERAGES that ~~is~~ ARE  
7 produced or manufactured during the year ~~exceeds~~ EXCEED the amount that is  
8 permitted annually by the license, the licensee shall apply for and, on  
9 qualification, receive a producer's license only on the surrender of the  
10 craft distiller license and shall have no continuing rights as a craft  
11 distiller licensee under this section.

12           C. A person may be licensed as a craft distiller to sell distilled  
13 spirits that are produced ~~or manufactured~~ by the person OR ADULT HEMP  
14 BEVERAGES MANUFACTURED if in a calendar year the person produces ~~or~~  
15 ~~manufactures~~ not more than twenty thousand gallons of distilled spirits  
16 AND MANUFACTURERS NOT MORE THAN TWENTY THOUSAND GALLONS OF ADULT HEMP  
17 BEVERAGES and may make sales and deliveries of distilled spirits OR ADULT  
18 HEMP BEVERAGES only as specified in this section and subject to the  
19 following criteria:

20           1. A licensed craft distiller may make sales and deliveries of  
21 distilled spirits OR ADULT HEMP BEVERAGES to wholesalers that are licensed  
22 to sell distilled spirits OR ADULT HEMP BEVERAGES under this title.

23           2. A licensed craft distiller may serve distilled spirits that are  
24 produced or ~~manufactured~~ ADULT HEMP BEVERAGES MANUFACTURED on the premises  
25 for the purpose of consumption on the premises and may charge for samples  
26 on the premises of the craft distiller.

27           3. A licensed craft distiller may sell distilled spirits that are  
28 produced or ~~manufactured~~ ADULT HEMP BEVERAGES THAT ARE MANUFACTURED on the  
29 premises in the original container for consumption off the premises to a  
30 consumer who is physically present on the premises.

31           4. The licensed craft distiller may hold one license prescribed in  
32 section 4-209, subsection B, paragraph 6 or 12 on or adjacent to the  
33 licensed craft distiller premises. The licensed craft distiller shall  
34 purchase all other spirituous liquor OR ADULT HEMP BEVERAGES for sale at  
35 the on-sale retail premises from wholesalers that are licensed in this  
36 state, except that a licensed craft distiller may:

37           (a) Purchase distilled spirits OR ADULT HEMP BEVERAGES from other  
38 craft distillers that are licensed in this state. Sales of craft  
39 distillery products not produced or manufactured by the craft distiller  
40 shall be limited to ~~no~~ NOT more than twenty percent of the total sales by  
41 volume.

42           (b) Make deliveries of the distilled spirits OR ADULT HEMP  
43 BEVERAGES that the craft distiller manufactures or produces to any  
44 commonly controlled retail licensed premises or to the craft distiller's  
45 remote tasting rooms and that are authorized pursuant to this paragraph.

1           5. A licensed craft distiller that produces not more than three  
2 thousand five hundred sixty-six gallons of distilled spirits in a calendar  
3 year may make sales and deliveries of distilled spirits that the licensed  
4 craft distiller produces **OR ADULT HEMP BEVERAGES THAT THE LICENSED CRAFT**  
5 **DISTILLER MANUFACTURES** to on-sale and off-sale retailers.

6           6. Notwithstanding section 4-244, paragraphs 3 and 7, an on-sale or  
7 off-sale retailer may purchase and accept delivery of distilled spirits **OR**  
8 **ADULT HEMP BEVERAGES** from a licensed craft distiller pursuant to paragraph  
9 5 of this subsection.

10          7. A licensed craft distiller may make sales and deliveries of  
11 distilled spirits that the licensed craft distiller ~~manufactures or~~  
12 produces **OR ADULT HEMP BEVERAGES THAT THE LICENSED CRAFT DISTILLER**  
13 **MANUFACTURES** to consumers off of the licensed premises if the sale or  
14 delivery is ordered by telephone, mail, fax, catalogue, the internet or by  
15 other means if all of the following conditions exist:

16           (a) The purchaser of the distilled spirits **OR ADULT HEMP BEVERAGES**  
17 provided the licensed craft distiller with verification of the purchaser's  
18 legal age to purchase alcohol and a copy of same is maintained in the  
19 records of the craft distiller.

20           (b) The shipping container in which the distilled spirits **OR ADULT**  
21 **HEMP BEVERAGES** are shipped is marked to require the signature on delivery  
22 of an adult who is of legal age to purchase alcohol and delivery  
23 confirmation.

24           (c) The distilled spirits **OR ADULT HEMP BEVERAGES** are for personal  
25 use only and not for resale.

26           (d) The distilled spirits **OR ADULT HEMP BEVERAGES** are shipped to a  
27 residential or business address other than a premises licensed pursuant to  
28 this title.

29           (e) The purchaser could have carried the distilled spirits **OR ADULT**  
30 **HEMP BEVERAGES** lawfully into or within this state.

31           (f) A person who is at least twenty-one years of age makes the  
32 delivery.

33           (g) The craft distiller collects payment for the price of the  
34 spirituous liquor ~~to~~ **OR ADULT HEMP BEVERAGES NOT** later than at the time of  
35 delivery.

36          8. **THE TOTAL QUANTITY OF ADULT HEMP BEVERAGES MANUFACTURED SHALL**  
37 **NOT EXCEED TWENTY THOUSAND GALLONS IN A CALENDAR YEAR AND THE TOTAL**  
38 **QUANTITY OF ADULT HEMP BEVERAGES MANUFACTURED SHALL NOT BE AGGREGATED WITH**  
39 **THE TOTAL QUANTITY OF DISTILLED SPIRITS PRODUCED.**

40          D. On application by a craft distiller licensee, the director may  
41 authorize a craft distiller licensee to operate two other remote tasting  
42 and retail premises if:

43           1. The distilled spirits **OR ADULT HEMP BEVERAGES** sold at the  
44 premises are limited to distilled spirits produced or ~~manufactured~~ **ADULT**  
45 **HEMP BEVERAGES MANUFACTURED** by the licensed craft distillery and distilled

1 spirits produced or ~~manufactured~~ ADULT HEMP BEVERAGES MANUFACTURED by  
2 another licensed craft distillery. The craft distillery may sell to a  
3 consumer physically present on the premises distilled spirits produced OR  
4 ADULT HEMP BEVERAGES MANUFACTURED by the craft distillery or by other  
5 licensed craft distilleries in the original container for consumption on  
6 or off the premises. The sales of the distilled spirits produced or  
7 manufactured OR ADULT HEMP BEVERAGES MANUFACTURED by other craft  
8 distilleries shall not exceed twenty percent of the craft distillery's  
9 total sales by volume.

10 2. The craft distiller licensee:

11 (a) Remains responsible for the premises.

12 (b) Obtains approval for the premises from the local governing body  
13 before submitting an application to the department. A copy of an order  
14 from the local governing body recommending approval of the premises must  
15 be filed with the department as part of the application.

16 (c) Does not sublease the premises.

17 (d) Has an agent who is a natural person who meets the  
18 qualifications of licensure in this state.

19 (e) Meets the qualifications for a license pursuant to section  
20 4-203, subsection A.

21 (f) For a tasting room with a shared patio, meets the requirements  
22 prescribed in section 4-205.12.

23 E. A craft distiller licensee may hold a farm winery license issued  
24 pursuant to section 4-205.04. The craft distiller licensee and farm  
25 winery licensee are subject to all other requirements of this section and  
26 section 4-205.04. The craft distiller may provide sampling and retail  
27 sales of distilled spirits OR ADULT HEMP BEVERAGES pursuant to subsection  
28 C, paragraphs 2 and 3 of this section on the same premises as the wine  
29 sampling and retail sales.

30 F. The craft distiller is liable for any violation that is  
31 committed in connection with any sale or delivery of the distilled spirits  
32 OR ADULT HEMP BEVERAGES. The rules adopted by the director pursuant to  
33 section 4-203, subsection J apply to the delivery of distilled spirits AND  
34 ADULT HEMP BEVERAGES under subsection C of this section. An act or  
35 omission of any person who makes a sale or delivery of distilled spirits  
36 for a licensee under subsection C of this section is deemed to be an act  
37 or omission of the licensee for the purposes of section 4-210, subsection  
38 A, paragraph 9.

39 G. A craft distiller that sells or delivers distilled spirits OR  
40 ADULT HEMP BEVERAGES pursuant to this section shall:

41 1. Pay to the department of revenue all luxury taxes that are  
42 imposed pursuant to title 42, chapter 3 and all transaction privilege or  
43 use taxes that are imposed pursuant to title 42, chapter 5.

44 2. File all returns or reports that are required by law.

1 H. A delivery of distilled spirits OR ADULT HEMP BEVERAGES by a  
2 craft distiller to a purchaser in this state is a transaction deemed to  
3 have occurred in this state.

4 I. The production and storage space of the craft distiller are  
5 excluded from the public area of the licensed craft distiller premises.  
6 Pursuant to section 4-118, the director, the director's agents or any  
7 peace officer may inspect spaces excluded by this subsection. For the  
8 purposes of this subsection:

9 1. "Production and storage space" means a bonded area, tax-paid  
10 storage area and area that provides no services to the public.

11 2. "Public area" means a place within a licensed and bonded craft  
12 distiller that is accessible to the public and in which the craft  
13 distiller sells and samples tax-paid product and authorizes the presence  
14 of members of the public.

15 J. The director may adopt rules in order to administer this  
16 section.

17 K. The director may charge a fee adopted pursuant to section 4-209  
18 for the issuance of a license pursuant to this section.

19 L. The director may issue a craft distiller license to be located  
20 on the same parcel of land as a farm winery licensed pursuant to section  
21 4-205.04.

22 M. FOR THE PURPOSES FOR THIS SECTION, WITH RESPECT TO ADULT HEMP  
23 BEVERAGES "MANUFACTURE" MEANS TO COMPOUND, BLEND, INFUSE OR OTHERWISE MAKE  
24 OR PREPARE AN ADULT HEMP BEVERAGE PRODUCT.

25 Sec. 18. Section 4-205.13, Arizona Revised Statutes, is amended to  
26 read:

27 4-205.13. Registered alcohol and adult hemp beverages  
28 delivery contractor; issuance; fees; regulatory  
29 provisions

30 A. The director may register any person in this state as an alcohol  
31 AND ADULT HEMP BEVERAGES delivery contractor for the purposes of  
32 delivering spirituous liquor from a bar, beer and wine bar, liquor store,  
33 beer and wine store or restaurant licensee to a consumer in this state  
34 pursuant to section 4-203, subsections S and T.

35 B. A person shall apply to be a registered alcohol AND ADULT HEMP  
36 BEVERAGES delivery contractor on a form prescribed by the director. The  
37 director shall require an applicant to provide the controlling person's  
38 identification and any background information deemed necessary to identify  
39 the person and to demonstrate proof of the person's authority to conduct  
40 business in this state, including copies of any required state or local  
41 business licenses or permits. The director may establish and charge a  
42 registration fee and a renewal fee to be used for administrative and  
43 enforcement costs associated with alcohol AND ADULT HEMP BEVERAGES  
44 delivery contractors.

1 C. The department shall maintain a list of registered alcohol AND  
2 ADULT HEMP BEVERAGES delivery contractors that are not otherwise in  
3 penalty status pursuant to subsection G of this section.

4 D. The department may require new registered alcohol AND ADULT HEMP  
5 BEVERAGES delivery contractors to complete an approved training course in  
6 accordance with section 4-112, subsection G, paragraph 2. A registered  
7 alcohol AND ADULT HEMP BEVERAGES delivery contractor is subject to  
8 examinations conducted pursuant to section 4-112, subsection G,  
9 paragraph 1.

10 E. The director may refuse to register a person as an alcohol AND  
11 ADULT HEMP BEVERAGES delivery contractor for good cause and may not  
12 register any person as an alcohol AND ADULT HEMP BEVERAGES delivery  
13 contractor if the person has been convicted of a felony in this state or  
14 any other state within five years immediately preceding the application.

15 F. A registered alcohol AND ADULT HEMP BEVERAGES delivery  
16 contractor may deliver spirituous liquor AND ADULT HEMP BEVERAGES to a  
17 consumer in this state on behalf of a bar, beer and wine bar, liquor  
18 store, beer and wine store or restaurant in this state pursuant to section  
19 4-203, subsections S and T, if the registered alcohol delivery contractor  
20 complies with this title. A registered alcohol AND ADULT HEMP BEVERAGES  
21 delivery contractor may contract with one or more independent  
22 subcontractors for the delivery of spirituous liquor AND ADULT HEMP  
23 BEVERAGES to a consumer in this state on behalf of a bar, beer and wine  
24 bar, liquor store, beer and wine store or restaurant in this state  
25 pursuant to section 4-203, subsections S and T. An alcohol AND ADULT HEMP  
26 BEVERAGES delivery contractor, a subcontractor of an alcohol AND ADULT  
27 HEMP BEVERAGES delivery contractor, an employee of an alcohol AND ADULT  
28 HEMP BEVERAGES delivery contractor or an employee of a subcontractor is  
29 deemed to be acting on behalf of the licensee when making a delivery of  
30 spirituous liquor AND ADULT HEMP BEVERAGES for the licensee.

31 G. In addition to all other action that may be taken by the  
32 director for a violation of this title or the rules adopted pursuant to  
33 this title by a registered alcohol AND ADULT HEMP BEVERAGES delivery  
34 contractor and its employees or subcontractors and employees of  
35 subcontractors, the department may limit the right of the registered  
36 alcohol AND ADULT HEMP BEVERAGES delivery contractor to deliver spirituous  
37 liquor AND ADULT HEMP BEVERAGES on behalf of a licensee for a period of up  
38 to one year, after which the alcohol AND ADULT HEMP BEVERAGES delivery  
39 contractor shall register with the department to resume delivery of  
40 spirituous liquor AND ADULT HEMP BEVERAGES. Any penalty issued pursuant  
41 to this subsection may be appealed to the board pursuant to section  
42 4-210.02.

1           Sec. 19. Section 4-206.01, Arizona Revised Statutes, is amended to  
2 read:

3           4-206.01. Bar, beer and wine bar, liquor store and adult hemp  
4                           beverages licenses; number permitted; fee;  
5                           sampling privileges; off-sale permit

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

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

23           C. ~~In each county, the director, each year, shall issue additional~~  
24 ~~beer and wine bar licenses at the rate of one for each additional five~~  
25 ~~thousand person increase over the population in that county as of July 1,~~  
26 ~~2010. Beginning January 1, 2022,~~ In each county, the director, each year,  
27 shall issue additional beer and wine bar licenses at the rate of one for  
28 each additional ten thousand person increase over the population in that  
29 county as of July 1, 2010. For every license that has been surrendered,  
30 revoked or reverted in any county, the director may issue a new license of  
31 the same series in the same county, except that if there are more than  
32 five licenses of a particular class, the director may issue five new  
33 licenses plus an additional number of new licenses equivalent to twenty  
34 percent of the difference between the number of surrendered, revoked or  
35 reverted licenses per year and five. The director may waive the issuance  
36 of licenses in a county for one year if there has been no request made to  
37 the department for the issuance of a new license of that series. For the  
38 purposes of this subsection, the population of a county is deemed to be  
39 the population estimated as of July 1 of each year by the office of  
40 economic opportunity.

41           D. A person issued a license authorized by subsection B or C of  
42 this section shall pay an additional issuance fee equal to the license's  
43 fair market value that shall be paid to the state general fund. An  
44 appraisal shall be conducted to determine the fair market value of that  
45 license type in a specific county. The fair market value is defined to

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

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

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

27 G. Bar licenses and beer and wine bar licenses shall be issued and  
28 used only if the clear primary purpose and actual primary use is for  
29 on-sale retailer privileges. The off-sale privileges associated with a  
30 bar license and a beer and wine bar license shall be limited to use, which  
31 is clearly auxiliary to the active primary on-sale privilege. A bar  
32 license or a beer and wine bar license shall not be issued or used if the  
33 associated off-sale use, by total retail spirituous liquor sales **AND ADULT**  
34 **HEMP BEVERAGES**, exceeds thirty percent of the sales price of on-sale  
35 spirituous liquors **AND ADULT HEMP BEVERAGES** by the licensee at that  
36 location. For dual licenses issued pursuant to a single site or where a  
37 second license is issued to a site that already has a spirituous liquor  
38 license, other than settlement licenses issued as provided by law, the  
39 applicant has the burden of establishing that public convenience and the  
40 best interest of the community will be served by the issuance of the  
41 license.

42 H. The director may issue a beer and wine store license to the  
43 holder of a beer and wine bar license simultaneously at the same premises.  
44 An applicant for a beer and wine bar license and a beer and wine store  
45 license may consolidate the application and may apply for both licenses at



1 the same time. The holder of each license shall fully comply with this  
2 title. A beer and wine bar license and beer and wine store license on the  
3 same premises shall be owned by and issued to the same licensee.

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

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

26 K. An applicant for a liquor store license or a beer and wine store  
27 license and the licensee of a liquor store license or a beer and wine  
28 store license may apply for sampling privileges associated with the  
29 license. Beer and wine store premises containing less than five thousand  
30 square feet must dedicate at least seventy-five percent of retail shelf  
31 space to the sale of spirituous liquor OR ADULT HEMP BEVERAGES in order to  
32 be eligible for sampling privileges. A person desiring a sampling  
33 privilege associated with a liquor store license shall apply to the  
34 director on a form prescribed and furnished by the director. The  
35 application for sampling privileges may be filed for an existing license  
36 or may be submitted with an initial license application. The request for  
37 sampling approval, the review of the application and the issuance of  
38 approval shall be conducted under the same procedures for the issuance of  
39 a spirituous liquor license prescribed in section 4-201. After a sampling  
40 privilege has been issued for a liquor store license or a beer and wine  
41 store license, the sampling privilege shall be noted on the license itself  
42 and in the records of the department. The sampling rights associated with  
43 a license are not transferable. The director may charge a fee for  
44 processing each application for sampling privileges and a renewal fee as  
45 provided in this section. A city or town shall not charge any fee



1 relating to the issuance or renewal of a sampling privilege.  
2 Notwithstanding section 4-244, paragraph 19, a liquor store licensee or a  
3 beer and wine store licensee that holds a license with sampling privileges  
4 may provide spirituous liquor ~~OR ADULT HEMP BEVERAGES~~ sampling subject to  
5 the following requirements:

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

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

11 3. The licensed retailer shall make sales of sampled products from  
12 the licensed retail premises.

13 4. The licensee shall not charge any customer for the sampling of  
14 any products, except that the licensee may charge a fee for bona fide  
15 educational classes conducted in a classroom by an instructor on the  
16 licensed premises where the sampling of any spirituous liquor product ~~is~~  
17 ~~OR ADULT HEMP BEVERAGES PRODUCT ARE~~ incidental to the course taught and to  
18 the course materials presented.

19 5. The sampling shall be conducted under the supervision of an  
20 employee of a sponsoring distiller, vintner, brewer, wholesaler or retail  
21 licensee.

22 6. Accurate records of sampling products dispensed shall be  
23 retained by the licensee.

24 7. Sampling shall be limited to three ounces of beer, ~~or~~  
25 cooler-type ~~OR ADULT HEMP BEVERAGES~~ products, one and one-half ounces of  
26 wine and one ounce of distilled spirits per person, per brand, per day.

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

28 L. If a beer and wine bar license and a beer and wine store license  
29 are issued at the same premises, for the purposes of reporting liquor  
30 purchases under each license, all spirituous beverages ~~OR ADULT HEMP~~  
31 ~~BEVERAGES~~ purchased for sampling are conclusively presumed to be purchased  
32 under the beer and wine bar license and all spirituous liquor sold  
33 off-sale are conclusively presumed to be purchased under the beer and wine  
34 store license.

35 M. The director may issue a beer and wine store license to the  
36 holder of a bar license simultaneously at the same premises. An applicant  
37 for a beer and wine store license and a bar license may consolidate the  
38 application and may apply for both licenses at the same time. The holder  
39 of each license shall fully comply with this title. A beer and wine store  
40 license and a bar license on the same premises shall be owned by and  
41 issued to the same licensee. If a beer and wine store license and a bar  
42 license are issued at the same premises, for purposes of reporting liquor  
43 purchases under each license, all off-sale beer, ~~and~~ wine ~~AND ADULT HEMP~~  
44 ~~BEVERAGES~~ sales are conclusively presumed to be purchased under the beer  
45 and wine store license.

1           Sec. 20. Section 4-207.01, Arizona Revised Statutes, is amended to  
2 read:

3           4-207.01. Submission of floor plan required; alteration of  
4                                   licensed premises; ingress and egress to off-sale  
5                                   package sales in on-sale licensed premises

6           A. No licensee of premises approved for transfer or an original  
7 location of on-sale spirituous liquor license shall open such licensed  
8 premises to the public for sale of spirituous liquor OR ADULT HEMP  
9 BEVERAGES until the licensee shall first have filed with the director  
10 floor plans and diagrams completely disclosing and designating the  
11 physical arrangement of the licensed premises, including whether the  
12 licensee intends to sell spirituous liquor OR ADULT HEMP BEVERAGES by  
13 means of a drive-through or other physical feature of the licensed  
14 premises that allows a customer to purchase spirituous liquor OR ADULT  
15 HEMP BEVERAGES without leaving the customer's vehicle, and shall have  
16 secured the written approval of the director to so open and operate such  
17 premises. The director may require the installation and maintenance of  
18 physical barriers around outside serving areas to control liquor OR ADULT  
19 HEMP BEVERAGES service, delineate licensed premises and control the  
20 ingress and egress to and from the licensed premises for the purpose of  
21 providing for the safety of patrons and preventing underage possession and  
22 consumption, the removal of alcohol OR ADULT HEMP BEVERAGES from the  
23 premises, the unauthorized bringing of alcohol OR ADULT HEMP BEVERAGES  
24 onto the premises and the unauthorized consumption of alcohol OR ADULT  
25 HEMP BEVERAGES in a public area or thoroughfare.

26           B. No licensee shall alter or change the physical arrangement of  
27 ~~his~~ THE LICENSEE'S licensed premises so as to encompass greater space or  
28 the use of different or additional entrances, openings or accommodations  
29 than the space, entrance or entrances, openings or accommodations offered  
30 to the public at the time of issuance of the licensee's license or a prior  
31 written approval of the licensed premises, without first having filed with  
32 the director floor plans and diagrams completely disclosing and  
33 designating the proposed physical alterations of the licensed premises,  
34 including the addition of a drive-through or other physical feature to the  
35 licensed premises that allows a customer to purchase spirituous liquor OR  
36 ADULT HEMP BEVERAGES without leaving the customer's vehicle, and shall  
37 have secured the written approval by the director. This subsection ~~shall~~  
38 ~~apply~~ APPLIES to any ~~person-to-person~~ PERSON-TO-PERSON transfer of the  
39 licensed premises. The director may charge a fee for review of floor  
40 plans and diagrams submitted by a licensee pursuant to this section.

41           C. ~~The provisions of~~ This section ~~shall not be construed to~~ DOES  
42 NOT prohibit in any way off-sale package sales in on-sale licensed  
43 premises, but the permission to open the premises to the public under  
44 subsections A and B shall not be granted if the licensee under the  
45 privilege provided for off-sale under an on-sale license proposes to

1 maintain an off-sale operation with ingress and egress directly from the  
2 outside of such premises to such off-sale operation other than the ingress  
3 and egress provided for the on-sale operation of the licensed premises.

4 D. ~~The provisions of~~ This section ~~shall apply~~ APPLIES to all  
5 applications, transfers and alterations.

6 Sec. 21. Section 4-207.02, Arizona Revised Statutes, is amended to  
7 read:

8 4-207.02. Multiple licensees with joint premises

9 A. One or more on-sale spirituous liquor licensees with the same  
10 type of bar, beer and wine bar, restaurant or remote tasting room license  
11 may apply to the director for a joint premises permit. The premises of  
12 each applicant shall be adjacent to and fully contiguous to the joint  
13 premises. The proposed joint premises shall be limited to common areas  
14 that are pedestrian only and that are not immediately adjacent to a road,  
15 driveway or parking area. Application for a joint premises permit shall  
16 be on a form prescribed by the director. The application shall contain  
17 plans and diagrams that completely disclose and designate the physical  
18 arrangement of the proposed joint premises. The applicant licensee shall  
19 submit a copy of the application to the local governing body before  
20 submitting the application to the director. The local governing body may  
21 review the application and provide an advisory recommendation to the  
22 director. The applicants shall submit a security plan that addresses the  
23 requirements prescribed in this section. The director may approve or deny  
24 the application, or approve the application for some but not all of the  
25 applicants based on the applicant's demonstration of ability to comply  
26 with the requirements prescribed in this section. If the application is  
27 approved, the joint premises area shall be considered an extension of  
28 premises for each of the approved applicants, subject to the following  
29 conditions:

30 1. The licensees implement security measures necessary to ensure  
31 that an individual under the legal drinking age does not purchase, possess  
32 or consume spirituous liquor OR ADULT HEMP BEVERAGES on the licensed  
33 premises.

34 2. The licensees install and maintain temporary or permanent  
35 physical barriers around the joint premises or other security measures,  
36 including electronic surveillance and the use of security personnel and  
37 signage, that are fully in place while spirituous liquor ~~is~~ OR ADULT HEMP  
38 BEVERAGES ARE served and consumed. The barriers or other security  
39 measures shall be placed to achieve the following purposes:

40 (a) To control spirituous liquor OR ADULT HEMP BEVERAGES service.

41 (b) To delineate the licensed premises.

42 (c) To control the ingress to and egress from the licensed  
43 premises.

44 (d) To provide for the safety of patrons.

- 1 (e) To prevent underage possession and consumption of spirituous  
2 liquor OR ADULT HEMP BEVERAGES.
- 3 (f) To prevent the removal of spirituous liquor OR ADULT HEMP  
4 BEVERAGES from the premises.
- 5 (g) To prevent the unauthorized carrying of spirituous liquor OR  
6 ADULT HEMP BEVERAGES onto the premises.
- 7 (h) To prevent the unauthorized consumption of spirituous liquor OR  
8 ADULT HEMP BEVERAGES in a public area or thoroughfare.
- 9 3. The director may require that, during the time the premises are  
10 being used as joint premises under a permit, the participating licensees  
11 identify the spirituous liquor beverages OR ADULT HEMP BEVERAGES sold by  
12 each licensee by using distinguishable containers.
- 13 B. The licensees shall file with the director and may modify from  
14 time to time a schedule showing the days and time periods when the joint  
15 premises will be in use.
- 16 C. Each licensee that is approved for the joint premises shall  
17 comply fully with all applicable requirements of this title and any rules  
18 adopted pursuant to this title.
- 19 D. Each joint licensee that shares the joint premises as provided  
20 in this section may be held liable for any violation of this title. One  
21 or more licensees may be cited for a violation of this title that occurs  
22 on the premises, if the circumstances warrant the citation.
- 23 E. A licensee with joint premises privileges may not allow a person  
24 under the legal drinking age who is not accompanied by a spouse, parent,  
25 grandparent or legal guardian of legal drinking age to remain in an area  
26 on the joint premises during hours in which the primary use is the sale,  
27 dispensing or consumption of spirituous liquor OR ADULT HEMP BEVERAGES  
28 after the licensee, or the licensee's employees, know or should have known  
29 that the person is under the legal drinking age.
- 30 F. The department may consolidate complaints, proceedings and  
31 hearings with respect to complaints or matters against one or more  
32 licensees with joint premises permits.
- 33 G. The right of a licensee to use the joint premises may be limited  
34 or revoked by the director for a violation of this title or any rule  
35 adopted pursuant to this title.
- 36 H. The department may charge a fee in an amount prescribed by the  
37 director for the review and processing of an application submitted  
38 pursuant to this section.
- 39 I. Notwithstanding any other law, a joint premises permit may be  
40 suspended summarily and without appeal for up to ten days if the director  
41 determines that good cause exists for the suspension.
- 42 J. A permit issued pursuant to this section is not transferable.
- 43 K. A permit issued pursuant to this section shall be issued for one  
44 year and may be annually renewed.

1           Sec. 22. Section 4-207.03, Arizona Revised Statutes, is amended to  
2 read:

3           4-207.03. Extended premises; application; requirements; fee

4           A. A liquor licensee with on-sale retail privileges may apply to  
5 the director to extend the licensed premises on an individual day or hour  
6 basis, on a regular recurring basis or on an ongoing limited use basis to  
7 contiguous private property that is owned or leased by the applicant  
8 licensee or to public or private property that the applicant licensee has  
9 permission to use. The director may include noncontiguous private  
10 property on the extended premises if the property meets the requirements  
11 of the department rules applicable to regularly licensed premises. The  
12 applicant licensee shall submit a copy of the application, including the  
13 proposed days and times that the extended premises will be used, to the  
14 local governing body at least sixty days before submitting the application  
15 to the director. The local governing body or the local governing body's  
16 designee may review the application and provide an advisory recommendation  
17 to the director. If the local governing body or the local governing  
18 body's designee completes the review and provides an advisory  
19 recommendation to the director before the conclusion of the sixty-day  
20 period, the director may act on the application before the expiration of  
21 the sixty-day period. The local governing body may conduct an optional  
22 safety inspection of the extended premises on the day of the event, before  
23 the event if the extended premises are ready for use before the event or  
24 before the local governing body or designee has made its recommendations,  
25 whichever is ~~soonest~~ EARLIEST.

26           B. The application shall contain a plan and an accurate diagram  
27 that designates the proposed physical arrangement of the proposed extended  
28 premises, including the location of ingress and egress from the extended  
29 premises and other features of the extended premises as required by the  
30 director or as required to conform with applicable building code and fire  
31 safety requirements.

32           C. The applicant licensee shall submit with the application a  
33 security plan. The applicant licensee shall identify the security  
34 measures that will be implemented by the applicant licensee for the  
35 extended premises. The director shall determine the appropriate security  
36 measures that the applicant licensee shall use to control spirituous  
37 liquor AND ADULT HEMP BEVERAGES service on the extended premises and to  
38 protect public health and safety. The security plan shall:

- 39           1. Provide for the safety of patrons.
- 40           2. Ensure that an individual who is under the legal drinking age  
41 does not purchase, possess or consume spirituous liquor OR ADULT HEMP  
42 BEVERAGES on the extended premises.
- 43           3. Prevent the unauthorized removal of spirituous liquor OR ADULT  
44 HEMP BEVERAGES from the extended premises.

1           4. Prevent the unauthorized carrying of spirituous liquor OR ADULT  
2 HEMP BEVERAGES onto the extended premises.

3           5. Be designed in a manner to ensure that security and oversight of  
4 the extended premises ~~is~~ ARE provided by the applicant licensee.

5           D. The applicant licensee shall file with the application and may  
6 modify from time to time a schedule showing the proposed date and time  
7 periods when the extended premises will be in use. The applicant licensee  
8 shall provide at least ten days' written notice of any modification to the  
9 department and to the local governing body.

10          E. The licensee may not modify the physical arrangement of the  
11 extended premises to use additional space or a different space and may not  
12 modify the location of ingress or egress or the security to be provided  
13 without notifying the local governing body and the department at least ten  
14 days in advance of the proposed modification. The department may consult  
15 with the local governing body and may approve, reject or modify the  
16 proposed modification. Further compliance with subsection A of this  
17 section is not required if the only proposed modification is to reduce the  
18 size of the extended premises.

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

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

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

32          I. A permit for an extended premises is valid for six consecutive  
33 months or less, which is calculated from the first date of the extended  
34 premises to the last date of the extended premises.

35          J. Subject to section 4-224, this section does not exempt the  
36 applicant licensee from complying with any local governing body event  
37 permit requirements.

38          K. This section does not apply to a permanent change in the  
39 premises and does not prevent the department, together with a city, town  
40 or county, from waiving the requirements of this section for an  
41 application or event.

1           Sec. 23. Section 4-208, Arizona Revised Statutes, is amended to  
2 read:

3           4-208. Rejection as to location

4           A. The director shall not accept an application nor issue a license  
5 to sell or deal in spirituous liquors at a location for which a prior  
6 application has been rejected until twelve months after the date of the  
7 prior rejection.

8           B. No application for a license to deal in spirituous liquors ~~OR~~  
9 ~~ADULT HEMP BEVERAGES~~ shall be filed with nor accepted by the director  
10 within five years after the date of the rejection of the last of two  
11 previous applications at the same location has been rejected by the board  
12 or the director on the basis of lack of public convenience and necessity  
13 or denied on appeal pursuant to section 4-211. It shall be incumbent ~~upon~~  
14 ~~ON~~ the applicant for a license filed after the expiration of the five-year  
15 period to establish that there have been significant changes of fact in  
16 respect to the location ~~which~~ ~~THAT~~ justify the issuance of a license to  
17 deal in spirituous liquor ~~OR ADULT HEMP BEVERAGES~~.

18          Sec. 24. Section 4-209, Arizona Revised Statutes, is amended to  
19 read:

20          4-209. Fees for license, application, issuance, renewal and  
21                 transfer; late renewal penalty; seasonal operation;  
22                 surcharges

23          A. A fee shall accompany an application for an original license or  
24 transfer of a license, or in case of renewal, shall be paid in advance.  
25 Every license expires annually, except that a license may be renewed for a  
26 two-year period pursuant to subsection M of this section if no compliance  
27 penalties have been issued to that location during the year before the  
28 renewal. A licensee who fails to renew the license on or before the due  
29 date shall pay a penalty of \$150, which the licensee shall pay with the  
30 renewal fee. A license renewal that is deposited, properly addressed and  
31 postage prepaid in an official depository of the United States mail on or  
32 before the due date shall be deemed filed and received by the department  
33 on the date shown by the postmark or other official mark of the United  
34 States postal service stamped on the envelope. If the due date falls on a  
35 Saturday, Sunday or other legal holiday, the renewal shall be considered  
36 timely if it is received by the department on the next business day. The  
37 director may waive a late renewal penalty if good cause is shown by the  
38 licensee. A licensee who fails to renew the license on or before the due  
39 date may not sell, purchase or otherwise deal in spirituous liquor until  
40 the license is renewed. A license that is not renewed within sixty days  
41 after the due date is deemed terminated. The director may renew the  
42 terminated license if good cause is shown by the licensee. Except an  
43 application fee for a permit pursuant to section 4-203.07 and section  
44 4-205.02, subsection K and leases pursuant to sections 4-203.06 and



1 4-203.07, an application fee for an original license or the transfer of a  
2 license shall be \$100, which shall be retained by this state.

3 B. Issuance fees for original licenses shall be:

4 1. For an in-state producer's license to manufacture or produce  
5 spirituous liquor OR ADULT HEMP BEVERAGES in this state, \$1,500.

6 2. Except as provided in paragraph 15 of this subsection, for an  
7 out-of-state producer's, exporter's, importer's or rectifier's license,  
8 \$200.

9 3. For a microbrewery license, \$300.

10 4. For a wholesaler's license to sell spirituous liquors OR ADULT  
11 HEMP BEVERAGES, \$1,500.

12 5. For a government license issued in the name of a state agency,  
13 state commission, state board, county, city, town, community college or  
14 state university or the national guard, \$100.

15 6. For a bar license, which is an on-sale retailer's license to  
16 sell all spirituous liquors OR ADULT HEMP BEVERAGES primarily by  
17 individual portions and in the original containers, \$1,500.

18 7. For a beer and wine bar license, which is an on-sale retailer's  
19 license to sell beer, ~~and~~ wine AND ADULT HEMP BEVERAGES primarily by  
20 individual portions and in the original containers, \$1,500.

21 8. For a conveyance license issued to an operating railroad  
22 company, to sell all spirituous liquors in individual portions or in the  
23 original containers on all passenger trains operated by the railroad  
24 company, or to an operating airline company, to sell or serve spirituous  
25 liquors solely in individual portions on all passenger planes operated by  
26 the airline company, or to a boat operating in the waters of this state,  
27 to sell all spirituous liquors in individual portions or in the original  
28 containers for consumption on the boat, \$1,500.

29 9. For a liquor store license, which is an off-sale retailer's  
30 license to sell all spirituous liquors OR ADULT HEMP BEVERAGES, \$1,500.

31 10. For a beer and wine store license, which is an off-sale  
32 retailer's license to sell beer, ~~and~~ wine OR ADULT HEMP BEVERAGES, \$1,500.

33 11. For a hotel-motel license issued as such, to sell and serve  
34 spirituous liquors OR ADULT HEMP BEVERAGES solely for consumption on the  
35 licensed premises of the hotel or motel, \$1,500.

36 12. For a restaurant license issued as such, to sell and serve  
37 spirituous liquors OR ADULT HEMP BEVERAGES solely for consumption on the  
38 licensed premises of the restaurant, \$1,500. For a permit issued under  
39 section 4-205.02, subsection H allowing for the sale of beer for the  
40 consumption off the licensed premises pursuant to section 4-244, paragraph  
41 32, subdivision (c), the director may charge a fee. For an application  
42 for a permit pursuant to section 4-203.07 and section 4-205.02, subsection  
43 K, the director may charge a fee. The director may establish and charge  
44 fees for lease applications pursuant to sections 4-203.06 and 4-203.07.



1           13. For a farm winery license, \$100. The director may charge a  
2 licensed farm winery a fee pursuant to section 4-205.04, subsection K.

3           14. For a club license issued in the name of a bona fide club  
4 qualified under this title to sell all spirituous liquors OR ADULT HEMP  
5 BEVERAGES on-sale, \$1,000.

6           15. For an out-of-state winery that sells not more than two hundred  
7 forty gallons of wine in this state in a calendar year, \$25.

8           16. ~~The department may charge a fee~~ For a craft distiller license,  
9 A FEE ESTABLISHED BY THE DEPARTMENT.

10           17. ~~The department may charge a fee~~ For registering an alcohol AND  
11 ADULT HEMP BEVERAGES delivery contractor pursuant to section 4-205.13, A  
12 FEE ESTABLISHED BY THE DEPARTMENT.

13           18. FOR AN ADULT HEMP BEVERAGES MANUFACTURER'S LICENSE ISSUED TO AN  
14 IN-STATE OR OUT-OF-STATE MANUFACTURER, A FEE ESTABLISHED BY THE  
15 DEPARTMENT.

16           19. FOR A PERMIT ISSUED TO AN INDEPENDENT TESTING LABORATORY  
17 PURSUANT TO SECTION 4-225, A FEE ESTABLISHED BY THE DEPARTMENT.

18           C. The department may issue licenses with staggered renewal dates  
19 to distribute the renewal workload as uniformly as practicable throughout  
20 the twelve months of the calendar year. If a license is issued less than  
21 six months before the scheduled renewal date of the license, as provided  
22 by the department's staggered license renewal system, one-half of the  
23 annual license fee shall be charged.

24           D. The annual fees for licenses shall be:

25           1. For an in-state producer's license to manufacture or produce  
26 spirituous liquors OR ADULT HEMP BEVERAGES in this state, \$350.

27           2. Except as provided in paragraph 15 of this subsection, for an  
28 out-of-state producer's, exporter's, importer's or rectifier's license,  
29 \$50.

30           3. For a microbrewery license, \$300.

31           4. For a wholesaler's license, to sell spirituous liquors OR ADULT  
32 HEMP BEVERAGES, \$250.

33           5. For a government license issued to a county, city or town,  
34 community college or state university or the national guard, \$100.

35           6. For a bar license, which is an on-sale retailer's license to  
36 sell all spirituous liquors OR ADULT HEMP BEVERAGES primarily by  
37 individual portions and in the original containers, \$150.

38           7. For a beer and wine bar license, which is an on-sale retailer's  
39 license to sell beer, ~~and~~ wine OR ADULT HEMP BEVERAGES primarily by  
40 individual portions and in the original containers, \$75.

41           8. For a conveyance license issued to an operating railroad  
42 company, to sell all spirituous liquors in individual portions or in the  
43 original containers on all passenger trains operated by the railroad  
44 company, or to an operating airline company, to sell or serve spirituous  
45 liquors solely in individual portions on all passenger planes operated by

1 the airline company, or to a boat operating in the waters of this state,  
2 to sell all spirituous liquor in individual portions or in the original  
3 containers for consumption on the boat, \$225.

4 9. For a liquor store license, which is an off-sale retailer's  
5 license to sell all spirituous liquors OR ADULT HEMP BEVERAGES, \$50.

6 10. For a beer and wine store license, which is an off-sale  
7 retailer's license to sell beer, ~~and~~ wine OR ADULT HEMP BEVERAGES, \$50.

8 11. For a hotel-motel license issued as such, to sell and serve  
9 spirituous liquors OR ADULT HEMP BEVERAGES solely for consumption on the  
10 licensed premises of the hotel or motel, \$500.

11 12. For a restaurant license issued as such, to sell and serve  
12 spirituous liquors OR ADULT HEMP BEVERAGES solely for consumption on the  
13 licensed premises of the restaurant, \$500, and for a restaurant license  
14 that is allowed to continue operating as a restaurant pursuant to section  
15 4-213, subsection E, an additional amount established by the director.  
16 The department shall transfer this amount to the state treasurer for  
17 deposit in the state general fund. The director may establish an annual  
18 fee for a permit pursuant to section 4-203.07 and section 4-205.02,  
19 subsection K. The director may charge annual lease amounts pursuant to  
20 sections 4-203.06 and 4-203.07.

21 13. For a farm winery license, \$100. The director may charge a  
22 licensed farm winery an annual fee pursuant to section 4-205.04,  
23 subsection K.

24 14. For a club license issued in the name of a bona fide club  
25 qualified under this title to sell all spirituous liquors OR ADULT HEMP  
26 BEVERAGES on-sale, \$150.

27 15. For an out-of-state winery that sells not more than two hundred  
28 forty gallons of wine in this state in a calendar year, \$25.

29 16. ~~The director may charge a fee~~ For the annual renewal of a craft  
30 distiller license, A FEE ESTABLISHED BY THE DEPARTMENT.

31 17. ~~The department may charge a fee~~ For the annual registration  
32 renewal of a registered alcohol AND ADULT HEMP BEVERAGES delivery  
33 contractor pursuant to section 4-205.13, A FEE ESTABLISHED BY THE  
34 DEPARTMENT.

35 E. Where the business of an on-sale retail licensee is seasonal,  
36 not extending over periods of more than six months in any calendar year,  
37 the licensee may designate the periods of operation and a license may be  
38 granted for those periods only, on payment of one-half of the fee  
39 prescribed in subsection D of this section.

40 F. Transfer fees from person to person for licenses transferred  
41 pursuant to section 4-203, subsection C shall be \$300.

42 G. Transfer fees from location to location, as provided for in  
43 section 4-203, shall be \$100.

44 H. Assignment fees for a change of agent, as provided for in  
45 section 4-202, subsection A, an acquisition of control, as provided for in

1 section 4-203, subsection F, or a restructuring, as provided for in  
2 section 4-203, subsection H, shall be \$100, except that where a licensee  
3 holds multiple licenses and requests multiple, simultaneous changes, the  
4 change of agent, acquisition of control or restructuring fee for the first  
5 license shall be \$100 and the fee for all remaining licenses shall be \$50  
6 each, except that the aggregate fees shall not exceed \$1,000 for all  
7 change of agents, \$1,000 for all acquisitions of control and \$1,000 for  
8 all restructurings.

9 I. No fee shall be charged by the department for an assignment of a  
10 liquor license in probate or an assignment pursuant to the provisions of a  
11 will or pursuant to a judicial decree in a domestic relations proceeding  
12 that assigns ownership of a business that includes a spirituous liquor  
13 license to one of the parties in the proceeding. In the case of  
14 nontransferable licenses, no fee shall be charged by the department for  
15 the issuance of a license for a licensed business pursuant to a transfer  
16 of the business in probate or pursuant to the provisions of a will or  
17 pursuant to a judicial decree in a domestic relations proceeding that  
18 assigns ownership of the business to one of the parties in the proceeding.

19 J. The director shall assess a surcharge of \$30 on all licenses  
20 prescribed in subsection D, paragraphs 6, 7 and 12 of this section.  
21 Monies from the surcharge shall be used by the department exclusively for  
22 the costs of an auditor and support staff to review compliance by  
23 applicants and licensees with the requirements of section 4-205.02,  
24 subsection E. The department shall assess the surcharge as part of the  
25 annual license renewal fee.

26 K. The director shall assess a surcharge of \$35 on all licenses  
27 prescribed in this section. Monies from the surcharge shall be used by  
28 the department exclusively for the costs of an enforcement program to  
29 investigate licensees who have been the subject of multiple complaints to  
30 the department. The enforcement program shall respond to complaints  
31 against licensees by neighborhood associations, by neighborhood civic  
32 groups and from municipal and county governments. The department shall  
33 assess the surcharge as part of the annual license renewal fee.

34 L. The director shall assess a surcharge of \$20 on all licenses  
35 prescribed in subsection D, paragraphs 11 and 12 of this section and \$35  
36 on all other licenses prescribed in this section. Monies from the  
37 surcharge and from surcharges imposed pursuant to subsection K of this  
38 section shall be used by the department exclusively for the costs of a  
39 neighborhood association interaction and liquor enforcement management  
40 unit. The unit shall respond to complaints from neighborhood  
41 associations, neighborhood civic groups and local governing authorities  
42 regarding liquor violations. The director shall report the unit's  
43 activities and the use of monies from the surcharge or surcharges imposed  
44 pursuant to subsection K of this section to the board at each board  
45 meeting or as the board may direct.

1 M. Licenses may be renewed every two years with payment of license  
2 fees that are twice the amount designated in subsection D of this section  
3 and other applicable fees. Licensees renewing every two years must comply  
4 with annual reporting requirements. The director may adopt reasonable  
5 rules to allow licensees to renew every two years.

6 N. The department shall use all monies received from application  
7 fees for permits issued pursuant to section 4-205.02, subsection K, leases  
8 pursuant to sections 4-203.06 and 4-203.07 and registrations pursuant to  
9 section 4-205.13 for administrative costs associated with the permit,  
10 registration or lease and enforcement of this chapter.

11 Sec. 25. Section 4-210, Arizona Revised Statutes, is amended to  
12 read:

13 4-210. Grounds for revocation, suspension and refusal to  
14 renew; notice; complaints; hearings; defense

15 A. After notice and hearing, the director may suspend, revoke or  
16 refuse to renew any license, registration, lease or permit issued pursuant  
17 to this chapter for any of the following reasons:

18 1. There occurs on the licensed premises repeated acts of violence.

19 2. The licensee, registrant, lessee or permittee fails to  
20 satisfactorily maintain the capability, qualifications and reliability  
21 requirements of an applicant for a license, registration, lease or permit  
22 prescribed in section 4-202, 4-203, 4-203.06, 4-203.07 or 4-205.13.

23 3. The licensee, registrant, lessee, permittee or controlling  
24 person knowingly files with the department an application or other  
25 document that contains material information that is false or misleading or  
26 while under oath knowingly gives testimony in an investigation or other  
27 proceeding under this title that is false or misleading.

28 4. The licensee, registrant, lessee, permittee or controlling  
29 person is on the premises habitually intoxicated.

30 5. The licensed, registered, leased or permitted business is  
31 delinquent for more than one hundred twenty days in paying taxes,  
32 penalties or interest in an amount that exceeds \$250 to this state or to  
33 any political subdivision of this state.

34 6. The licensee or controlling person obtains, assigns, transfers  
35 or sells a spirituous liquor license OR ADULT HEMP BEVERAGES MANUFACTURER  
36 LICENSE without complying with this title or leases or subleases a  
37 license.

38 7. The licensee, registrant, lessee or permittee fails to keep for  
39 two years and make available to the department on reasonable request all  
40 invoices, records, bills or other papers and documents relating to the  
41 purchase, sale and delivery of spirituous liquors OR ADULT HEMP BEVERAGES  
42 and, in the case of a restaurant or hotel-motel licensee, all invoices,  
43 records, bills or other papers and documents relating to the purchase,  
44 sale and delivery of food.

1           8. The licensee, registrant, lessee, permittee or controlling  
2 person is convicted of a felony, provided that for a conviction of a  
3 corporation to serve as a reason for any action by the director, conduct  
4 that constitutes the corporate offense and was the basis for the felony  
5 conviction must have been engaged in, authorized, solicited, commanded or  
6 recklessly tolerated by the directors of the corporation or by a high  
7 managerial agent acting within the scope of employment.

8           9. The licensee, registrant, lessee, permittee or controlling  
9 person violates or fails to comply with this title, any rule adopted  
10 pursuant to this title or any liquor law of this state or any other state.

11           10. The licensee, registrant, lessee or permittee fails to take  
12 reasonable steps to protect the safety of a customer of the licensee,  
13 registrant, lessee or permittee or any other person entering, leaving or  
14 remaining on the licensed premises when the licensee knew or reasonably  
15 should have known of the danger to the person, or the licensee fails to  
16 take reasonable steps to intervene by notifying law enforcement officials  
17 or otherwise to prevent or break up an act of violence occurring on the  
18 licensed premises or immediately adjacent to the premises when the  
19 licensee knew or reasonably should have known of the acts of violence.  
20 The duty to protect a customer or other person on the licensed premises  
21 does not limit the licensee from using, as necessary, reasonable  
22 intervention, reasonable restraint or reasonable removal of a person from  
23 the premises to prevent that person from injuring other persons on the  
24 premises or damaging or disrupting the premises.

25           11. The licensee, registrant, lessee, permittee or controlling  
26 person knowingly associates with a person who has engaged in racketeering,  
27 as defined in section 13-2301, or who has been convicted of a felony, and  
28 the association is of a nature as to create a reasonable risk that the  
29 licensee, registrant, lessee or permittee will fail to conform to the  
30 requirements of this title or of any criminal statute of this state.

31           12. A licensee that is a liquor store as defined in section 46-297  
32 violates the restrictions on use of automatic teller machines or  
33 point-of-sale terminals regarding electronic benefit transfer cards  
34 prescribed in section 4-242.01.

35           13. There occurs on the licensed premises a serious act of  
36 violence. For the purposes of this paragraph, "serious act of violence"  
37 means an act of violence in which a serious injury causes the death or  
38 critical injury of a person and the injuries would be obvious to a  
39 reasonable person.

40           14. The licensee fails to report a serious act of violence that  
41 occurs on the licensed premises. For the purposes of this paragraph,  
42 "serious act of violence" means an act of violence in which a serious  
43 injury causes the death or critical injury of a person and the injuries  
44 would be obvious to a reasonable person.

1           15. The licensee, registrant, lessee or permittee violates an order  
2 of the board.

3           B. For the purposes of:

4           1. Subsection A, paragraph 8 of this section, "high managerial  
5 agent" means an officer of a corporation or any other agent of the  
6 corporation in a position of comparable authority with respect to the  
7 formulation of corporate policy.

8           2. Subsection A, paragraphs 9 and 10 of this section, acts or  
9 omissions of an employee of a licensee that violate this title or rules  
10 adopted pursuant to this title are deemed to be acts or omissions of the  
11 licensee. Acts or omissions by an employee or licensee committed during  
12 the time the licensed premises were operated pursuant to an interim permit  
13 or without a license may be charged as if they had been committed during  
14 the period the premises were duly licensed.

15           C. The director may suspend, revoke or refuse to issue, transfer or  
16 renew a license, registration, lease or permit under this section based  
17 solely on the unrelated conduct or fitness of any officer, director,  
18 managing agent or other controlling person if the controlling person  
19 retains any interest in or control of the licensee, registrant, lessee or  
20 permittee after sixty days following written notice to the licensee,  
21 registrant, lessee or permittee. If the controlling person holds stock in  
22 a corporate licensee, registrant, lessee or permittee or is a partner in a  
23 partnership licensee, registrant, lessee or permittee, the controlling  
24 person may only divest himself of the controlling person's interest by  
25 transferring the interest to the existing stockholders or partners who  
26 must demonstrate to the department that they meet all the requirements for  
27 licensure, registration, leasing or permitting. For the purposes of this  
28 subsection, the conduct or fitness of a controlling person is unrelated if  
29 it would not be attributable to the licensee, registrant, lessee or  
30 permittee.

31           D. If the director finds, based on clear and convincing evidence in  
32 the record, that a violation involves the use by the licensee, registrant,  
33 lessee or permittee of a drive-through or walk-up service window or other  
34 physical feature of the licensed premises that allows a customer to  
35 purchase spirituous liquor OR ADULT HEMP BEVERAGES without leaving the  
36 customer's vehicle or, with respect to a walk-up service window that  
37 prevents the licensee, registrant, lessee or permittee from fully  
38 observing the customer, and that the use of that drive-through or walk-up  
39 service window or other physical feature caused the violation, the  
40 director may suspend or terminate the licensee's, registrant's, lessee's  
41 or permittee's use of the drive-through or walk-up service window or other  
42 physical feature for the sale of spirituous liquor OR ADULT HEMP  
43 BEVERAGES, in addition to any other sanction.

44           E. The director may refuse to transfer any license, registration,  
45 lease or permit or issue a new license, registration, lease or permit at

1 the same location if the director has filed a complaint against the  
2 license, registration, lease, permit or location that has not been  
3 resolved alleging a violation of any of the grounds stated in subsection A  
4 of this section until the time the complaint has been finally adjudicated.

5 F. The director shall receive all complaints of alleged violations  
6 of this chapter and is responsible for investigating all allegations of a  
7 violation of, or noncompliance with, this title, any rule adopted pursuant  
8 to this title or any condition imposed on the licensee, registrant, lessee  
9 or permittee by the license, registration, lease or permit. When the  
10 director receives three complaints from any law enforcement agency  
11 resulting from three separate incidents at a licensed, leased or permitted  
12 establishment or by a registrant within a twelve-month period, the  
13 director shall transmit a written report to the board setting forth the  
14 complaints, the results of any investigation conducted by the law  
15 enforcement agency or the department relating to the complaints and a  
16 history of all prior complaints against the license, registration, lease  
17 or permit and their disposition. The board shall review the report and  
18 may direct the director to conduct further investigation of a complaint or  
19 to serve a licensee, registrant, lessee or permittee with a complaint and  
20 notice of a hearing pursuant to subsection G of this section.

21 G. On the director's initiation of an investigation or on the  
22 receipt of a complaint and an investigation of the complaint as deemed  
23 necessary, the director may cause a complaint and notice of a hearing to  
24 be directed to the licensee, registrant, lessee or permittee that states  
25 the violations alleged against the licensee, registrant, lessee or  
26 permittee and directing the licensee, registrant, lessee or permittee,  
27 within fifteen days after service of the complaint and notice of a  
28 hearing, to appear by filing with the director an answer to the complaint.  
29 Failure of the licensee, registrant, lessee or permittee to answer may be  
30 deemed an admission by the licensee, registrant, lessee or permittee of  
31 commission of the act charged in the complaint. The director may then  
32 vacate the hearing and impose any sanction provided by this article. The  
33 director may waive any sanction for good cause shown, including excusable  
34 neglect. With respect to any violation of this title or any rule adopted  
35 pursuant to this title that is based on the act or omission of a  
36 licensee's, registrant's, lessee's or permittee's employee, the director  
37 shall consider evidence of mitigation presented by the licensee,  
38 registrant, lessee or permittee and established by a preponderance of the  
39 evidence that the employee acted intentionally and in violation of the  
40 express direction or policy adopted by the licensee, registrant, lessee or  
41 permittee and communicated to the employee and that the employee  
42 successfully completed training in a course approved by the director  
43 pursuant to section 4-112, subsection G, paragraph 2. The director may  
44 set the hearing before the director or an administrative law judge on any  
45 of the grounds stated in subsection A of this section. Instead of issuing

1 a complaint, the director may provide for informal disposition of the  
2 matter by consent agreement or may issue a written warning to the  
3 licensee, registrant, lessee or permittee. If a warning is issued, the  
4 licensee, registrant, lessee or permittee may reply in writing and the  
5 director shall keep a record of the warning and the reply.

6 H. A hearing shall conform to the requirements of title 41,  
7 chapter 6, article 10. At the hearing an attorney or corporate officer or  
8 employee of a corporation may represent the corporation. The revoking,  
9 suspending or refusing to renew a license, registration, lease or permit  
10 for unpaid taxes, penalties or interest pursuant to subsection A,  
11 paragraph 5 of this section is a contested case with the department of  
12 revenue pursuant to section 42-1251.01.

13 I. The expiration, cancellation, revocation, reversion, surrender,  
14 acceptance of surrender or termination in any other manner of a license,  
15 registration, lease or permit does not prevent the initiation or  
16 completion of a disciplinary proceeding pursuant to this section against  
17 the licensee, registrant, lessee or permittee or license, registration,  
18 lease or permit. An order issued pursuant to a disciplinary proceeding  
19 against a license, registration, lease or permit is enforceable against  
20 other licenses, registrations, leases or permits or subsequent licenses,  
21 registrations, leases or permits in which the licensee, registrant,  
22 lessee, permittee or controlling person of the license, registration,  
23 lease or permit has a controlling interest.

24 J. The department shall provide the same notice as is provided to  
25 the licensee, registrant, lessee or permittee to a lienholder, which has  
26 provided a document under section 4-112, subsection B, paragraph 3, of all  
27 disciplinary or compliance action with respect to a license, registration,  
28 lease or permit issued pursuant to this title. The state is not liable  
29 for damages for any failure to provide any notice pursuant to this  
30 subsection.

31 K. In any disciplinary action pursuant to this title, a lienholder  
32 may participate in the determination of the action. The director shall  
33 consider mitigation on behalf of the lienholder if the lienholder proves  
34 all of the following by a preponderance of the evidence:

35 1. That the lienholder's interest is a bona fide security interest.  
36 For the purposes of this paragraph, "bona fide security interest" means  
37 the lienholder provides actual consideration to the licensee, registrant,  
38 lessee or permittee or the licensee's, registrant's, lessee's or  
39 permittee's predecessor in interest in exchange for the lienholder's  
40 interest. Bona fide security interest includes a lien taken by the seller  
41 of a license, registration, lease or permit as security for the seller's  
42 receipt of all or part of the purchase price of the license, registration,  
43 lease or permit.



1           2. That a statement of legal or equitable interest was filed with  
2 the department before the alleged conduct occurred that is the basis for  
3 the action against the license, registration, lease or permit.

4           3. That the lienholder took reasonable steps to correct the  
5 licensee's, registrant's, lessee's or permittee's prior actions, if any,  
6 or initiated an action pursuant to available contract rights against the  
7 licensee, registrant, lessee or permittee for the forfeiture of the  
8 license, registration, lease or permit after being provided with notice by  
9 the department of disciplinary action as provided in subsection J of this  
10 section.

11           4. That the lienholder was free of responsibility for the conduct  
12 that is the basis for the proposed revocation.

13           5. That the lienholder reasonably attempted to remain informed by  
14 the licensee, registrant, lessee or permittee about the business's  
15 conduct.

16           L. If the director decides not to revoke the license, registration,  
17 lease or permit based on the circumstances provided in subsection K of  
18 this section, the director may issue an order requiring either, or both,  
19 of the following:

20           1. The forfeiture of all interest of the licensee, registrant,  
21 lessee or permittee in the license, registration, lease or permit.

22           2. The lienholder to pay any civil monetary penalty imposed on the  
23 licensee, registrant, lessee or permittee.

24           M. If any on-sale licensee proposes to provide large capacity  
25 entertainment events or sporting events with an attendance capacity  
26 exceeding a limit established by the director, the director may request a  
27 security plan from the licensee that may include trained security  
28 officers, lighting and other requirements. This subsection exclusively  
29 prescribes the security requirements for a licensee and does not create  
30 any civil liability for this state, its agencies, agents or employees or a  
31 person licensed under this title or agents or employees of a licensee.

32           N. The director may consider as a mitigating factor or defense to a  
33 complaint against a licensee for a violation of subsection A, paragraph 10  
34 or 13 of this section that the licensee acted reasonably, responsibly and  
35 as expeditiously as possible by asking for intervention by a peace officer  
36 to prevent or to break up a riot, a fight, an altercation or tumultuous  
37 conduct.

38           Sec. 26. Section 4-212, Arizona Revised Statutes, is amended to  
39 read:

40           4-212. Injunctions

41           If the board or the director has reasonable grounds to believe that  
42 a person is violating section 4-244.05 or 4-250.01 or is manufacturing,  
43 selling or dealing in spirituous liquor **OR ADULT HEMP BEVERAGES** without a  
44 valid license, permit or registration in violation of this title, the  
45 board or the director may apply to the superior court for a temporary

1 restraining order and other injunctive relief prohibiting the specific  
2 acts complained of by the board or the director.

3 Sec. 27. Section 4-213, Arizona Revised Statutes, is amended to  
4 read:

5 4-213. Restaurant audit

6 A. The director may require a restaurant to submit an audit of its  
7 records to demonstrate compliance with section 4-205.02. The director  
8 shall not require an establishment to submit to such an audit more than  
9 once a year after the initial twelve months of operation and shall not  
10 audit the first three months of operation even if the establishment is  
11 allowed to continue operating as a restaurant pursuant to subsection E of  
12 this section.

13 B. Except as provided in subsection D of this section, the  
14 department shall audit accounts, records and operations of a licensee that  
15 cover a ~~twelve-month~~ TWELVE-MONTH period. When conducting an audit, the  
16 department shall use generally accepted auditing standards. An  
17 establishment that averages at least forty percent of its gross revenue  
18 from the sale of food during the ~~twelve-month~~ TWELVE-MONTH audit period  
19 shall be deemed to comply with the gross revenue requirements of section  
20 4-205.02. The ~~twelve-month~~ TWELVE-MONTH audit period shall fall within  
21 the sixteen months immediately preceding the beginning of the audit.

22 C. If the audit or a consent agreement that may be offered at the  
23 discretion of the director and that is signed by the licensee and the  
24 director reveals that the licensee did not meet the definition of a  
25 restaurant as prescribed in section 4-205.02 and the percentage of food  
26 sales determined by the audit or consent agreement was:

27 1. Less than thirty percent, notwithstanding section 4-209,  
28 subsection A, the director shall deem the license to have been surrendered  
29 or may revoke the license as provided in section 4-205.02, subsection D.

30 2. At least thirty percent but less than thirty-seven percent, the  
31 department shall allow the licensee a six-month period to continue to  
32 operate under the restaurant license, during which the licensee shall  
33 either:

34 (a) Replace the license with a bar or beer and wine bar license,  
35 except that, at the end of that six-month period, the department shall  
36 revoke the restaurant license or the licensee shall surrender the  
37 restaurant license.

38 (b) Obtain permission from the department to continue operating  
39 with a restaurant license pursuant to subsection E of this section.

40 3. At least thirty-seven percent but less than forty percent, the  
41 licensee shall be granted a period of one year to continue to operate  
42 under the restaurant license, during which the licensee shall attempt to  
43 increase the food percentage to at least forty percent. If the licensee  
44 does not increase the percentage of food sales to at least forty percent,  
45 the department shall allow the licensee a six-month period to continue to

1 operate under the restaurant license, during which the licensee shall  
2 either:

3 (a) Replace the license with a bar or beer and wine bar license,  
4 except that, at the end of the six-month period, the department shall  
5 revoke the restaurant license or the licensee shall surrender the  
6 restaurant license.

7 (b) Obtain permission from the department to continue operating  
8 with a restaurant license pursuant to subsection E of this section.

9 D. The department may conduct an audit of a licensee described in  
10 section 4-209, subsection B, paragraph 12 after twelve months following  
11 the beginning of operations as a restaurant by the licensee to determine  
12 compliance by the licensee with section 4-205.02, except that the  
13 department may conduct an audit of a licensee within the first twelve  
14 months of operation if the licensee has made a substantial modification in  
15 the restaurant equipment, service or entertainment items or seating  
16 capacity during that twelve-month period, in which event the department  
17 may conduct the audit for a period of less than twelve months.

18 E. A restaurant licensee may continue to operate with its  
19 restaurant license if its food sales are at least thirty percent and less  
20 than forty percent and the department approves the continuation of the  
21 restaurant license pursuant to this subsection and subsections C, F, G, H  
22 and I of this section. The department shall not approve more than fifteen  
23 restaurant licenses pursuant to this subsection and subsections C, F, G, H  
24 and I of this section in any fiscal year. The department shall not  
25 approve any additional licenses pursuant to this subsection and  
26 subsections C, F, G, H and I of this section from consent agreements  
27 entered into or audits conducted in any fiscal year after 2012-2013. The  
28 department may approve a request submitted by the licensee to continue to  
29 operate with its restaurant license only if all of the following apply at  
30 the time the licensee files its request with the department:

31 1. The restaurant has a sufficient number of cooks, food  
32 preparation personnel and wait staff to prepare and provide the restaurant  
33 services that are necessary for the menu offered by the licensee.

34 2. The restaurant's equipment is of a sufficient grade and the size  
35 of the restaurant's kitchen is appropriate to the menu offered and the  
36 kitchen occupies not less than twenty percent of the total floor space of  
37 the licensed premises.

38 3. The menu is of a type consistent with a restaurant operation.  
39 In making a determination pursuant to this paragraph, the department may  
40 consider the proportion of food sales to alcohol sales, the price of  
41 spirituous liquor beverages, ADULT HEMP BEVERAGES and food served by the  
42 licensee and whether the licensee provides reduced price or complimentary  
43 food and beverages.

44 4. Not more than thirty percent of the public interior area floor  
45 space consists of pool tables, dart or arcade games, barstools, cocktail

1 tables and similar types of seating and dance floors, and the aggregate  
2 area of all dance floors on the premises is not greater than ten percent  
3 of the total floor space of the public area of the premises.

4 5. The name of the restaurant does not include terms associated  
5 with alcohol consumption, such as "bar", "tavern", "pub", "spirits",  
6 "club", "lounge", "cabaret", "cantina" or "saloon".

7 6. Disposable dinnerware and smallware, including dining utensils,  
8 are not used except in outdoor areas.

9 F. If the department intends to approve a restaurant's continuation  
10 of operation pursuant to subsection E of this section:

11 1. The department shall advise the governing body of the city or  
12 town if the premises are within the incorporated limits of a city or town  
13 or the county of the department's intent.

14 2. The city or town or the county shall post a notice for at least  
15 twenty days on the licensed premises that the licensee has made a request  
16 for continuation to operate with a restaurant license and invite bona fide  
17 residents who own, lease or reside on property within a ~~one-mile~~ ONE-MILE  
18 radius of the licensed premises to file written comments with the  
19 department regarding the request within thirty days after the first  
20 posting of the notice.

21 G. If the local jurisdiction through its governing body or its  
22 authorized agent does not object within ninety days, the licensee may  
23 continue its operation as a restaurant.

24 H. If the department intends to disapprove a restaurant's  
25 continuation of operation pursuant to subsection E of this section, or if  
26 the local jurisdiction or its agent timely objects to its continuation,  
27 the department shall set a hearing before the board and the local  
28 jurisdiction shall post a notice of the hearing for a period of at least  
29 twenty days on the licensed premises. The city or town or the county may  
30 testify at the hearing and bona fide residents who own, lease or reside on  
31 property within a ~~one-mile~~ ONE-MILE radius of the licensed premises may  
32 testify before the board regarding the licensee's request. The board  
33 shall determine whether the restaurant may continue its operation based on  
34 consideration of the criteria listed in subsection E of this section.

35 I. A restaurant licensee may continue to operate with its  
36 restaurant license pursuant to subsection E of this section if the  
37 restaurant and the restaurant licensee continue to meet the requirements  
38 of this subsection, subsection E of this section and any other statute.  
39 As a condition of continuing operation as a restaurant under subsection E  
40 of this section, the department may require the licensee to specifically  
41 acknowledge the representations made by the licensee regarding its  
42 operations in support of the licensee's continuing operation as a  
43 restaurant. Notwithstanding subsection A of this section, if the licensee  
44 changes its operation in any way that materially and detrimentally affects

1 the representations made by the licensee, the department may audit the  
2 licensee or terminate the license without an audit.

3 J. Notwithstanding section 4-209, subsection D, paragraph 12, the  
4 state treasurer shall deposit five percent of the annual fee for a  
5 restaurant that is ~~permitted~~ ALLOWED to continue operating as a restaurant  
6 pursuant to subsection E of this section in the driving under the  
7 influence abatement fund established by section 28-1304.

8 Sec. 28. Section 4-215, Arizona Revised Statutes, is amended to  
9 read:

10 4-215. Regional shopping centers; commercial offices and  
11 retail centers; extension of premises; application;  
12 approval; fee; definition

13 A. The owner or management of a regional shopping center that  
14 encompasses at least four hundred thousand square feet of retail space, on  
15 behalf of retail licensees located at the shopping center, may apply to  
16 the director, on a form prescribed by the director, for an extension of  
17 premises pursuant to this section.

18 B. Notwithstanding the square footage of a commercial office and  
19 retail center, the manager of the commercial office and retail center,  
20 jointly with one or more licensees at the commercial office and retail  
21 center, may apply, on a form prescribed by the director, for an extension  
22 of premises pursuant to this section if all of the following apply:

23 1. The ~~COMMERCIAL OFFICE AND RETAIL~~ center is under one management  
24 company.

25 2. The proposed extended premises are at a central location within  
26 the commercial office and retail center with limited ingress and egress.

27 3. The proposed extended premises are designed in a manner that the  
28 management can provide security and oversight of the extended premises.

29 C. The premises extension, if issued, shall allow designated  
30 on-sale retail licensees to sell spirituous liquor ~~OR ADULT HEMP BEVERAGES~~  
31 and to allow patrons to consume spirituous liquor ~~OR ADULT HEMP BEVERAGES~~  
32 throughout a designated pedestrian area of the regional shopping center or  
33 commercial office and retail center.

34 D. At least sixty days before submitting the application to the  
35 director, the regional shopping center or commercial office and retail  
36 center shall submit a copy of the application to the local governing body  
37 for review. The local governing body has sixty days after the regional  
38 shopping center or commercial office and retail center submits the  
39 application to the local governing body to review the application and  
40 provide advisory recommendations to the director. The director may not  
41 accept an application before the local governing body review period has  
42 elapsed or the local governing body makes its advisory recommendations,  
43 whichever is sooner.

1 E. The application shall include the requirement that the regional  
2 shopping center or commercial office and retail center provide plans or  
3 diagrams designating the specific extension of premises requested within  
4 the regional shopping center or commercial office and retail center. The  
5 plan shall delineate the physical arrangement of the extended premises,  
6 including showing the locations of ingress to and egress from the extended  
7 premises and other features of the extended premises as the director may  
8 require.

9 F. The extended premises authorized by the department may include  
10 only areas limited to pedestrian traffic and may not include or be  
11 bisected by a public or private roadway unless the private roadway is  
12 blocked to vehicular traffic or is immediately adjacent to a public or  
13 private roadway. To delineate the extended premises and to control  
14 spirituous liquor OR ADULT HEMP BEVERAGES service in the extended  
15 premises, the plan may use physical barriers, signage, electronic  
16 surveillance, security guards, cordons or a combination of these barriers  
17 and strategies.

18 G. The application shall include a provision that the regional  
19 shopping center or commercial office and retail center designate the times  
20 of spirituous liquor OR ADULT HEMP BEVERAGES service on the extended  
21 premises. The regional shopping center or commercial office and retail  
22 center may file with the director a request to modify the designated times  
23 of spirituous liquor OR ADULT HEMP BEVERAGES service, and the director,  
24 for good cause shown, may modify the designated times of spirituous liquor  
25 OR ADULT HEMP BEVERAGES service.

26 H. Retail licensees that are subject to an extension of premises  
27 are responsible for compliance with this title on the extended premises.

28 I. An extension of premises is subject to the following:

29 1. The department may charge a fee in an amount prescribed by the  
30 director for reviewing and processing an application submitted pursuant to  
31 this section.

32 2. The director may set day and time limits on using the extended  
33 premises and establish security requirements as a condition of approval.

34 3. The extended premises under this section may not overlap the  
35 licensed premises of any other licensee under this title that is not  
36 subject to the extension of premises.

37 4. The regional shopping center, the manager of the commercial  
38 office and retail center and on-sale retail licensees may not alter the  
39 physical arrangement of the extended premises to use additional or  
40 different space, locations of ingress or egress or accommodations without  
41 first complying with the process provided in subsection A or B of this  
42 section.

43 5. Notwithstanding any other law, the director may cancel or  
44 suspend an on-sale retail licensee's approval to extend its premises under  
45 this section for good cause at any time. The regional shopping center,

1 the manager of the commercial office and retail center or the licensee may  
2 appeal an order to cancel or suspend the approval in accordance with the  
3 administrative appeal provisions provided in this title.

4 6. An extension of premises issued pursuant to this section is not  
5 transferable.

6 J. For the purposes of this section, "local governing body" means  
7 the county board of supervisors if the regional shopping center or  
8 commercial office and retail center is located in an unincorporated area  
9 or the governing body of the city or town if the regional shopping center  
10 or commercial office and retail center is located in a city or town.

11 Sec. 29. Title 4, chapter 2, article 1, Arizona Revised Statutes,  
12 is amended by adding section 4-216, to read:

13 4-216. Adult hemp beverages manufacturer license; issuance;  
14 regulations; fees; definition

15 A. AN ADULT HEMP BEVERAGES MANUFACTURER LICENSE SHALL BE REQUIRED  
16 FOR MANUFACTURING INDUSTRIAL HEMP INTO ADULT HEMP BEVERAGES PRODUCTS AND  
17 OFFERING THOSE PRODUCTS FOR SALE IN THIS STATE.

18 B. THE DIRECTOR MAY ISSUE AN ADULT HEMP BEVERAGES MANUFACTURER  
19 LICENSE TO ANY PERSON, INCLUDING A PRODUCER OR CRAFT PRODUCER LICENSED  
20 UNDER THIS TITLE, WHO HAS DEMONSTRATED OR DEMONSTRATES THE CAPABILITY TO  
21 MEET THE REQUIREMENTS OF THIS SECTION AND SECTIONS 4-202, 4-203 AND 4-225.

22 C. A LICENSED PRODUCER OR CRAFT PRODUCER MAY ELECT TO APPLY FOR THE  
23 AN ADULT HEMP BEVERAGES MANUFACTURER LICENSE UNDER THE PRODUCER'S CURRENT  
24 LICENSE OR APPLY FOR A NEW ADULT HEMP BEVERAGES MANUFACTURER LICENSE  
25 THROUGH ANOTHER LEGAL ENTITY UNDER COMMON OWNERSHIP. A NEW DEMONSTRATION  
26 OF QUALIFICATIONS, CAPABILITY AND RELIABILITY FOR LICENSURE UNDER SECTIONS  
27 4-202 AND 4-203 IS NOT REQUIRED FOR A CURRENTLY LICENSED PRODUCER OR CRAFT  
28 PRODUCER IF THE RIGHT TO ALSO MANUFACTURE ADULT HEMP BEVERAGES IS APPLIED  
29 FOR UNDER A CURRENT LICENSE. EACH LOCATION THAT ENGAGES IN MANUFACTURING  
30 ADULT HEMP BEVERAGES PRODUCTS SHALL OBTAIN A SEPARATE ADULT HEMP BEVERAGES  
31 MANUFACTURER LICENSE. THE LICENSEE MAY NOT TRANSFER THE LICENSE FROM  
32 PERSON TO PERSON OR FROM LOCATION TO LOCATION.

33 D. AT THE TIME OF FILING THE APPLICATION FOR AN ADULT HEMP  
34 BEVERAGES MANUFACTURER LICENSE, AN APPLICANT SHALL ACCOMPANY THE  
35 APPLICATION WITH THE FEE FOR ADDING TO A CURRENT LICENSE OR OBTAINING A  
36 NEW LICENSE. THE DIRECTOR MAY DETERMINE THE AMOUNT OF THE FEE. A PERSON  
37 WHO HOLDS AN ADULT HEMP BEVERAGES MANUFACTURER LICENSE SHALL REPORT  
38 ANNUALLY AT THE END OF EACH CALENDAR YEAR, AT THE TIME AND IN THE MANNER  
39 AS THE DIRECTOR PRESCRIBES, THE AMOUNT OF ADULT HEMP BEVERAGES  
40 MANUFACTURED BY THE LICENSEE DURING THE CALENDAR YEAR.

41 E. A LICENSED ADULT HEMP BEVERAGES MANUFACTURER MAY DO ALL OF THE  
42 FOLLOWING:

43 1. SELL ADULT HEMP BEVERAGES MANUFACTURED ON THE LICENSEE'S  
44 PREMISES TO CONSUMERS OF LEGAL AGE WHO ARE PHYSICALLY PRESENT ON THE  
45 MANUFACTURER'S PREMISES FOR CONSUMPTION ON OR OFF THE PREMISES.



1           2. MAKE SALES AND DELIVERIES OF ADULT HEMP BEVERAGES THAT THE  
2 LICENSEE MANUFACTURES TO PERSONS LICENSED OR PERMITTED UNDER THIS TITLE TO  
3 SELL ADULT HEMP BEVERAGES THROUGH WHOLESALERS LICENSED UNDER THIS TITLE.

4           3. MAKE SALES AND DELIVERIES OF ADULT HEMP BEVERAGES THAT THE  
5 LICENSEE MANUFACTURES TO PERSONS LICENSED TO SELL ADULT HEMP BEVERAGES IN  
6 ANOTHER STATE IF LAWFUL UNDER THE LAWS OF THAT STATE.

7           4. SERVE ADULT HEMP BEVERAGES MANUFACTURED ON THE LICENSEE'S  
8 PREMISES FOR THE PURPOSE OF SAMPLING THE ADULT HEMP BEVERAGES.

9           5. ALLOW A REPRESENTATIVE OF THE LICENSEE TO CONSUME SMALL AMOUNTS  
10 OF THE ADULT HEMP BEVERAGES MANUFACTURED ON THE LICENSEE'S PREMISES FOR  
11 THE PURPOSE OF SAMPLING THE PRODUCTS.

12           F. EXCEPT AS EXPRESSLY ALLOWED UNDER THIS SECTION OR SECTION  
13 4-205.04, 4-205.08, 4-205.09, 4-205.10, 4-205.11, 4-205.12, 4-205.14 OR  
14 4-243.02, AN ADULT HEMP BEVERAGES MANUFACTURER LICENSEE IS PROHIBITED FROM  
15 HOLDING ANY RETAIL LICENSE UNDER THIS TITLE OR SELLING DIRECTLY TO A  
16 RETAILER OR CONSUMER.

17           G. AN ADULT HEMP BEVERAGES MANUFACTURER LICENSE MAY BE STACKED ON  
18 THE SAME OR CONTIGUOUS PREMISES WITH A PRODUCER OR CRAFT PRODUCER LICENSE  
19 HELD UNDER COMMON OWNERSHIP.

20           H. ON OR BEFORE JULY 1, 2026, THE DIRECTOR SHALL ADOPT RULES  
21 PURSUANT TO TITLE 41, CHAPTER 6 TO CARRY OUT THIS SECTION.

22           I. FOR THE PURPOSES OF THIS SECTION, "MANUFACTURE" AND  
23 "MANUFACTURING":

24           1. MEANS TO COMPOUND, BLEND, INFUSE OR OTHERWISE MAKE OR PREPARE AN  
25 ADULT HEMP BEVERAGES PRODUCT.

26           2. DOES NOT INCLUDE EXTRACTION OF CANNABINOIDS FROM INDUSTRIAL  
27 HEMP.

28           Sec. 30. Section 4-222, Arizona Revised Statutes, is amended to  
29 read:

30           4-222. Registration of retail agents; fees

31           A. Every person who holds a bar, beer and wine bar, liquor store,  
32 beer and wine store, club, hotel-motel or restaurant license and who is  
33 authorized by other similarly licensed retailers to act as their retail  
34 agent shall register with the director. Such registration shall be in  
35 accordance with the rules adopted by the director pursuant to section  
36 4-112 and shall also include a listing of the names and business addresses  
37 of those similarly licensed retailers who have authorized ~~him~~ THE PERSON  
38 to act as their retail agent. While possessing a certificate of  
39 registration, a retail agent shall be entitled to purchase and shall  
40 accept delivery of spirituous liquors OR ADULT HEMP BEVERAGES for which ~~he~~  
41 THE RETAIL AGENT is licensed for and on behalf of ~~himself~~ THE RETAIL AGENT  
42 and those similarly licensed retailers who have authorized ~~him~~ THE RETAIL  
43 AGENT to act as their retail agent with the delivery to be made at the  
44 retail agent's licensed premises or other location authorized by the  
45 department. On the termination of such authorization by any retailer, the

1 retail agent shall promptly notify the director. ~~Nothing in~~ This section  
2 ~~shall~~ DOES NOT require a wholesaler to sell malt beverages OR ADULT HEMP  
3 BEVERAGES to a registered retail agent for distribution to other  
4 retailers.

5 B. A fee of ~~five dollars~~ \$5 shall be collected for each registered  
6 retailer in this state, and a fee of ~~fifty dollars~~ \$50 for each registered  
7 agent for a distillery, winery, brewery, importer or broker having its  
8 place of manufacture or business outside of ~~the~~ THIS state.

9 C. The director shall issue a certificate of registration to each  
10 person so registered as provided in this section, and may, for good cause  
11 shown, cancel any certificate of registration so issued.

12 Sec. 31. Section 4-223, Arizona Revised Statutes, is amended to  
13 read:

14 4-223. Authority of cities and towns to tax transactions  
15 involving spirituous liquors or adult hemp  
16 beverages; prohibitions

17 A. In addition to the taxes provided for in this chapter,  
18 incorporated cities and towns ~~shall~~ have the power to levy a tax on the  
19 privilege of engaging or continuing in the business of selling spirituous  
20 liquor OR ADULT HEMP BEVERAGES at retail within their corporate limits and  
21 to impose a permit tax or fee, but this section ~~shall~~ DOES not apply to  
22 wholesalers licensed under section 4-209.

23 B. This section ~~shall~~ DOES not ~~be construed to~~ give to incorporated  
24 cities and towns power to prohibit the PRODUCTION, manufacture, sale,  
25 distribution, and disposal of ~~intoxicating~~ SPIRITUOUS liquors OR ADULT  
26 HEMP BEVERAGES.

27 Sec. 32. Section 4-224, Arizona Revised Statutes, is amended to  
28 read:

29 4-224. Local ordinances; prohibitions

30 A city, town or county shall not adopt ordinances or regulations in  
31 conflict with ~~the provisions of~~ this title or any rules adopted pursuant  
32 to this title, including, ~~but not limited to,~~ ordinances or regulations  
33 pertaining to hours and days of SPIRITUOUS liquor sales OR ADULT HEMP  
34 BEVERAGES SALES and ordinances or regulations that conflict with the  
35 definition of restaurant in section 4-205.02. A city, town or county  
36 shall not limit any right granted by the license, by this title or by any  
37 rules adopted pursuant to this title. A city, town or county may enforce  
38 lawful zoning requirements. Zoning shall not be a basis for protesting or  
39 denying a license under this title.

40 Sec. 33. Repeal

41 Section 4-225, Arizona Revised Statutes, is repealed.

1           Sec. 34. Title 4, chapter 2, article 2, Arizona Revised Statutes,  
2 is amended by adding a new section 4-225, to read:

3           4-225. Adult hemp beverages; rules; testing; labeling

4           A. A PRODUCER, CRAFT PRODUCER OR ADULT HEMP BEVERAGES MANUFACTURER  
5 SHALL HAVE ALL ADULT HEMP BEVERAGES TESTED BEFORE DISTRIBUTION TO A  
6 WHOLESALER. THE TESTING SHALL DETERMINE THE POTENCY AND AMOUNTS OF THE  
7 SUBSTANCES PRESCRIBED IN SUBSECTION B OF THIS SECTION. NO ADULT HEMP  
8 BEVERAGES PRODUCT SHALL BE DISTRIBUTED OR SOLD IN THIS STATE THAT HAS NOT  
9 BEEN TESTED OR THAT CONTAINS MORE THAN THE MAXIMUM AMOUNT OF TOTAL  
10 TETRAHYDROCANNABINOL THAT IS ALLOWED UNDER THIS TITLE OR THE MAXIMUM  
11 AMOUNT THAT IS STATED FOR ANY SUBSTANCE PRESCRIBED IN SUBSECTION B OF THIS  
12 SECTION. NO PRODUCT SHALL HAVE A VARIANCE OF MORE THAN TEN PERCENT BELOW  
13 OR ABOVE THE MAXIMUM TOTAL TETRAHYDROCANNABINOL LIMIT.

14           B. ON OR BEFORE JULY 1, 2026, THE DEPARTMENT SHALL ADOPT RULES  
15 SPECIFYING PASS OR FAIL ACTION LEVELS AND VARIANCE LEVELS THAT ARE ALLOWED  
16 FOR POTENCY, SAFETY AND TOXICITY WITH RESPECT TO THE TESTING REQUIRED BY  
17 THIS SECTION. ALL ADULT HEMP BEVERAGES OFFERED FOR SALE OR DISTRIBUTION IN  
18 THIS STATE SHALL CONTAIN ONLY NATURALLY OCCURRING CANNABINOIDS AND SHALL  
19 BE TESTED FOR POTENCY AND THE PRESENCE OF PESTICIDES, MICROBIALS, RESIDUAL  
20 SOLVENTS AND HEAVY METALS.

21           C. A PRODUCER OR ADULT HEMP BEVERAGES MANUFACTURER SHALL CONTRACT  
22 WITH AN APPROVED INDEPENDENT TESTING LABORATORY TO PROVIDE THE TESTING AND  
23 CERTIFICATE OF ANALYSIS THAT IS REQUIRED PURSUANT TO THIS SECTION. AN  
24 INDEPENDENT TESTING LABORATORY THAT PROVIDES TESTING SHALL USE  
25 HIGH-PERFORMANCE LIQUID CHROMATOGRAPHY FOR ANY SEPARATION AND MEASUREMENT  
26 THAT IS REQUIRED IN THE TESTING.

27           D. AN INDEPENDENT TESTING LABORATORY THAT PERFORMS TESTING OF ADULT  
28 HEMP BEVERAGES PURSUANT TO THIS SECTION SHALL MEET ALL OF THE FOLLOWING  
29 REQUIREMENTS:

30           1. BE A QUALIFIED LABORATORY THAT IS APPROVED BY THE DEPARTMENT TO  
31 ANALYZE THE POTENCY OF ADULT HEMP BEVERAGES AND TEST ADULT HEMP BEVERAGES  
32 FOR HARMFUL CONTAMINANTS IN ACCORDANCE WITH THE REQUIREMENTS OF THIS  
33 SECTION AND ANY APPLICABLE RULES.

34           2. HOLD AN ISO 17025 ACCREDITATION OR BE REGISTERED WITH THE  
35 FEDERAL DRUG ENFORCEMENT ADMINISTRATION IN ACCORDANCE WITH 21 CODE OF  
36 FEDERAL REGULATIONS SECTION 1301.13.

37           3. HAVE NO DIRECT OR INDIRECT INTEREST IN THE ENTITY WHOSE PRODUCT  
38 IS BEING TESTED.

39           4. HAVE NO DIRECT OR INDIRECT INTEREST IN ANY PRODUCER,  
40 MANUFACTURER, WHOLESALER OR RETAILER LICENSED UNDER THIS TITLE.

41           E. EACH ADULT HEMP BEVERAGE TESTED IN ACCORDANCE WITH THIS SECTION  
42 SHALL BE ACCOMPANIED BY A VALIDLY ISSUED CERTIFICATE OF ANALYSIS FROM AN  
43 APPROVED INDEPENDENT TESTING LABORATORY TO DEMONSTRATE ALL OF THE  
44 FOLLOWING:

- 1           1. THE BATCH IDENTIFICATION NUMBER.
- 2           2. THE DATE RECEIVED.
- 3           3. THE DATE OF COMPLETION.
- 4           4. THE METHOD OF ANALYSIS FOR EACH TEST CONDUCTED.
- 5           5. PROOF THAT THE CERTIFICATE OF ANALYSIS IS CONNECTED TO THE
- 6           PRODUCT.
- 7           F. EACH BATCH OF ADULT HEMP BEVERAGES MANUFACTURED SHALL UNDERGO
- 8           TESTING AND OBTAIN A CERTIFICATE OF ANALYSIS BY AN APPROVED INDEPENDENT
- 9           TESTING LABORATORY.
- 10          G. ALL ADULT HEMP BEVERAGES SHALL HAVE AN EXPIRATION DATE ON THE
- 11          LABEL THAT CONFORMS WITH APPLICABLE LAW AND SHALL BE NOT MORE THAN TWO
- 12          YEARS AFTER THE DATE OF PUBLICATION OF THE PRODUCT'S CERTIFICATE OF
- 13          ANALYSIS THAT IS REQUIRED UNDER THIS SECTION.
- 14          H. THE DEPARTMENT SHALL DO BOTH OF THE FOLLOWING:
- 15           1. MAINTAIN AND POST ON THE DEPARTMENT'S WEBSITE A REGISTRY OF
- 16           INDEPENDENT TESTING LABORATORIES THAT THE DEPARTMENT APPROVES TO TEST
- 17           ADULT HEMP BEVERAGES.
- 18           2. DEVELOP A PERMIT APPLICATION BY WHICH INDEPENDENT TESTING
- 19           LABORATORIES ARE APPROVED AND LISTED ON THE DEPARTMENT'S WEBSITE. THE
- 20           PERMIT APPLICATION SUBMITTED BY A POTENTIALLY QUALIFYING INDEPENDENT
- 21           TESTING LABORATORY MUST INCLUDE A SAMPLE CERTIFICATE OF ANALYSIS ISSUED BY
- 22           THE APPLYING LABORATORY.
- 23           I. THE LABEL OF AN ADULT HEMP BEVERAGE OFFERED FOR DISTRIBUTION AND
- 24           SALE IN THIS STATE SHALL CONTAIN ALL OF THE FOLLOWING INFORMATION:
- 25           1. THE BRAND NAME.
- 26           2. THE SIZE OF THE CONTAINER AND SERVING SIZE.
- 27           3. THE NET WEIGHT OR VOLUME OF THE PRODUCT.
- 28           4. A LIST OF INGREDIENTS, INCLUDING:
- 29           (a) THE AMOUNT OF ANY ADVERTISED CANNABINOID IN MILLIGRAMS.
- 30           (b) THE AMOUNT OF ANY PRIMARY CANNABINOID IN MILLIGRAMS.
- 31           (c) THE AMOUNT OF TOTAL TETRAHYDROCANNABINOL AND NUMBER OF SERVINGS
- 32           IN MILLIGRAMS.
- 33           5. THE BATCH NUMBER.
- 34           6. A STATEMENT THAT USE WHILE PREGNANT OR BREASTFEEDING MAY BE
- 35           HARMFUL.
- 36           7. A STATEMENT THAT THE PRODUCT CONTAINS HEMP-DERIVED
- 37           TETRAHYDROCANNABINOL CANNABINOIDS AND THAT CONSUMPTION OF CERTAIN
- 38           TETRAHYDROCANNABINOL CANNABINOIDS MAY IMPAIR YOUR ABILITY TO DRIVE OR
- 39           OPERATE HEAVY MACHINERY.
- 40           8. A STATEMENT TO KEEP OUT OF THE REACH OF CHILDREN AND PETS.
- 41           9. A STATEMENT OR ICON THAT THE PRODUCT IS INTENDED FOR USE BY
- 42           PERSONS TWENTY-ONE YEARS OF AGE OR OLDER ONLY.

1           10. A STATEMENT THAT CONSUMING ADULT HEMP BEVERAGE PRODUCTS MAY  
2 RESULT IN A FAILED DRUG TEST.

3           11. A STATEMENT THAT THIS PRODUCT HAS NOT BEEN EVALUATED BY THE  
4 FOOD AND DRUG ADMINISTRATION AND THIS PRODUCT IS NOT INTENDED TO DIAGNOSE,  
5 TREAT, CURE OR PREVENT ANY DISEASE.

6           12. THE EXPIRATION DATE.

7           J. ALL ADULT HEMP BEVERAGES PACKAGING SHALL INCLUDE A WEBSITE LINK  
8 BY INCLUDING A QUICK RESPONSE CODE THAT LINKS TO THE PRODUCER'S WEBSITE,  
9 THE PRODUCER'S CERTIFICATE OF ANALYSIS PROVIDED BY AN INDEPENDENT TESTING  
10 LABORATORY AND THE PRODUCER'S NAME, PHYSICAL ADDRESS, TELEPHONE NUMBER AND  
11 EMAIL ADDRESS.

12           Sec. 35. Section 4-226, Arizona Revised Statutes, is amended to  
13 read:

14           4-226. Exemptions

15           This title does not apply to the following:

16           1. Drugstores selling spirituous liquors only on prescription.  
17           2. Any confectionery candy containing less than five percent by  
18 weight of alcohol.

19           3. Ethyl alcohol intended for use or used for the following  
20 purposes:

21           (a) Scientific, chemical, mechanical, industrial and medicinal  
22 purposes. For the purposes of this ~~paragraph~~ SUBDIVISION, medicinal  
23 purposes do not include ethyl alcohol or spirituous liquor that contains  
24 marijuana or usable marijuana as defined in section 36-2801.

25           (b) By those authorized to procure spirituous liquor or ethyl  
26 alcohol tax-free, as provided by the acts of Congress and regulations  
27 promulgated under the acts of Congress.

28           (c) In the manufacture of denatured alcohol produced and used as  
29 provided by the acts of Congress and regulations promulgated under the  
30 acts of Congress.

31           (d) In the manufacture of patented, patent, proprietary, medicinal,  
32 pharmaceutical, antiseptic, toilet, scientific, chemical, mechanical and  
33 industrial preparations or products, unfit and not used for beverage  
34 purposes.

35           (e) In the manufacture of flavoring extracts and syrups unfit for  
36 beverage purposes.

37           4. The purchase, storage, distribution, service or consumption of  
38 wine in connection with the bona fide practice of a religious belief or as  
39 an integral part of a religious exercise by a church recognized by the  
40 United States internal revenue service under section 501(c)(3) of the  
41 internal revenue code and in a manner not dangerous to public health or  
42 safety. This exemption does not apply to any alleged violation of section  
43 4-244, paragraph 9, 34, 35 or 41.

1           5. Beer or wine produced for personal or family use that is not for  
2 sale. The beer or wine may be removed from the premises where it was made  
3 and exhibited at organized affairs, exhibitions or competitions, such as  
4 homebrewers' or home winemakers' contests, tasting or judging.

5           6. The manufacture or sale of bitters products that have been  
6 classified and approved as a nonbeverage product or unfit for beverage  
7 purposes by the United States alcohol and tobacco tax and trade bureau.  
8 This paragraph is consistent with the classification guidelines as  
9 established and administered by the United States alcohol and tobacco tax  
10 and trade bureau.

11           7. THE EXTRACTION OF CANNABINOIDS FROM INDUSTRIAL HEMP, THE PRODUCT  
12 OF WHICH IS AN EXTRACT USED TO MANUFACTURE AN ADULT HEMP BEVERAGES  
13 PRODUCT.

14           Sec. 36. Section 4-227, Arizona Revised Statutes, is amended to  
15 read:

16           4-227. Qualified retail cooperatives; pricing; definitions

17           A. A wholesaler shall sell its product to a qualified retail  
18 cooperative at prices established by the quantity of spirituous liquor OR  
19 ADULT HEMP BEVERAGES being purchased.

20           B. As used in this section:

21           1. "Product" means a particular brand of spirituous liquor OR ADULT  
22 HEMP BEVERAGES in a designated size container or a mix of brands and  
23 containers when sold on a combined basis established by the wholesaler  
24 that is offered on quantity discount terms established by the wholesaler.

25           2. "Qualified retail cooperative" means a retail cooperative of two  
26 or more retail licensees or licenses.

27           Sec. 37. Section 4-227.01, Arizona Revised Statutes, is amended to  
28 read:

29           4-227.01. Channel pricing; definition

30           A. The wholesaler may employ channel pricing to sell its product to  
31 on-sale licensees at a different price than the wholesaler sells its  
32 product to off-sale licensees. All channel pricing discounts must be:

33           1. Based on the volume of the product delivered within a  
34 twenty-four hour period.

35           2. Made equally available to each retailer in that retailer's  
36 channel.

37           B. If an establishment has multiple licenses at the same location  
38 and the licenses are not from the same channel, the spirituous liquor OR  
39 ADULT HEMP BEVERAGES shall be sold under the channel that represents the  
40 primary use of the premises.

41           C. For the purposes of this section, "product" means a particular  
42 brand of spirituous liquor OR ADULT HEMP BEVERAGES in a designated size  
43 container or a mix of brands and containers when sold on a combined basis  
44 as established by the wholesaler that is offered in quantity discount  
45 terms established by the wholesaler.

1           Sec. 38. Section 4-241, Arizona Revised Statutes, is amended to  
2 read:

3           4-241. Selling or giving liquor or adult hemp beverages to  
4           underage person; illegally obtaining liquor or adult  
5           hemp beverages by underage person; violation;  
6           classification

7           A. If a licensee, an employee of the licensee or any other person  
8 questions or has reason to question that the person ordering, purchasing,  
9 attempting to purchase or otherwise procuring or attempting to procure the  
10 serving or delivery of spirituous liquor OR ADULT HEMP BEVERAGES or  
11 entering a portion of a licensed premises when the primary use is the sale  
12 or service of spirituous liquor OR ADULT HEMP BEVERAGES is under the legal  
13 drinking age, the licensee, employee of the licensee or other person shall  
14 do all of the following:

15           1. Demand identification from the person.

16           2. Examine the identification to determine that the identification  
17 reasonably appears to be a valid, unaltered identification that has not  
18 been defaced.

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

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

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

39           C. Proof that the licensee or employee followed the entire  
40 procedure prescribed in subsection A of this section but did not record  
41 and retain a record as prescribed in subsection B of this section is an  
42 affirmative defense to a criminal charge under subsection J of this  
43 section or under section 4-244, paragraph 9 or 22 or a disciplinary action  
44 under section 4-210 for a violation of subsection J of this section or  
45 section 4-244, paragraph 9 or 22. This defense applies to actions of the

1 licensee and all employees of the licensee after the procedure has been  
2 employed during the particular visit to the licensed premises by the  
3 person.

4 D. A licensee or an employee who has not recorded and retained a  
5 record of the identification as prescribed by subsection B of this section  
6 is presumed not to have followed any of the elements prescribed in  
7 subsection A of this section.

8 E. For the purposes of section 4-244, paragraph 22, a licensee or  
9 an employee who has not recorded and retained a record of the  
10 identification as prescribed by subsection B of this section is presumed  
11 to know that the person entering or attempting to enter a portion of a  
12 licensed premises when the primary use is the sale or service of  
13 spirituous liquor OR ADULT HEMP BEVERAGES is under the legal drinking age.

14 F. It is a defense to a violation of subsection A of this section  
15 if the person ordering, purchasing, attempting to purchase or otherwise  
16 procuring or attempting to procure the serving or delivery of spirituous  
17 liquor OR ADULT HEMP BEVERAGES or to enter a portion of a licensed  
18 premises when the primary use is the sale or service of spirituous liquor  
19 OR ADULT HEMP BEVERAGES is not under the legal drinking age.

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

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

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

29 1. A writing containing the type of identification, the date of  
30 issuance of the identification, the name on the identification, the date  
31 of birth on the identification and the signature of the person.

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

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

35 4. A photograph of the identification.

36 5. A digital copy of the identification.

37 J. An off-sale retail licensee or employee of an off-sale retail  
38 licensee shall require an instrument of identification from any customer  
39 who appears to be under twenty-seven years of age and who is using a  
40 drive-through or other physical feature of the licensed premises that  
41 allows a customer to purchase spirituous liquor OR ADULT HEMP BEVERAGES  
42 without leaving the customer's vehicle.

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



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

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

8           3. An unexpired nonoperating identification license issued pursuant  
9 to section 28-3165. An unexpired nonoperating license issued to a person  
10 who is under twenty-one years of age is no longer an acceptable type of  
11 identification under this paragraph thirty days after the person turns  
12 twenty-one years of age.

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

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

20           6. A valid unexpired passport or a valid unexpired resident alien  
21 card that contains a photograph of the person and the person's date of  
22 birth.

23           7. A valid unexpired consular identification card that is issued by  
24 a foreign government if the foreign government uses biometric identity  
25 verification techniques in issuing the consular identification card. For  
26 the purposes of this paragraph, "biometric identity verification  
27 techniques" has the same meaning prescribed in section 41-5001.

28           8. A valid unexpired border crossing card issued by the United  
29 States government that contains a photograph of the person and the  
30 person's date of birth.

31           L. A person who is under the legal drinking age and who  
32 misrepresents the person's age to any person by means of a written  
33 instrument of identification with the intent to induce a person to sell,  
34 serve, give or furnish spirituous liquor OR ADULT HEMP BEVERAGES contrary  
35 to law is guilty of a class 1 misdemeanor.

36           M. A person who is under the legal drinking age and who solicits  
37 another person to purchase, sell, give, serve or furnish spirituous liquor  
38 OR ADULT HEMP BEVERAGES contrary to law is guilty of a class 3  
39 misdemeanor.

40           N. A person who is under the legal drinking age and who uses a  
41 fraudulent or false written instrument of identification or identification  
42 of another person or uses a valid license or identification of another  
43 person to gain access to a licensed establishment is guilty of a class 1  
44 misdemeanor.

1           O. A person who uses a driver or nonoperating identification  
2 license in violation of subsection L or N of this section is subject to  
3 suspension of the driver or nonoperating identification license as  
4 provided in section 28-3309. A person who does not have a valid driver or  
5 nonoperating identification license and who uses a driver or nonoperating  
6 identification license of another in violation of subsection N of this  
7 section has the person's right to apply for a driver or nonoperating  
8 identification license suspended as provided by section 28-3309.

9           P. A person who knowingly influences the sale, giving or serving of  
10 spirituous liquor ~~OR ADULT HEMP BEVERAGES~~ to a person under the legal  
11 drinking age by misrepresenting the age of such person or who orders,  
12 requests, receives or procures spirituous liquor ~~OR ADULT HEMP BEVERAGES~~  
13 from any licensee, employee or other person with the intent of selling,  
14 giving or serving it to a person under the legal drinking age is guilty of  
15 a class 1 misdemeanor. A licensee or employee of a licensee who has  
16 actual knowledge that a person is under the legal drinking age and who  
17 admits the person into any portion of the licensed premises in violation  
18 of section 4-244, paragraph 22 is in violation of this subsection. In  
19 addition to other penalties provided by law, a judge may suspend a driver  
20 license issued to or the driving privilege of a person for not more than  
21 thirty days for a first conviction and not more than six months for a  
22 second or subsequent conviction under this subsection.

23           Q. A person who is at least eighteen years of age and who is an  
24 occupant of an unlicensed premises is guilty of a class 1 misdemeanor if  
25 the person knowingly hosts on the unlicensed premises a gathering of two  
26 or more persons who are under the legal drinking age and if the person  
27 knows that one or more of the persons under the legal drinking age are in  
28 possession of or consuming spirituous liquor ~~OR ADULT HEMP BEVERAGES~~ on  
29 the unlicensed premises.

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

31           1. "Hosts" means allowing or promoting a party, gathering or event  
32 at a person's place of residence or other premises under the person's  
33 ownership or control where spirituous liquor ~~is~~ ~~OR ADULT HEMP BEVERAGES~~  
34 ~~ARE~~ served to, in the possession of or consumed by an underage person.

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

37           S. A peace officer shall forward or electronically transfer to the  
38 director of the department of transportation the affidavit required by  
39 section 28-3310 if the peace officer has arrested a person for committing  
40 an offense for which, on conviction, suspension of the license or  
41 privilege to operate a motor vehicle is required by section 28-3309,  
42 subsection A, B, C or D, or if the peace officer has confiscated a false  
43 identification document used by the person to gain access to licensed  
44 premises.

1 T. A person who acts under a program of testing compliance with  
2 this title that is approved by the director is not in violation of section  
3 4-244.

4 U. Law enforcement agencies may use persons who are under the legal  
5 drinking age to test compliance with this section and section 4-244,  
6 paragraph 9 by a licensee if the law enforcement agency has reasonable  
7 suspicion that the licensee is violating this section or section 4-244,  
8 paragraph 9. A person who is under the legal drinking age and who  
9 purchases or attempts to purchase spirituous liquor OR ADULT HEMP  
10 BEVERAGES under the direction of a law enforcement agency pursuant to this  
11 subsection is immune from prosecution for that purchase or attempted  
12 purchase. Law enforcement agencies may use a person under the legal  
13 drinking age pursuant to this subsection only if:

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

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

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

19 4. A photograph of the person is taken not more than twelve hours  
20 before the purchase or attempted purchase. The photograph shall  
21 accurately depict the person's appearance and attire. A licensee or an  
22 employee of a licensee who is cited for selling spirituous liquor OR ADULT  
23 HEMP PRODUCTS to a person under the legal drinking age pursuant to this  
24 subsection is allowed to inspect the photograph immediately after the  
25 citation is issued. The person's appearance at any trial or  
26 administrative hearing that results from a citation shall not be  
27 substantially different from the person's appearance at the time the  
28 citation was issued.

29 5. The person places, receives and pays for the person's order of  
30 spirituous liquor OR ADULT HEMP BEVERAGES. An adult shall not accompany  
31 the person onto the premises of the licensee.

32 6. The person does not consume any spirituous liquor OR ADULT HEMP  
33 PRODUCTS.

34 V. The department may adopt rules to carry out the purposes of this  
35 section.

36 W. In lieu of or in addition to the procedures prescribed in  
37 subsection A of this section, a licensee, an employee of the licensee or  
38 any other person who questions or has reason to question whether the  
39 person ordering, purchasing, attempting to purchase or otherwise procuring  
40 or attempting to procure the serving or delivery of spirituous liquor OR  
41 ADULT HEMP BEVERAGES or entering a portion of a licensed premises when the  
42 primary use is the sale or service of spirituous liquor OR ADULT HEMP  
43 BEVERAGES is under the legal drinking age, the licensee, employee of the  
44 licensee or other person may use a biometric identity verification device  
45 to determine the person's age. In any instance where the device indicates

1 the person is under the legal drinking age, the attempted purchase,  
2 procurement or entry shall be denied.

3 Sec. 39. Section 4-242, Arizona Revised Statutes, is amended to  
4 read:

5 4-242. Sale of spirituous liquor or adult hemp beverages on  
6 credit prohibited; exceptions

7 A. It is unlawful for a retail licensee, or an employee or agent of  
8 a licensee, to sell or offer to sell, directly or indirectly, or to  
9 sanction the sale on credit of spirituous liquor OR ADULT HEMP BEVERAGES  
10 to a retailer's customer, or to give, lend or advance money or anything of  
11 value to a retail customer for the purpose of purchasing or bartering for  
12 spirituous liquor OR ADULT HEMP BEVERAGES, except that sales of spirituous  
13 liquor OR ADULT HEMP BEVERAGES consumed on the retail licensed premises  
14 may be included on bills rendered to registered guests in hotels and  
15 motels, and spirituous liquor sales OR ADULT HEMP BEVERAGES SALES for on  
16 or off premises consumption may be made with credit cards approved by the  
17 director, and sales of spirituous liquor OR ADULT HEMP BEVERAGES consumed  
18 on the premises of private clubs may be included on bills rendered to bona  
19 fide members.

20 B. Any wholesaler or producer may engage in credit transactions  
21 with any other wholesaler or producer.

22 Sec. 40. Section 4-243, Arizona Revised Statutes, is amended to  
23 read:

24 4-243. Commercial coercion or bribery unlawful; exceptions

25 A. It is unlawful for a person engaged in the business of  
26 distiller, vintner, brewer, rectifier or blender or any other producer or  
27 wholesaler of any spirituous liquor OR ADULT HEMP BEVERAGES, directly or  
28 indirectly, or through an affiliate:

29 1. To require that a retailer purchase spirituous liquor OR ADULT  
30 HEMP BEVERAGES from the producer or wholesaler to the exclusion, in whole  
31 or in part, of spirituous liquor OR ADULT HEMP BEVERAGES sold or offered  
32 for sale by other persons.

33 2. To induce a retailer by any form of commercial bribery to  
34 purchase spirituous liquor OR ADULT HEMP BEVERAGES from the producer or  
35 wholesaler to the exclusion, in whole or in part, of spirituous liquor OR  
36 ADULT HEMP BEVERAGES sold or offered for sale by other persons.

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

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

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

4           6. To guarantee a loan or repayment of a financial obligation of  
5 the retailer.

6           7. To extend credit to the retailer on a sale of spirituous liquor  
7 OR ADULT HEMP BEVERAGES.

8           8. To require the retailer to take and dispose of a certain quota  
9 of spirituous liquor OR ADULT HEMP BEVERAGES.

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

12          B. This section does not prohibit any distiller, vintner, brewer,  
13 rectifier, blender or other producer or wholesaler of any spirituous  
14 liquor OR ADULT HEMP BEVERAGES from:

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

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

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

24           (b) Sampling shall be limited to sixteen ounces of beer or cooler  
25 products, SIX OUNCES OF ADULT HEMP BEVERAGE PRODUCTS, six ounces of wine  
26 or two ounces of distilled spirits per person per brand.

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

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

33           (e) The producer or wholesaler may not give a keg of beer or any  
34 spirituous liquor OR ADULT HEMP BEVERAGES or any other gifts or benefits  
35 to the on-sale retailer.

36           (f) All sampling procedures shall comply with APPLICABLE federal  
37 sampling laws and regulations.

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

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

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

1 (c) Sampling is limited to three ounces of beer, TWO OUNCES OF  
2 ADULT HEMP BEVERAGE PRODUCTS, one and one-half ounces of wine or one ounce  
3 of distilled spirits per person per day for consumption on the premises  
4 and up to seventy-two ounces of beer, TWELVE OUNCES OF ADULT HEMP BEVERAGE  
5 PRODUCTS and two ounces of distilled spirits per person per day for  
6 consumption off the premises.

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

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

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

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

20 (h) The producer or wholesaler may not provide samples to the  
21 retailer or the retailer's employees.

22 (i) Sampling shall not be conducted in retail premises with a total  
23 of under five thousand square feet of retail space unless at least  
24 seventy-five percent of the retailer's shelf space is dedicated to the  
25 sale of spirituous liquor OR ADULT HEMP BEVERAGES.

26 (j) The producer or wholesaler may not give spirituous liquor,  
27 ADULT HEMP BEVERAGES or any other gifts or benefits to the off-sale  
28 retailer.

29 (k) All sampling procedures shall comply with APPLICABLE federal  
30 sampling laws and regulations.

31 C. Notwithstanding subsection A, paragraph 4 of this section, any  
32 wholesaler of any spirituous liquor OR ADULT HEMP BEVERAGES may sell  
33 tobacco products or foodstuffs to a retailer at a price not less than the  
34 cost to the wholesaler.

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

41 1. Means items of equipment, supplies, novelties or other  
42 advertising specialties that conspicuously display the brand name of a  
43 spirituous liquor product.

44 2. Does not include signs, dispensing or tapping machines or  
45 equipment or refrigerators.

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

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

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

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

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

21 Sec. 41. Section 4-243.01, Arizona Revised Statutes, is amended to  
22 read:

23 4-243.01. Purchasing from other than primary source of supply  
24 unlawful; definitions

25 A. It is unlawful:

26 1. For any supplier to solicit, accept or fill any order for any  
27 spirituous liquor OR ADULT HEMP BEVERAGES from any wholesaler in this  
28 state unless the supplier is the primary source of supply for the brand of  
29 spirituous liquor OR ADULT HEMP BEVERAGES sold or sought to be sold and is  
30 duly licensed by the board.

31 2. For any wholesaler or any other licensee in this state to order,  
32 purchase or receive any spirituous liquor OR ADULT HEMP BEVERAGES from any  
33 supplier unless the supplier is the primary source of supply for the brand  
34 ordered, purchased or received.

35 3. Except as provided by section 4-243.02, for a retailer to order,  
36 purchase or receive any spirituous liquor OR ADULT HEMP BEVERAGES from any  
37 source other than any of the following:

38 (a) A wholesaler that has purchased the brand from the primary  
39 source of supply.

40 (b) A wholesaler that is the designated representative of the  
41 primary source of supply in this state and that has purchased such  
42 spirituous liquor OR ADULT HEMP BEVERAGES from the designated  
43 representative of the primary source of supply within or without this  
44 state.

45 (c) A registered retail agent ~~as defined in section 4-101.~~



1 (d) A farm winery that is licensed under section 4-205.04 and that  
2 is subject to the limits prescribed in section 4-205.04, subsection C,  
3 paragraph 7.

4 (e) A licensed microbrewery licensed under section 4-205.08.

5 (f) A craft distiller that is licensed under section 4-205.10 and  
6 that is subject to the limits prescribed in section 4-205.10, subsection  
7 C, paragraph 5.

8 B. All spirituous liquor **OR ADULT HEMP BEVERAGES** shipped into this  
9 state shall be invoiced to the wholesaler by the primary source of supply.  
10 All spirituous liquor **OR ADULT HEMP BEVERAGES** shall be unloaded and remain  
11 at the wholesaler's premises for at least twenty-four hours. A copy of  
12 each invoice shall be transmitted by the wholesaler and the primary source  
13 of supply to the department of revenue.

14 C. The director may suspend for a period of one year the license of  
15 any wholesaler or retailer who violates this section.

16 D. On determination by the department of revenue that a primary  
17 source of supply has violated this section, a wholesaler may not accept  
18 any shipment of spirituous liquor **OR ADULT HEMP BEVERAGES** from such  
19 primary source of supply for a period of one year.

20 E. For the purposes of this section:

21 1. "Primary source of supply" means the distiller, producer, owner  
22 of the commodity at the time it becomes a marketable product, bottler or  
23 exclusive agent of any such distributor or owner. In the case of imported  
24 products, the primary source of supply means either the foreign producer,  
25 owner, bottler or agent or the prime importer from, or the exclusive agent  
26 in, the United States of the foreign distiller, producer, bottler or  
27 owner.

28 2. "Wholesaler" means any person, firm or corporation that is  
29 licensed in this state to sell to retailers and that is engaged in the  
30 business of warehousing and distributing brands of various suppliers to  
31 retailers generally in the marketing area in which the wholesaler is  
32 located.

33 Sec. 42. Section 4-243.02, Arizona Revised Statutes, is amended to  
34 read:

35 **4-243.02. Sale of beer, wine, distilled spirits or adult hemp**  
36 **beverages by producer: limitations**

37 A. A person who holds a producer's license may sell beer produced  
38 by the producer through the producer's own on-sale retail premises if:

39 1. The producer also holds an on-sale retail license.

40 2. The retail sale of the beer is on or adjacent to the premises of  
41 the producer.

42 B. A person who holds a producer's license may sell wine, ~~or~~  
43 distilled spirits **OR ADULT HEMP BEVERAGES** produced by the producer at the  
44 producer's licensed premises.



1           Sec. 43. Section 4-243.04, Arizona Revised Statutes, is amended to  
2 read:

3           4-243.04. On-sale retail licensees; ownership interests;  
4                                   conditions

5           A. Notwithstanding section 4-243, a distiller, vintner, brewer,  
6 rectifier, blender or other producer of spirituous liquor OR ADULT HEMP  
7 BEVERAGES may have a direct or indirect ownership interest or a financial  
8 interest in the license, premises or business ~~on~~ OF an on-sale retail  
9 licensee if each of the following conditions are met:

10           1. The retail licensee purchases all spirituous liquor OR ADULT  
11 HEMP BEVERAGES for sale at the premises from wholesalers that are licensed  
12 in this state.

13           2. The retail licensee does not purchase or sell any brand of  
14 spirituous liquor OR ADULT HEMP BEVERAGES produced by the distiller,  
15 vintner, brewer, rectifier, blender or other producer of spirituous liquor  
16 OR ADULT HEMP BEVERAGES or by any of its subsidiaries or affiliates.

17           3. The sale and service of spirituous liquor OR ADULT HEMP  
18 BEVERAGES at the premises is an independent business that is owned,  
19 managed and supervised by a person or entity that is not employed by and  
20 does not have an ownership interest in the retailer's license, premises or  
21 business and is not employed by and does not have an ownership interest in  
22 the distiller, vintner, brewer, rectifier, blender or other producer of  
23 spirituous liquor OR ADULT HEMP BEVERAGES. The person owning, managing  
24 and supervising the sale and service of spirituous liquor OR ADULT HEMP  
25 BEVERAGES on the premises of the on-sale retail licensee shall be properly  
26 licensed by the department and shall have entered into a commercial lease  
27 or operating or management agreement with the owner or operator of the  
28 premises. This paragraph does not prohibit the sale and service of  
29 spirituous liquor OR ADULT HEMP BEVERAGES by employees of the owner or  
30 operator of the premises who act under the supervision of the independent  
31 licensee. This paragraph does not prevent the payment of rent, rent  
32 calculated as a percentage of gross receipts or a percentage of gross  
33 receipts from the sale of spirituous liquor OR ADULT HEMP BEVERAGES to the  
34 owner or operator of the premises.

35           B. Notwithstanding section 4-243, a distiller, vintner, brewer,  
36 rectifier, blender or other producer of spirituous liquor OR ADULT HEMP  
37 BEVERAGES may directly or indirectly furnish, give, rent, lend or sell to  
38 an on-sale retail licensee equipment, fixtures, signs, furnishings, money  
39 or other things of value if each of the following conditions are met:

40           1. The retail licensee purchases all spirituous liquor OR ADULT  
41 HEMP BEVERAGES for sale at the premises from wholesalers that are licensed  
42 in this state.

43           2. The retail licensee does not purchase or sell any brand of  
44 spirituous liquor OR ADULT HEMP BEVERAGES produced by the distiller,

1 vintner, brewer, rectifier, blender or other producer of spirituous liquor  
2 OR ADULT HEMP BEVERAGES or by any of its subsidiaries or affiliates.

3 3. The retail licensee is a franchisee of a person that is  
4 affiliated with the distiller, vintner, brewer, rectifier, blender or  
5 other producer of spirituous liquor OR ADULT HEMP BEVERAGES and the  
6 compensation paid by the retail licensee as a franchise fee or royalty is  
7 not based on revenue derived from the sale of spirituous liquor OR ADULT  
8 HEMP BEVERAGES.

9 Sec. 44. Section 4-244, Arizona Revised Statutes, is amended to  
10 read:

11 4-244. Unlawful acts; definition

12 It is unlawful:

13 1. For a person to buy for resale, sell or deal in spirituous  
14 liquors OR ADULT HEMP BEVERAGES in this state without first having  
15 procured a license duly issued by the board, except that the director may  
16 issue a temporary permit of any series pursuant to section 4-205.05 to a  
17 trustee in bankruptcy to acquire and dispose of the spirituous liquor OR  
18 ADULT HEMP BEVERAGES of a debtor.

19 2. For a person to sell or deal in alcohol for beverage purposes OR  
20 ADULT HEMP BEVERAGES without first complying with this title.

21 3. For a distiller, vintner, brewer or wholesaler knowingly to  
22 sell, dispose of or give spirituous liquor OR ADULT HEMP BEVERAGES to any  
23 person other than a licensee except in sampling wares as may be necessary  
24 in the ordinary course of business, except in donating spirituous liquor  
25 to a nonprofit organization that has obtained a special event license for  
26 the purpose of charitable fundraising activities or except in donating  
27 spirituous liquor with a cost to the distiller, brewer or wholesaler of up  
28 to \$500 in a calendar year to an organization that is exempt from federal  
29 income taxes under section 501(c) (3), (4), (6) or (7) of the internal  
30 revenue code and not licensed under this title.

31 4. For a distiller, vintner or brewer to require a wholesaler to  
32 offer or grant a discount to a retailer, unless the discount has also been  
33 offered and granted to the wholesaler by the distiller, vintner or brewer.

34 5. For a distiller, vintner or brewer to use a vehicle for trucking  
35 or transporting spirituous liquors OR ADULT HEMP BEVERAGES unless there is  
36 affixed to both sides of the vehicle a sign showing the name and address  
37 of the licensee and the type and number of the person's license in letters  
38 not less than three and one-half inches in height.

39 6. For a person to take or solicit orders for spirituous liquors OR  
40 ADULT HEMP BEVERAGES unless the person is a salesman or solicitor of a  
41 licensed wholesaler, a salesman or solicitor of a distiller, brewer,  
42 vintner, importer or broker or a registered retail agent.

43 7. For any retail licensee to purchase spirituous liquors OR ADULT  
44 HEMP BEVERAGES from any person other than a solicitor or salesman of a  
45 wholesaler licensed in this state.

1           8. For a retailer to acquire an interest in property owned,  
2 occupied or used by a wholesaler in the wholesaler's business, or in a  
3 license with respect to the premises of the wholesaler.

4           9. Except as provided in paragraphs 10 and 11 of this section, for  
5 a licensee or other person to sell, furnish, dispose of or give, or cause  
6 to be sold, furnished, disposed of or given, to a person under the legal  
7 drinking age or for a person under the legal drinking age to buy, receive,  
8 have in the person's possession or consume spirituous liquor **OR ADULT HEMP**  
9 **BEVERAGES**. This paragraph does not prohibit the employment by an off-sale  
10 retailer of persons who are at least sixteen years of age to check out, if  
11 supervised by a person on the premises who is at least eighteen years of  
12 age, package or carry merchandise, including spirituous liquor **OR ADULT**  
13 **HEMP BEVERAGES**, in unbroken packages, for the convenience of the customer  
14 of the employer, if the employer sells primarily merchandise other than  
15 spirituous liquor **OR ADULT HEMP BEVERAGES**.

16           10. For a licensee to employ a person under eighteen years of age  
17 to manufacture, sell or dispose of spirituous liquors **OR ADULT HEMP**  
18 **BEVERAGES**. This paragraph does not prohibit the employment by an off-sale  
19 retailer of persons who are at least sixteen years of age to check out, if  
20 supervised by a person on the premises who is at least eighteen years of  
21 age, package or carry merchandise, including spirituous liquor **OR ADULT**  
22 **HEMP BEVERAGES**, in unbroken packages, for the convenience of the customer  
23 of the employer, if the employer sells primarily merchandise other than  
24 spirituous liquor **OR ADULT HEMP BEVERAGES**.

25           11. For an on-sale retailer to employ a person under eighteen years  
26 of age in any capacity connected with the handling of spirituous liquors  
27 **OR ADULT HEMP BEVERAGES**. This paragraph does not prohibit the employment  
28 by an on-sale retailer of a person under eighteen years of age who cleans  
29 up the tables on the premises for reuse, removes dirty dishes, keeps a  
30 ready supply of needed items and helps clean up the premises.

31           12. For a licensee, when engaged in waiting on or serving  
32 customers, to consume spirituous liquor **OR ADULT HEMP BEVERAGES** or for a  
33 licensee or on-duty employee to be on or about the licensed premises while  
34 in an intoxicated or disorderly condition.

35           13. For an employee of a retail licensee, during that employee's  
36 working hours or in connection with such employment, to give to or  
37 purchase for any other person, accept a gift of, purchase for the employee  
38 or consume spirituous liquor **OR ADULT HEMP BEVERAGES**, except that:

39           (a) An employee of a licensee, during that employee's working hours  
40 or in connection with the employment, while the employee is not engaged in  
41 waiting on or serving customers, may give spirituous liquor **OR ADULT HEMP**  
42 **BEVERAGES** to or purchase spirituous liquor **OR ADULT HEMP BEVERAGES** for any  
43 other person.

44           (b) An employee of an on-sale retail licensee, during that  
45 employee's working hours or in connection with the employment, while the

1 employee is not engaged in waiting on or serving customers, may taste  
2 samples of beer, ADULT HEMP BEVERAGES or wine of not more than four ounces  
3 per day or distilled spirits of not more than two ounces per day provided  
4 by an employee of a wholesaler or distributor who is present at the time  
5 of the sampling.

6 (c) An employee of an on-sale retail licensee, under the  
7 supervision of a manager as part of the employee's training and education,  
8 while not engaged in waiting on or serving customers may taste samples of  
9 distilled spirits of not more than two ounces per educational session or  
10 beer, ADULT HEMP BEVERAGES or wine of not more than four ounces per  
11 educational session, and provided that a licensee does not have more than  
12 two educational sessions in any thirty-day period.

13 (d) An unpaid volunteer who is a bona fide member of a club and who  
14 is not engaged in waiting on or serving spirituous liquor OR ADULT HEMP  
15 BEVERAGES to customers may purchase for himself and consume spirituous  
16 liquor OR ADULT HEMP BEVERAGES while participating in a scheduled event at  
17 the club. An unpaid participant in a food competition may purchase for  
18 himself and consume spirituous liquor OR ADULT HEMP BEVERAGES while  
19 participating in the food competition.

20 (e) An unpaid volunteer of a special event licensee under section  
21 4-203.02 may purchase and consume spirituous liquor while not engaged in  
22 waiting on or serving spirituous liquor to customers at the special event.  
23 This subdivision does not apply to an unpaid volunteer whose  
24 responsibilities include verification of a person's legal drinking age,  
25 security or the operation of any vehicle or heavy machinery.

26 (f) A representative of a producer or wholesaler participating at a  
27 special event under section 4-203.02 may consume small amounts of the  
28 products of the producer or wholesaler on the premises of the special  
29 event for the purpose of quality control.

30 14. For a licensee or other person to serve, sell or furnish  
31 spirituous liquor OR ADULT HEMP BEVERAGES to a disorderly or obviously  
32 intoxicated person, or for a licensee or employee of the licensee to allow  
33 a disorderly or obviously intoxicated person to come into or remain on or  
34 about the premises, except that a licensee or an employee of the licensee  
35 may allow an obviously intoxicated person to remain on the premises for  
36 not more than thirty minutes after the state of obvious intoxication is  
37 known or should be known to the licensee for a nonintoxicated person to  
38 transport the obviously intoxicated person from the premises. For the  
39 purposes of this section, "obviously intoxicated" means inebriated to the  
40 extent that a person's physical faculties are substantially impaired and  
41 the impairment is shown by significantly uncoordinated physical action or  
42 significant physical dysfunction that would have been obvious to a  
43 reasonable person.

44 15. For an on-sale or off-sale retailer or an employee of such  
45 retailer or an alcohol AND ADULT HEMP BEVERAGES delivery contractor to

1 sell, dispose of, deliver or give spirituous liquor OR ADULT HEMP  
2 BEVERAGES to a person between the hours of 2:00 a.m. and 6:00 a.m., except  
3 that:

4 (a) A retailer with off-sale privileges may receive and process  
5 orders, accept payment or package, load or otherwise prepare spirituous  
6 liquor OR ADULT HEMP BEVERAGES for delivery at any time, if the actual  
7 deliveries to customers are made between the hours of 6:00 a.m. and 2:00  
8 a.m., at which time section 4-241, subsections A and K apply.

9 (b) The governor, in consultation with the governor's office of  
10 highway safety and the public safety community in this state, may issue an  
11 executive order that extends the closing time until 3:00 a.m. for  
12 spirituous liquor OR ADULT HEMP BEVERAGES sales in connection with a  
13 professional or collegiate national sporting championship event held in  
14 this state.

15 16. For a licensee or employee to knowingly allow any person on or  
16 about the licensed premises to give or furnish any spirituous liquor OR  
17 ADULT HEMP BEVERAGES to any person under twenty-one years of age or  
18 knowingly allow any person under twenty-one years of age to have in the  
19 person's possession spirituous liquor OR ADULT HEMP BEVERAGES on the  
20 licensed premises.

21 17. For an on-sale retailer or an employee of such retailer to  
22 allow a person to consume or possess spirituous liquors OR ADULT HEMP  
23 BEVERAGES on the premises between the hours of 2:30 a.m. and 6:00 a.m.,  
24 except that if the governor extends the closing time for a day for  
25 spirituous liquor OR ADULT HEMP BEVERAGES sales pursuant to paragraph 15  
26 of this section it is unlawful for an on-sale retailer or an employee of  
27 such retailer on that day to allow a person to consume or possess  
28 spirituous liquor OR ADULT HEMP BEVERAGES on the premises between the  
29 hours of 3:30 a.m. and 6:00 a.m.

30 18. For an on-sale retailer to allow an employee or for an employee  
31 to solicit or encourage others, directly or indirectly, to buy the  
32 employee drinks or anything of value in the licensed premises during the  
33 employee's working hours. An on-sale retailer shall not serve employees  
34 or allow a patron of the establishment to give spirituous liquor OR ADULT  
35 HEMP BEVERAGES to, purchase liquor OR ADULT HEMP BEVERAGES for or drink  
36 liquor OR ADULT HEMP BEVERAGES with any employee during the employee's  
37 working hours.

38 19. For an off-sale retailer or employee to sell spirituous liquor  
39 OR ADULT HEMP BEVERAGES except in the original unbroken container, to  
40 allow spirituous liquor OR ADULT HEMP BEVERAGES to be consumed on the  
41 premises or to knowingly allow spirituous liquor OR ADULT HEMP BEVERAGES  
42 to be consumed on adjacent property under the licensee's exclusive  
43 control.

44 20. For a person to consume spirituous liquor OR ADULT HEMP  
45 BEVERAGES in a public place, thoroughfare or gathering. The license of a

1 licensee allowing a violation of this paragraph on the premises shall be  
2 subject to revocation. This paragraph does not apply to the sale of  
3 spirituous liquors OR ADULT HEMP BEVERAGES on the premises of and by an  
4 on-sale retailer. This paragraph also does not apply to a person  
5 consuming beer or wine from a broken package in a public recreation area  
6 or on private property with permission of the owner or lessor or on the  
7 walkways surrounding such private property or to a person consuming beer  
8 or wine from a broken package in a public recreation area as part of a  
9 special event or festival that is conducted under a license secured  
10 pursuant to section 4-203.02 or 4-203.03.

11 21. For a person to possess or to transport spirituous liquor OR  
12 ADULT HEMP BEVERAGES that is manufactured in a distillery, winery, brewery  
13 or rectifying plant contrary to the laws of the United States and this  
14 state. Any property used in transporting such spirituous liquor OR ADULT  
15 HEMP BEVERAGES shall be forfeited to the state and shall be seized and  
16 disposed of as provided in section 4-221.

17 22. For an on-sale retailer or employee to allow a person under the  
18 legal drinking age to remain in an area on the licensed premises during  
19 those hours in which its primary use is the sale, dispensing or  
20 consumption of alcoholic beverages OR ADULT HEMP BEVERAGES after the  
21 licensee, or the licensee's employees, know or should have known that the  
22 person is under the legal drinking age. An on-sale retailer may designate  
23 an area of the licensed premises as an area in which spirituous liquor OR  
24 ADULT HEMP BEVERAGES will not be sold or consumed for the purpose of  
25 allowing underage persons on the premises if the designated area is  
26 separated by a physical barrier and at no time will underage persons have  
27 access to the area in which spirituous liquor ~~is~~ OR ADULT HEMP BEVERAGES  
28 ARE sold or consumed. A licensee or an employee of a licensee may require  
29 a person who intends to enter a licensed premises or a portion of a  
30 licensed premises where persons under the legal drinking age are  
31 prohibited under this section to exhibit an instrument of identification  
32 that is acceptable under section 4-241 as a condition of entry or may use  
33 a biometric identity verification device to determine the person's age as  
34 a condition of entry. The director, or a municipality, may adopt rules to  
35 regulate the presence of underage persons on licensed premises provided  
36 the rules adopted by a municipality are more stringent than those adopted  
37 by the director. The rules adopted by the municipality shall be adopted  
38 by local ordinance and shall not interfere with the licensee's ability to  
39 comply with this paragraph. This paragraph does not apply:

40 (a) If the person under the legal drinking age is accompanied by a  
41 spouse, parent, grandparent or legal guardian of legal drinking age or is  
42 an on-duty employee of the licensee.

43 (b) If the owner, lessee or occupant of the premises is a club as  
44 defined in section 4-101, paragraph ~~8~~ 12, subdivision (a) and the person  
45 under the legal drinking age is any of the following:

- 1 (i) An active duty military service member.
- 2 (ii) A veteran.
- 3 (iii) A member of the United States army national guard or the
- 4 United States air national guard.
- 5 (iv) A member of the United States military reserve forces.
- 6 (c) To the area of the premises used primarily for serving food
- 7 during the hours when food is served.

8 23. For an on-sale retailer or employee to conduct drinking  
9 contests, to sell or deliver to a person an unlimited number of spirituous  
10 liquor beverages OR ADULT HEMP BEVERAGES during any set period of time for  
11 a fixed price, to deliver more than fifty ounces of beer, TEN MILLIGRAMS  
12 OF TOTAL TETRAHYDROCANNABINOL IN ADULT HEMP BEVERAGES, one liter of wine  
13 or four ounces of distilled spirits in any ~~spirituous liquor~~ drink to one  
14 person at one time for that person's consumption or to advertise any  
15 practice prohibited by this paragraph. This paragraph does not prohibit  
16 an on-sale retailer or employee from selling and delivering an opened,  
17 original container of distilled spirits if:

18 (a) Service or pouring of the spirituous liquor is provided by an  
19 employee of the on-sale retailer. A licensee shall not be charged for a  
20 violation of this paragraph if a customer, without the knowledge of the  
21 retailer, removes or tampers with a locking device on a bottle delivered  
22 to the customer for bottle service and the customer pours the customer's  
23 own drink from the bottle, if when the licensee becomes aware of the  
24 removal or tampering of the locking device the licensee immediately  
25 installs a functioning locking device on the bottle or removes the bottle  
26 and lock from bottle service.

27 (b) The employee of the on-sale retailer monitors consumption to  
28 ensure compliance with this paragraph. Locking devices may be used, but  
29 are not required.

30 24. For a licensee or employee to knowingly allow the unlawful  
31 possession, use, sale or offer for sale of narcotics, dangerous drugs or  
32 marijuana on the premises. For the purposes of this paragraph, "dangerous  
33 drug" has the same meaning prescribed in section 13-3401.

34 25. For a licensee or employee to knowingly allow prostitution or  
35 the solicitation of prostitution on the premises.

36 26. For a licensee or employee to knowingly allow unlawful gambling  
37 on the premises.

38 27. For a licensee or employee to knowingly allow trafficking or  
39 attempted trafficking in stolen property on the premises.

40 28. For a licensee or employee to fail or refuse to make the  
41 premises or records available for inspection and examination as provided  
42 in this title or to comply with a lawful subpoena issued under this title.



1           29. For any person other than a peace officer while on duty or off  
2 duty or a member of a sheriff's volunteer posse while on duty who has  
3 received firearms training that is approved by the Arizona peace officer  
4 standards and training board, a retired peace officer as defined in  
5 section 38-1113 or an honorably retired law enforcement officer who has  
6 been issued a certificate of firearms proficiency pursuant to section  
7 13-3112, subsection T, the licensee or an employee of the licensee acting  
8 with the permission of the licensee to be in possession of a firearm while  
9 on the licensed premises of an on-sale retailer. This paragraph does not  
10 include a situation in which a person is on licensed premises for a  
11 limited time in order to seek emergency aid and such person does not buy,  
12 receive, consume or possess spirituous liquor. This paragraph does not  
13 apply to:

- 14           (a) Hotel or motel guest room accommodations.
- 15           (b) Exhibiting or displaying a firearm in conjunction with a  
16 meeting, show, class or similar event.
- 17           (c) A person with a permit issued pursuant to section 13-3112 who  
18 carries a concealed handgun on the licensed premises of any on-sale  
19 retailer that has not posted a notice pursuant to section 4-229.

20           30. For a licensee or employee to knowingly allow a person in  
21 possession of a firearm other than a peace officer while on duty or off  
22 duty or a member of a sheriff's volunteer posse while on duty who has  
23 received firearms training that is approved by the Arizona peace officer  
24 standards and training board, a retired peace officer as defined in  
25 section 38-1113 or an honorably retired law enforcement officer who has  
26 been issued a certificate of firearms proficiency pursuant to section  
27 13-3112, subsection T, the licensee or an employee of the licensee acting  
28 with the permission of the licensee to remain on the licensed premises or  
29 to serve, sell or furnish spirituous liquor to a person in possession of a  
30 firearm while on the licensed premises of an on-sale retailer. It is a  
31 defense to action under this paragraph if the licensee or employee  
32 requested assistance of a peace officer to remove such person. This  
33 paragraph does not apply to:

- 34           (a) Hotel or motel guest room accommodations.
- 35           (b) Exhibiting or displaying a firearm in conjunction with a  
36 meeting, show, class or similar event.
- 37           (c) A person with a permit issued pursuant to section 13-3112 who  
38 carries a concealed handgun on the licensed premises of any on-sale  
39 retailer that has not posted a notice pursuant to section 4-229.

40           31. For any person in possession of a firearm while on the licensed  
41 premises of an on-sale retailer to consume spirituous liquor **OR ADULT HEMP**  
42 **BEVERAGES**. This paragraph does not prohibit the consumption of small  
43 amounts of spirituous liquor **OR ADULT HEMP BEVERAGES** by an undercover  
44 peace officer on assignment to investigate the licensed establishment.



1           32. For a licensee or employee to knowingly allow spirituous liquor  
2 OR ADULT HEMP BEVERAGES to be removed from the licensed premises, except  
3 in the original unbroken package. This paragraph does not apply to any of  
4 the following:

5           (a) A person who removes a bottle of wine that has been partially  
6 consumed in conjunction with a purchased meal from licensed premises if a  
7 cork is inserted flush with the top of the bottle or the bottle is  
8 otherwise securely closed.

9           (b) A person who is in licensed premises that have noncontiguous  
10 portions that are separated by a public or private walkway or driveway and  
11 who takes spirituous liquor OR ADULT HEMP BEVERAGES from one portion of  
12 the licensed premises across the public or private walkway or driveway  
13 directly to the other portion of the licensed premises.

14           (c) A licensee of a bar, beer and wine bar, liquor store, beer and  
15 wine store, microbrewery or restaurant that has a permit pursuant to  
16 section 4-205.02, subsection H that dispenses beer only in a clean  
17 container composed of a material approved by a national sanitation  
18 organization with a maximum capacity that does not exceed one gallon and  
19 not for consumption on the premises if:

20           (i) The licensee or the licensee's employee fills the container at  
21 the tap at the time of sale.

22           (ii) The container is sealed and displays a government warning  
23 label.

24           (d) A bar or liquor store licensee that prepares a mixed cocktail  
25 or a restaurant licensee that leases the privilege to sell mixed cocktails  
26 for consumption off the licensed premises pursuant to section 4-203.06 or  
27 holds a permit pursuant to section 4-203.07 and section 4-205.02,  
28 subsection K and that prepares a mixed cocktail and transfers it to a  
29 clean container composed of a material approved by a national sanitation  
30 organization with a maximum capacity that does not exceed thirty-two  
31 ounces and not for consumption on the premises if all of the following  
32 apply:

33           (i) The licensee or licensee's employee fills the container with  
34 the mixed cocktail on the licensed premises of the bar, liquor store or  
35 restaurant.

36           (ii) The container is tamperproof sealed by the licensee or the  
37 licensee's employee and displays a government warning label.

38           (iii) The container clearly displays the bar's, liquor store's or  
39 restaurant's logo or name.

40           (iv) For a restaurant licensee licensed pursuant to section  
41 4-205.02, the sale of mixed cocktails for consumption off the licensed  
42 premises is accompanied by the sale of menu food items for consumption on  
43 or off the licensed premises.

44           33. For a person who is obviously intoxicated to buy or attempt to  
45 buy spirituous liquor OR ADULT HEMP BEVERAGES from a licensee or employee

1 of a licensee or to consume spirituous liquor OR ADULT HEMP BEVERAGES on  
2 licensed premises.

3 34. For a person who is under twenty-one years of age to drive or  
4 be in physical control of a motor vehicle while there is any spirituous  
5 liquor OR ADULT HEMP BEVERAGES in the person's body.

6 35. For a person who is under twenty-one years of age to operate or  
7 be in physical control of a motorized watercraft that is underway while  
8 there is any spirituous liquor OR ADULT HEMP BEVERAGES in the person's  
9 body. For the purposes of this paragraph, "underway" has the same meaning  
10 prescribed in section 5-301.

11 36. For a licensee, manager, employee or controlling person to  
12 purposely induce a voter, by means of alcohol OR ADULT HEMP BEVERAGES, to  
13 vote or abstain from voting for or against a particular candidate or issue  
14 on an election day.

15 37. For a licensee to fail to report an occurrence of an act of  
16 violence to either the department or a law enforcement agency.

17 38. For a licensee to use a vending machine for the purpose of  
18 dispensing spirituous liquor OR ADULT HEMP BEVERAGES.

19 39. For a licensee to offer for sale a wine carrying a label  
20 including a reference to Arizona or any Arizona city, town or geographic  
21 location unless at least seventy-five percent by volume of the grapes used  
22 in making the wine were grown in Arizona.

23 40. For a retailer to knowingly allow a customer to bring  
24 spirituous liquor OR ADULT HEMP BEVERAGES onto the licensed premises,  
25 except that an on-sale retailer may allow a wine and food club to bring  
26 wine onto the premises for consumption by the club's members and guests of  
27 the club's members in conjunction with meals purchased at a meeting of the  
28 club that is conducted on the premises and that at least seven members  
29 attend. An on-sale retailer that allows wine and food clubs to bring wine  
30 onto its premises under this paragraph shall comply with all applicable  
31 provisions of this title and any rules adopted pursuant to this title to  
32 the same extent as if the on-sale retailer had sold the wine to the  
33 members of the club and their guests. For the purposes of this paragraph,  
34 "wine and food club" means an association that has more than twenty bona  
35 fide members paying at least \$6 per year in dues and that has been in  
36 existence for at least one year.

37 41. For a person who is under twenty-one years of age to have in  
38 the person's body any spirituous liquor OR ADULT HEMP BEVERAGES. In a  
39 prosecution for a violation of this paragraph:

40 (a) Pursuant to section 4-249, it is a defense that the spirituous  
41 liquor was consumed in connection with the bona fide practice of a  
42 religious belief or as an integral part of a religious exercise and in a  
43 manner not dangerous to public health or safety.

1 (b) Pursuant to section 4-226, it is a defense that the spirituous  
2 liquor was consumed for a bona fide medicinal purpose and in a manner not  
3 dangerous to public health or safety.

4 42. For an employee of a licensee to accept any gratuity,  
5 compensation, remuneration or consideration of any kind to either:

6 (a) Allow a person who is under twenty-one years of age to enter  
7 any portion of the premises where that person is prohibited from entering  
8 pursuant to paragraph 22 of this section.

9 (b) Sell, furnish, dispose of or give spirituous liquor OR ADULT  
10 HEMP BEVERAGES to a person who is under twenty-one years of age.

11 43. For a person to purchase, offer for sale or use any device,  
12 machine or process that mixes spirituous liquor OR ADULT HEMP BEVERAGES  
13 with pure oxygen or another gas to produce a vaporized product for the  
14 purpose of consumption by inhalation or to allow patrons to use any item  
15 for the consumption of vaporized spirituous liquor OR ADULT HEMP  
16 BEVERAGES.

17 44. For a retail licensee or an employee of a retail licensee to  
18 sell spirituous liquor OR ADULT HEMP BEVERAGES to a person if the retail  
19 licensee or employee knows the person intends to resell the spirituous  
20 liquor OR ADULT HEMP BEVERAGES.

21 45. Except as authorized by paragraph 32, subdivision (c) of this  
22 section, for a person to reuse a bottle or other container authorized for  
23 use by the laws of the United States or any agency of the United States  
24 for the packaging of distilled spirits or for a person to increase the  
25 original contents or a portion of the original contents remaining in a  
26 liquor bottle or other authorized container by adding any substance.

27 46. For a direct shipment licensee, a farm winery licensee or an  
28 employee of those licensees to sell, dispose of, deliver or give  
29 spirituous liquor OR ADULT HEMP BEVERAGES to an individual purchaser  
30 between the hours of 2:00 a.m. and 6:00 a.m., except that a direct  
31 shipment licensee or a farm winery licensee may receive and process  
32 orders, accept payment, package, load or otherwise prepare wine for  
33 delivery at any time without complying with section 4-241, subsections A  
34 and K, if the actual deliveries to individual purchasers are made between  
35 the hours of 6:00 a.m. and 2:00 a.m. and in accordance with section  
36 4-203.04 for direct shipment licensees and section 4-205.04 for farm  
37 winery licensees.

38 47. For a supplier to coerce or attempt to coerce a wholesaler to  
39 accept delivery of beer, ADULT HEMP BEVERAGES or any other commodity that  
40 has not been ordered by the wholesaler or for which the order was  
41 canceled. A supplier may impose reasonable inventory requirements on a  
42 wholesaler if the requirements are made in good faith and are generally  
43 applied to other similarly situated wholesalers that have an agreement  
44 with the supplier.

1           Sec. 45. Section 4-244.02, Arizona Revised Statutes, is amended to  
2 read:

3           4-244.02. Unlawful importation of spirituous liquor or adult  
4                                   hemp beverages; exceptions

5           A. It is unlawful for any person, ~~THAT IS~~ not a qualified licensee  
6 under this title, ~~to~~ import spirituous liquors **OR ADULT HEMP BEVERAGES**  
7 into this state from a foreign country unless:

8           1. Such person is the legal drinking age.

9           2. Such person has been physically within such foreign country  
10 immediately prior to such importation and such importation coincides with  
11 his return from such foreign country.

12           3. Except as provided in subsection B, the amount of spirituous  
13 liquor **OR ADULT HEMP BEVERAGES** imported does not exceed the amount  
14 permitted by federal law to be imported duty-free, in any period of  
15 thirty-one days, except that if the federal law prescribing such duty-free  
16 limitation is repealed or amended, then in no event shall the amount of  
17 duty-free importation into this state be more than one liter of spirituous  
18 liquor **OR FORTY-EIGHT OUNCES OF ADULT HEMP BEVERAGES** during such period.

19           B. To the extent permitted by federal law, a member of the Arizona  
20 national guard, the United States armed forces reserves or the armed  
21 forces of the United States may import more than one liter of spirituous  
22 liquor **OR FORTY-EIGHT OUNCES OF ADULT HEMP BEVERAGES** for personal use into  
23 this state if the importation coincides with that person's return from a  
24 tour of duty in a foreign country. A person who imports more spirituous  
25 liquor **OR ADULT HEMP BEVERAGES** pursuant to this subsection than the amount  
26 permitted by federal law to be imported duty-free shall be responsible for  
27 the payment of any federal taxes due on the quantity of spirituous liquor  
28 **OR ADULT HEMP BEVERAGES** that exceeds the duty-free amount. The department  
29 may issue letters of exemption to allow military personnel to import  
30 spirituous liquor **OR ADULT HEMP BEVERAGES** pursuant to this subsection.

31           Sec. 46. Section 4-244.05, Arizona Revised Statutes, is amended to  
32 read:

33           4-244.05. Unlicensed business establishment or premises;  
34                                   unlawful consumption of spirituous liquor or  
35                                   adult hemp beverages; civil penalty; seizure and  
36                                   forfeiture of property

37           A. A person owning, operating, leasing, managing or controlling a  
38 business establishment or business premises ~~which~~ **THAT** are not properly  
39 licensed pursuant to this title and in which any of the following ~~occur~~  
40 **OCCURS** shall not allow the consumption of spirituous liquor **OR ADULT HEMP**  
41 **BEVERAGES** in the establishment or on the premises:

42           1. Food or beverages are sold.

43           2. Entertainment is provided.

44           3. A membership fee or a cover charge for admission is charged.

1           4. A minimum purchase or rental requirement for goods or services  
2 is charged.

3           B. A person shall not consume spirituous liquor OR ADULT HEMP  
4 BEVERAGES in a business establishment or on business premises ~~which~~ THAT  
5 are not properly licensed pursuant to this title in which food or  
6 beverages are sold, entertainment is provided, a membership fee or a cover  
7 charge for admission is charged or a minimum purchase or rental  
8 requirement for goods or services is charged.

9           C. In addition to or in lieu of other fines or civil penalties  
10 imposed for a violation of this section or any other action taken by the  
11 board or director, the board or director may conduct a hearing subject to  
12 the requirements of section 4-210, subsection G to determine whether a  
13 person has violated subsection A of this section. If the board or  
14 director determines, after a hearing, that a person has violated  
15 subsection A of this section the board or director may impose a civil  
16 penalty of not less than ~~two hundred nor~~ \$200 OR more than ~~five thousand~~  
17 ~~dollars~~ \$5,000 for each offense. A civil penalty imposed pursuant to this  
18 section by the director may be appealed to the board.

19           D. In addition to any other remedies provided by law, any monies  
20 used or obtained in violation of this chapter may be seized by any peace  
21 officer if the peace officer has probable cause to believe that the money  
22 has been used or is intended to be used in violation of this section.

23           E. In addition to any other remedies provided by law, the records  
24 of an establishment that is in violation of this section may be seized by  
25 any peace officer if the peace officer has probable cause to believe that  
26 the establishment is operating without a valid license issued pursuant to  
27 this title.

28           F. In addition to any other remedies provided by law, any amount of  
29 alcohol OR ADULT HEMP BEVERAGES may be seized by any peace officer if the  
30 peace officer has probable cause to believe that the alcohol OR ADULT HEMP  
31 BEVERAGES is being used or is intended to be used in violation of this  
32 section.

33           G. In addition to any other remedies provided by law, the following  
34 property shall be forfeited pursuant to section 13-2314 or title 13,  
35 chapter 39:

36           1. All proceeds and other assets that are derived from a violation  
37 of this section.

38           2. Anything of value that is used or intended to be used to  
39 facilitate a violation of this section.

40           H. A person who obtains property through a violation of this  
41 section is deemed to be an involuntary trustee of that property. An  
42 involuntary trustee and any other person who obtains the property, except  
43 a bona fide purchaser who purchases the property for value without notice  
44 of or participation in the unlawful conduct, holds the property, including  
45 its proceeds and other assets, in constructive trust for the benefit of

1 the persons entitled to remedies pursuant to section 13-2314 or title 13,  
2 chapter 39.

3 I. The board or director may adopt rules authorizing and  
4 prescribing limitations for the possession or consumption of spirituous  
5 liquor OR ADULT HEMP BEVERAGES at establishments or premises falling  
6 within the scope of subsections A and B of this section. Rules adopted  
7 pursuant to this subsection shall authorize the possession or consumption  
8 of spirituous liquor OR ADULT HEMP BEVERAGES only at establishments or  
9 premises ~~which permit~~ THAT ALLOW the consumption or possession of minimal  
10 amounts of spirituous liquor OR ADULT HEMP BEVERAGES and ~~which~~ THAT meet  
11 both of the following criteria:

12 1. The possession or consumption of spirituous liquor OR ADULT HEMP  
13 BEVERAGES is ~~permitted~~ ALLOWED only as an incidental convenience to the  
14 customers of the establishment or premises.

15 2. The possession or consumption of spirituous liquor OR ADULT HEMP  
16 BEVERAGES is ~~permitted~~ ALLOWED only within the hours of lawful sale as  
17 prescribed in this title, and is limited to ~~no~~ NOT more than ten hours per  
18 day.

19 J. Any rules adopted pursuant to subsection I of this section shall  
20 prescribe:

21 1. The maximum ~~permitted~~ ALLOWED occupancy of an establishment or  
22 premises.

23 2. The hours during which spirituous liquor OR ADULT HEMP BEVERAGES  
24 may be possessed or consumed.

25 3. The amount of spirituous liquor OR ADULT HEMP BEVERAGES that a  
26 person may possess or consume.

27 4. That the director, the director's agents and any peace officer  
28 empowered to enforce ~~the provisions of~~ this title, in enforcing ~~the~~  
29 ~~provisions of~~ this title, may visit and inspect the establishment or  
30 premises during the business hours of the premises or establishment. The  
31 director may charge a fee for the inspection of unlicensed premises to  
32 review an application for exemption pursuant to this section.

33 K. Any rules adopted pursuant to subsection I of this section may  
34 prescribe separate classifications of establishments or premises at which  
35 spirituous liquor OR ADULT HEMP BEVERAGES may be possessed or consumed and  
36 may establish any other provisions relating to the possession or  
37 consumption of spirituous liquor OR ADULT HEMP BEVERAGES at establishments  
38 or premises falling within the scope of subsections A and B of this  
39 section ~~which~~ THAT are necessary to maintain the health and welfare of the  
40 community.

41 L. This section does not apply to establishments or premises that  
42 are not licensed pursuant to this title and on which occurs the  
43 consumption of spirituous liquor OR ADULT HEMP BEVERAGES if the  
44 establishment or premises are owned, operated, leased, managed or

1 controlled by the United States, this state or a city or county of this  
2 state.

3 Sec. 47. Title 4, chapter 2, article 3, Arizona Revised Statutes,  
4 is amended by adding section 4-245, to read:

5 4-245. Adult hemp beverages; serving sizes; container;  
6 prohibitions

7 A. AN ADULT HEMP BEVERAGE CONTAINING A SINGLE SERVING OF AN ADULT  
8 HEMP BEVERAGE PER CONTAINER SHALL BE IN AN ADULT HEMP BEVERAGE  
9 SINGLE-SERVING CONTAINER. THE CONTAINER SHALL HAVE AN INTERNAL VOLUME OF  
10 AT LEAST TWO HUNDRED MILLILITERS OR 6.76 FLUID OUNCES AND MAY NOT HAVE A  
11 TOTAL TETRAHYDROCANNABINOL CONTENT OF MORE THAN TEN MILLIGRAMS OF TOTAL  
12 TETRAHYDROCANNABINOL PER CONTAINER.

13 B. AN ADULT HEMP BEVERAGE CONTAINING MULTIPLE SERVINGS OF AN ADULT  
14 HEMP BEVERAGE PER CONTAINER SHALL BE IN AN ADULT HEMP BEVERAGES  
15 MULTIPLE-SERVING CONTAINER. THE MULTIPLE-SERVING CONTAINER SHALL HAVE AN  
16 INTERNAL VOLUME OF AT LEAST THREE HUNDRED SEVENTY FIVE MILLILITERS OR  
17 12.68 FLUID OUNCES AND MAY NOT HAVE A TETRAHYDROCANNABINOL CONTENT OF MORE  
18 THAN THIRTY MILLIGRAMS PER LITER OR 0.887 MILLIGRAMS PER FLUID OUNCES OF  
19 THE TOTAL VOLUME OF THE CONTAINER.

20 C. A PERSON MAY NOT PROCESS, DISTRIBUTE, SELL OR OFFER FOR SALE IN  
21 THIS STATE ANY ADULT HEMP BEVERAGES PRODUCT WITHOUT A LICENSE ISSUED  
22 PURSUANT TO THIS TITLE.

23 D. A PERSON MAY NOT PROCESS, DISTRIBUTE, SELL OR OFFER FOR SALE IN  
24 THIS STATE ANY ADULT HEMP BEVERAGE PRODUCT IN POWDERED FORM OR AS A  
25 CONCENTRATED TINCTURE FOR MIXING WITH WATER OR OTHER LIQUID.

26 E. A PERSON MAY NOT PROCESS, DISTRIBUTE, SELL OR OFFER FOR SALE IN  
27 THIS STATE ANY SPIRITUOUS LIQUOR PRODUCT CONTAINING ANY ADULT HEMP  
28 BEVERAGE OR CANNABINOID. THE COMBINING OF SPIRITUOUS LIQUORS AND ADULT  
29 HEMP BEVERAGES OR CANNABINOIDS BY A LICENSEE OR AN EMPLOYEE OF A LICENSEE  
30 IS PROHIBITED.

31 F. A PRODUCER MAY NOT USE ANY DISTILLATE OR CONCENTRATE CONTAINING  
32 ANY DERIVATIVE OF A TETRAHYDROCANNABINOL COMPONENT THAT IS NOT HEMP-  
33 DERIVED TETRAHYDROCANNABINOL.

34 Sec. 48. Heading change

35 The heading to title 4, chapter 2, article 4, Arizona Revised  
36 Statutes, is changed from "WARNING SIGNS" to "SIGNS".

37 Sec. 49. Section 4-250.01, Arizona Revised Statutes, is amended to  
38 read:

39 4-250.01. Out-of-state person engaged in business as  
40 producer, exporter, importer, rectifier, retailer  
41 or wholesaler; violation; cease and desist order;  
42 civil penalty

43 A. An out-of-state person engaged in business in this state as a  
44 producer, exporter, importer, rectifier, retailer or wholesaler OF  
45 SPIRITUOUS LIQUOR OR ADULT HEMP BEVERAGES without a license issued under



1 this title shall comply with this title as if licensed by this state. An  
2 out-of-state person engaged in business in this state as a producer,  
3 exporter, importer, rectifier, retailer or wholesaler shall be deemed to  
4 have consented to the jurisdiction of the department, any other agency of  
5 this state, the courts of this state and all other related laws, rules or  
6 regulations. An out-of-state person engaged in business in this state as  
7 a producer, exporter, importer, rectifier, retailer or wholesaler OF  
8 SPIRITUOUS LIQUOR OR ADULT HEMP BEVERAGES who violates this title is  
9 subject to a fine or a civil penalty and suspension or revocation of the  
10 right to do business in this state.

11 B. If the director has reasonable cause to believe that an  
12 out-of-state person engaged in business as a producer, exporter, importer,  
13 rectifier, retailer or wholesaler OF SPIRITUOUS LIQUOR OR ADULT HEMP  
14 BEVERAGES is acting in violation of this title, the director may serve a  
15 cease and desist order requiring the person to cease and desist the  
16 violation.

17 C. If an out-of-state person who is engaged in business in this  
18 state as a producer, exporter, importer, rectifier, retailer or wholesaler  
19 OF SPIRITUOUS LIQUOR OR ADULT HEMP BEVERAGES knowingly violates a cease  
20 and desist order issued by the director pursuant to subsection B of this  
21 section, the director may:

22 1. Impose a civil penalty of up to ~~one hundred fifty thousand~~  
23 ~~dollars~~ \$150,000 for each violation.

24 2. Notify the department of revenue of the violation for the  
25 purposes of collection of any transaction privilege tax or luxury  
26 privilege tax due.

27 3. Notify the applicable agency or regulatory body in the state in  
28 which the person is licensed of the violation.

29 4. Give notice of the violation to the producers, exporters,  
30 importers, rectifiers, retailers, wholesalers, common carriers and  
31 consumers connected to the transaction if the out-of-state person has  
32 shipped liquor OR ADULT HEMP BEVERAGES into the state in violation of this  
33 title.

34 Sec. 50. Section 4-251, Arizona Revised Statutes, is amended to  
35 read:

36 4-251. Spirituous liquor or adult hemp beverages in motor  
37 vehicles; prohibitions; violation; classification;  
38 exceptions; definitions

39 A. It is unlawful for any person to:

40 1. Consume spirituous liquor OR ADULT HEMP BEVERAGES while  
41 operating or while within the passenger compartment of a motor vehicle  
42 that is located on any public highway or right-of-way of a public highway  
43 in this state.

44 2. Possess an open container of spirituous liquor OR ADULT HEMP  
45 BEVERAGES within the passenger compartment of a motor vehicle that is



1 located on any public highway or right-of-way of a public highway in this  
2 state.

3 B. A person who violates subsection A of this section is guilty of  
4 a class 2 misdemeanor.

5 C. This section does not apply to:

6 1. A passenger in any bus, limousine, taxi or transportation  
7 network company vehicle as defined in section 28-9551 while the vehicle is  
8 being used to provide transportation network services as defined in  
9 section 28-9551.

10 2. A passenger in the living quarters of a motor home as defined in  
11 section 28-4301.

12 D. For the purposes of this section:

13 1. "Motor vehicle":

14 (a) Means a self-propelled vehicle.

15 (b) Does not include a vehicle operated exclusively on rails or  
16 water.

17 2. "Open container" means any bottle, can, jar, container dispensed  
18 pursuant to section 4-244, paragraph 32, subdivision (c) or other  
19 receptacle that contains spirituous liquor OR ADULT HEMP BEVERAGES and  
20 that has been opened, has had its seal broken or the contents of which  
21 have been partially removed.

22 3. "Passenger compartment" means the area of a motor vehicle  
23 designed for the seating of the driver and other passengers of the  
24 vehicle. Passenger compartment includes an unlocked glove compartment and  
25 any unlocked portable devices within the immediate reach of the driver or  
26 any passengers. Passenger compartment does not include the trunk, a  
27 locked glove compartment or the area behind the last upright seat of a  
28 motor vehicle that is not equipped with a trunk.

29 4. "Public highway or right-of-way of a public highway" means the  
30 entire width between and immediately adjacent to the boundary lines of  
31 every way maintained by the federal government, this state or a county,  
32 city or town if any part of the way is generally open to the use of the  
33 public for purposes of vehicular travel.

34 Sec. 51. Section 4-301, Arizona Revised Statutes, is amended to  
35 read:

36 4-301. Liability limitation; social host

37 A person other than a licensee or an employee of a licensee acting  
38 during the employee's working hours or in connection with such employment  
39 is not liable in damages to any person who is injured, or to the survivors  
40 of any person killed, or for damage to property, which is alleged to have  
41 been caused in whole or in part by reason of the furnishing or serving of  
42 spirituous liquor OR ADULT HEMP BEVERAGES to a person of AT LEAST the  
43 legal drinking age.

1 Sec. 52. Section 4-302, Arizona Revised Statutes, is amended to  
2 read:

3 4-302. Notice of litigation

4 A. A person filing a claim for relief seeking damages from a  
5 licensee and alleging that a person was injured or damage occurred which  
6 was caused in whole or in part by reason of the furnishing or serving of  
7 spirituous liquor OR ADULT HEMP BEVERAGES by the licensee or an employee  
8 of the licensee to any person shall file a copy of the complaint with the  
9 department within ten days after filing the complaint.

10 B. A licensee who has been served with a complaint alleging the  
11 provisions of subsection A shall file a copy of the complaint with the  
12 department within ten days after the service.

13 C. A licensee or controlling person who files a petition in  
14 bankruptcy shall file notice of the petition with the department within  
15 ten days after the filing or entry and shall advise the department within  
16 ten days of a dismissal or discharge by any means.

17 D. A licensee or controlling person who files a bankruptcy  
18 dismissal or discharge shall file notice of the dismissal or discharge  
19 with the department within ten days after the filing.

20 Sec. 53. Section 4-311, Arizona Revised Statutes, is amended to  
21 read:

22 4-311. Liability for serving intoxicated person or minor;  
23 definition

24 A. A licensee is liable for property damage and personal injuries  
25 or is liable to a person who may bring an action for wrongful death  
26 pursuant to section 12-612, or both, if a court or jury finds all of the  
27 following:

28 1. The licensee sold spirituous liquor OR ADULT HEMP BEVERAGES  
29 either to a purchaser who was obviously intoxicated, or to a purchaser  
30 under the legal drinking age without requesting identification containing  
31 proof of age or with knowledge that the person was under the legal  
32 drinking age.

33 2. The purchaser consumed the spirituous liquor OR ADULT HEMP  
34 BEVERAGES sold by the licensee.

35 3. The consumption of spirituous liquor OR ADULT HEMP BEVERAGES was  
36 a proximate cause of the injury, death or property damage.

37 B. No licensee is chargeable with knowledge of previous acts by  
38 which a person becomes intoxicated at other locations unknown to the  
39 licensee unless the person was obviously intoxicated. If the licensee  
40 operates under a restaurant license, the finder of fact shall not consider  
41 any information obtained as a result of a restaurant audit conducted  
42 pursuant to section 4-213 unless the court finds the information relevant.

43 C. For the purposes of subsection A, paragraph 2 of this section,  
44 if it is found that an underage person purchased spirituous liquor OR  
45 ADULT HEMP BEVERAGES from a licensee and such underage person incurs or

1 causes injuries or property damage as a result of the consumption of  
2 spirituous liquor OR ADULT HEMP BEVERAGES within a reasonable period of  
3 time following the sale of the spirituous liquor OR ADULT HEMP BEVERAGES,  
4 it shall create a rebuttable presumption that the underage person consumed  
5 the spirituous liquor OR ADULT HEMP BEVERAGES sold to such person by the  
6 licensee.

7 D. For the purposes of this section, "obviously intoxicated" means  
8 inebriated to such an extent that a person's physical faculties are  
9 substantially impaired and the impairment is shown by significantly  
10 uncoordinated physical action or significant physical dysfunction that  
11 would have been obvious to a reasonable person.

12 Sec. 54. Section 4-312, Arizona Revised Statutes, is amended to  
13 read:

14 4-312. Liability limitation

15 A. A licensee is not liable in damages to any consumer or purchaser  
16 of spirituous liquor OR ADULT HEMP BEVERAGES over the legal drinking age  
17 who is injured or whose property is damaged, or to survivors of such a  
18 person, if the injury or damage is alleged to have been caused in whole or  
19 in part by reason of the sale, furnishing or serving of spirituous liquor  
20 OR ADULT HEMP BEVERAGES to that person. A licensee is not liable in  
21 damages to any other adult person who is injured or whose property is  
22 damaged, or to the survivors of such a person, who was present with the  
23 person who consumed the spirituous liquor OR ADULT HEMP BEVERAGES at the  
24 time the spirituous liquor ~~was~~ OR ADULT HEMP BEVERAGES WERE consumed and  
25 who knew of the impaired condition of the person, if the injury or damage  
26 is alleged to have been caused in whole or in part by reason of the sale,  
27 furnishing or serving of spirituous liquor OR ADULT HEMP BEVERAGES.

28 B. Subject to ~~the provisions of~~ subsection A of this section and  
29 except as provided in section 4-311, a person, firm, corporation or  
30 licensee is not liable in damages to any person who is injured, or to the  
31 survivors of any person killed, or for damage to property ~~which~~ THAT is  
32 alleged to have been caused in whole or in part by reason of the sale,  
33 furnishing or serving of spirituous liquor OR ADULT HEMP BEVERAGES.

34 Sec. 55. Section 36-136, Arizona Revised Statutes, is amended to  
35 read:

36 36-136. Powers and duties of director; compensation of  
37 personnel; rules; definitions

38 A. The director shall:

39 1. Be the executive officer of the department of health services  
40 and the state registrar of vital statistics but shall not receive  
41 compensation for services as registrar.

42 2. Perform all duties necessary to carry out the functions and  
43 responsibilities of the department.

44 3. Prescribe the organization of the department. The director  
45 shall appoint or remove personnel as necessary for the efficient work of

1 the department and shall prescribe the duties of all personnel. The  
2 director may abolish any office or position in the department that the  
3 director believes is unnecessary.

4 4. Administer and enforce the laws relating to health and  
5 sanitation and the rules of the department.

6 5. Provide for the examination of any premises if the director has  
7 reasonable cause to believe that on the premises there exists a violation  
8 of any health law or rule of this state.

9 6. Exercise general supervision over all matters relating to  
10 sanitation and health throughout this state. When in the opinion of the  
11 director it is necessary or advisable, a sanitary survey of the whole or  
12 of any part of this state shall be made. The director may enter, examine  
13 and survey any source and means of water supply, sewage disposal plant,  
14 sewerage system, prison, public or private place of detention, asylum,  
15 hospital, school, public building, private institution, factory, workshop,  
16 tenement, public washroom, public restroom, public toilet and toilet  
17 facility, public eating room and restaurant, dairy, milk plant or food  
18 manufacturing or processing plant, and any premises in which the director  
19 has reason to believe there exists a violation of any health law or rule  
20 of this state that the director has the duty to administer.

21 7. Prepare sanitary and public health rules.

22 8. Perform other duties prescribed by law.

23 B. If the director has reasonable cause to believe that there  
24 exists a violation of any health law or rule of this state, the director  
25 may inspect any person or property in transportation through this state,  
26 and any car, boat, train, trailer, airplane or other vehicle in which that  
27 person or property is transported, and may enforce detention or  
28 disinfection as reasonably necessary for the public health if there exists  
29 a violation of any health law or rule.

30 C. The director, after consultation with the department of  
31 administration, may take all necessary steps to enhance the highest and  
32 best use of the state hospital property, including contracting with third  
33 parties to provide services, entering into short-term lease agreements  
34 with third parties to occupy or renovate existing buildings and entering  
35 into long-term lease agreements to develop the land and buildings. The  
36 director shall deposit any monies collected from contracts and lease  
37 agreements entered into pursuant to this subsection in the Arizona state  
38 hospital charitable trust fund established by section 36-218. At least  
39 thirty days before issuing a request for proposals pursuant to this  
40 subsection, the department of health services shall hold a public hearing  
41 to receive community and provider input regarding the highest and best use  
42 of the state hospital property related to the request for proposals. The  
43 department shall report to the joint committee on capital review on the  
44 terms, conditions and purpose of any lease or sublease agreement entered  
45 into pursuant to this subsection relating to state hospital lands or

1 buildings or the disposition of real property pursuant to this subsection,  
2 including state hospital lands or buildings, and the fiscal impact on the  
3 department and any revenues generated by the agreement. Any lease or  
4 sublease agreement entered into pursuant to this subsection relating to  
5 state hospital lands or buildings or the disposition of real property  
6 pursuant to this subsection, including state hospital lands or buildings,  
7 must be reviewed by the joint committee on capital review.

8 D. The director may deputize, in writing, any qualified officer or  
9 employee in the department to do or perform on the director's behalf any  
10 act the director is by law empowered to do or charged with the  
11 responsibility of doing.

12 E. The director may delegate to a local health department, county  
13 environmental department or public health services district any functions,  
14 powers or duties that the director believes can be competently,  
15 efficiently and properly performed by the local health department, county  
16 environmental department or public health services district if:

17 1. The director or superintendent of the local health department,  
18 environmental department or public health services district is willing to  
19 accept the delegation and agrees to perform or exercise the functions,  
20 powers and duties conferred in accordance with the standards of  
21 performance established by the director of the department of health  
22 services.

23 2. Monies appropriated or otherwise made available to the  
24 department for distribution to or division among counties or public health  
25 services districts for local health work may be allocated or reallocated  
26 in a manner designed to ensure the accomplishment of recognized local  
27 public health activities and delegated functions, powers and duties in  
28 accordance with applicable standards of performance. If in the director's  
29 opinion there is cause, the director may terminate all or a part of any  
30 delegation and may reallocate all or a part of any monies that may have  
31 been conditioned on the further performance of the functions, powers or  
32 duties conferred.

33 F. The compensation of all personnel shall be as determined  
34 pursuant to section 38-611.

35 G. The director may make and amend rules necessary for the proper  
36 administration and enforcement of the laws relating to the public health.

37 H. Notwithstanding subsection I, paragraph 1 of this section, the  
38 director may define and prescribe emergency measures for detecting,  
39 reporting, preventing and controlling communicable or infectious diseases  
40 or conditions if the director has reasonable cause to believe that a  
41 serious threat to public health and welfare exists. Emergency measures are  
42 effective for not longer than eighteen months.

43 I. The director, by rule, shall:

44 1. Define and prescribe reasonably necessary measures for  
45 detecting, reporting, preventing and controlling communicable and

1 preventable diseases. The rules shall declare certain diseases that are  
2 reportable. The rules shall prescribe measures, including isolation or  
3 quarantine, that are reasonably required to prevent the occurrence of, or  
4 to seek early detection and alleviation of, disability, insofar as  
5 possible, from communicable or preventable diseases. The rules shall  
6 include reasonably necessary measures to control animal diseases that are  
7 transmittable to humans.

8 2. Define and prescribe reasonably necessary measures, in addition  
9 to those prescribed by law, regarding the preparation, embalming,  
10 cremation, interment, disinterment and transportation of dead human bodies  
11 and the conduct of funerals, relating to and restricted to communicable  
12 diseases and regarding the removal, transportation, cremation, interment  
13 or disinterment of any dead human body.

14 3. Define and prescribe reasonably necessary procedures that are  
15 not inconsistent with law in regard to the use and accessibility of vital  
16 records, delayed birth registration and the completion, change and  
17 amendment of vital records.

18 4. Except as relating to the beneficial use of wildlife meat by  
19 public institutions and charitable organizations pursuant to title 17,  
20 prescribe reasonably necessary measures to ensure that all food or drink,  
21 including meat and meat products and milk and milk products sold at the  
22 retail level, provided for human consumption is free from unwholesome,  
23 poisonous or other foreign substances and filth, insects or  
24 disease-causing organisms. The rules shall prescribe reasonably necessary  
25 measures governing the production, processing, labeling, storing,  
26 handling, serving and transportation of these products. The rules shall  
27 prescribe minimum standards for the sanitary facilities and conditions  
28 that shall be maintained in any warehouse, restaurant or other premises,  
29 except a meatpacking plant, slaughterhouse, wholesale meat processing  
30 plant, dairy product manufacturing plant or trade product manufacturing  
31 plant. The rules shall prescribe minimum standards for any truck or other  
32 vehicle in which food or drink is produced, processed, stored, handled,  
33 served or transported. The rules shall provide for the inspection and  
34 licensing of premises and vehicles so used, and for abatement as public  
35 nuisances of any premises or vehicles that do not comply with the rules  
36 and minimum standards. The rules shall provide an exemption relating to  
37 food or drink that is:

38 (a) Served at a noncommercial social event such as a potluck.

39 (b) Prepared at a cooking school that is conducted in an  
40 owner-occupied home.

41 (c) Not potentially hazardous and prepared in a kitchen of a  
42 private home for sale or distribution for noncommercial purposes.

43 (d) Prepared or served at an employee-conducted function that lasts  
44 less than four hours and is not regularly scheduled, such as an employee  
45 recognition, an employee fundraising or an employee social event.

1 (e) Offered at a child care facility and limited to commercially  
2 prepackaged food that is not potentially hazardous and whole fruits and  
3 vegetables that are washed and cut on-site for immediate consumption.

4 (f) Offered at locations that sell only commercially prepackaged  
5 food or drink that is not potentially hazardous.

6 (g) A cottage food product that is prepared in a kitchen of a  
7 private home for commercial purposes consistent with chapter 8, article 2  
8 of this title.

9 (h) A whole fruit or vegetable grown in a public school garden that  
10 is washed and cut on-site for immediate consumption.

11 (i) Produce in a packing or holding facility that is subject to the  
12 United States food and drug administration produce safety rule (21 Code of  
13 Federal Regulations part 112) as administered by the Arizona department of  
14 agriculture pursuant to title 3, chapter 3, article 4.1. For the purposes  
15 of this subdivision, "holding", "packing" and "produce" have the same  
16 meanings prescribed in section 3-525.

17 (j) Spirituous liquor ~~OR ADULT HEMP BEVERAGES~~ produced ~~on the~~  
18 ~~premises BY A PRODUCER OR CRAFT PRODUCER OR MANUFACTURER BY AN ADULT HEMP~~  
19 ~~BEVERAGES MANUFACTURER~~ licensed by the department of liquor licenses and  
20 control. This exemption includes both of the following:

21 (i) The area in which production and manufacturing of spirituous  
22 liquor ~~OR ADULT HEMP BEVERAGES~~ occurs, ~~as defined in an active basic~~  
23 ~~permit on file with the United States alcohol and tobacco tax and trade~~  
24 ~~bureau.~~

25 (ii) The area licensed by the department of liquor licenses and  
26 control as a ~~microbrewery, farm winery or craft distiller~~ PRODUCER, CRAFT  
27 PRODUCER OR ADULT HEMP BEVERAGES MANUFACTURER that is open to the public  
28 and serves spirituous liquor OR ADULT HEMP BEVERAGES and commercially  
29 prepackaged food, crackers or pretzels for consumption on the premises. A  
30 producer of spirituous liquor OR ADULT HEMP BEVERAGES may not provide,  
31 allow or expose for common use any cup, glass or other receptacle used for  
32 drinking purposes. For the purposes of this item, "common use" means the  
33 use of a drinking receptacle for drinking purposes by or for more than one  
34 person without the receptacle being thoroughly cleansed and sanitized  
35 between consecutive uses by methods prescribed by or acceptable to the  
36 department.

37 (k) Spirituous liquor produced by a producer that is licensed by  
38 the department of liquor licenses and control or spirituous liquor  
39 imported and sold by ~~wholesalers~~ A WHOLESALER that is licensed by the  
40 department of liquor licenses and control. This exemption includes all  
41 commercially prepackaged spirituous liquor and all spirituous liquor  
42 poured at a licensed special event, festival or fair in this state.

43 (l) AN ADULT HEMP BEVERAGE OR FOOD OR DRINKS CONTAINING ADULT HEMP  
44 BEVERAGE PRODUCTS THAT ARE MANUFACTURED OR SOLD ON PREMISES THAT ARE  
45 LICENSED PURSUANT TO TITLE 4.

1           5. Prescribe reasonably necessary measures to ensure that all meat  
2 and meat products for human consumption handled at the retail level are  
3 delivered in a manner and from sources approved by the Arizona department  
4 of agriculture and are free from unwholesome, poisonous or other foreign  
5 substances and filth, insects or disease-causing organisms. The rules  
6 shall prescribe standards for sanitary facilities to be used in  
7 identifying, storing, handling and selling all meat and meat products sold  
8 at the retail level.

9           6. Prescribe reasonably necessary measures regarding production,  
10 processing, labeling, handling, serving and transportation of bottled  
11 water to ensure that all bottled drinking water distributed for human  
12 consumption is free from unwholesome, poisonous, deleterious or other  
13 foreign substances and filth or disease-causing organisms. The rules  
14 shall prescribe minimum standards for the sanitary facilities and  
15 conditions that shall be maintained at any source of water, bottling plant  
16 and truck or vehicle in which bottled water is produced, processed, stored  
17 or transported and shall provide for inspection and certification of  
18 bottled drinking water sources, plants, processes and transportation and  
19 for abatement as a public nuisance of any water supply, label, premises,  
20 equipment, process or vehicle that does not comply with the minimum  
21 standards. The rules shall prescribe minimum standards for  
22 bacteriological, physical and chemical quality for bottled water and for  
23 submitting samples at intervals prescribed in the standards.

24           7. Define and prescribe reasonably necessary measures governing ice  
25 production, handling, storing and distribution to ensure that all ice sold  
26 or distributed for human consumption or for preserving or storing food for  
27 human consumption is free from unwholesome, poisonous, deleterious or  
28 other foreign substances and filth or disease-causing organisms. The  
29 rules shall prescribe minimum standards for the sanitary facilities and  
30 conditions and the quality of ice that shall be maintained at any ice  
31 plant, storage and truck or vehicle in which ice is produced, stored,  
32 handled or transported and shall provide for inspection and licensing of  
33 the premises and vehicles, and for abatement as public nuisances of ice,  
34 premises, equipment, processes or vehicles that do not comply with the  
35 minimum standards.

36           8. Define and prescribe reasonably necessary measures concerning  
37 sewage and excreta disposal, garbage and trash collection, storage and  
38 disposal, and water supply for recreational and summer camps, campgrounds,  
39 motels, tourist courts, trailer coach parks and hotels. The rules shall  
40 prescribe minimum standards for preparing food in community kitchens,  
41 adequacy of excreta disposal, garbage and trash collection, storage and  
42 disposal and water supply for recreational and summer camps, campgrounds,  
43 motels, tourist courts, trailer coach parks and hotels and shall provide  
44 for inspection of these premises and for abatement as public nuisances of  
45 any premises or facilities that do not comply with the rules. Primitive



1 camp and picnic grounds offered by this state or a political subdivision  
2 of this state are exempt from rules adopted pursuant to this paragraph but  
3 are subject to approval by a county health department under sanitary  
4 regulations adopted pursuant to section 36-183.02. Rules adopted pursuant  
5 to this paragraph do not apply to two or fewer recreational vehicles as  
6 defined in section 33-2102 that are not park models or park trailers, that  
7 are parked on owner-occupied residential property for less than sixty days  
8 and for which no rent or other compensation is paid. For the purposes of  
9 this paragraph, "primitive camp and picnic grounds" means camp and picnic  
10 grounds that are remote in nature and without accessibility to public  
11 infrastructure such as water, electricity and sewer.

12 9. Define and prescribe reasonably necessary measures concerning  
13 the sewage and excreta disposal, garbage and trash collection, storage and  
14 disposal, water supply and food preparation of all public schools. The  
15 rules shall prescribe minimum standards for sanitary conditions that shall  
16 be maintained in any public school and shall provide for inspection of  
17 these premises and facilities and for abatement as public nuisances of any  
18 premises that do not comply with the minimum standards.

19 10. Prescribe reasonably necessary measures to prevent pollution of  
20 water used in public or semipublic swimming pools and bathing places and  
21 to prevent deleterious health conditions at these places. The rules shall  
22 prescribe minimum standards for sanitary conditions that shall be  
23 maintained at any public or semipublic swimming pool or bathing place and  
24 shall provide for inspection of these premises and for abatement as public  
25 nuisances of any premises and facilities that do not comply with the  
26 minimum standards. The rules shall be developed in cooperation with the  
27 director of the department of environmental quality and shall be  
28 consistent with the rules adopted by the director of the department of  
29 environmental quality pursuant to section 49-104, subsection B,  
30 paragraph 12.

31 11. Prescribe reasonably necessary measures to keep confidential  
32 information relating to diagnostic findings and treatment of patients, as  
33 well as information relating to contacts, suspects and associates of  
34 communicable disease patients. Confidential information may not be made  
35 available for political or commercial purposes.

36 12. Prescribe reasonably necessary measures regarding human  
37 immunodeficiency virus testing as a means to control the transmission of  
38 that virus, including the designation of anonymous test sites as dictated  
39 by current epidemiologic and scientific evidence.

40 13. Establish an online registry of food preparers that are  
41 authorized to prepare cottage food products for commercial purposes  
42 pursuant to paragraph 4 of this subsection and chapter 8, article 2 of  
43 this title. A registered food preparer shall renew the registration every  
44 three years and shall provide to the department updated registration  
45 information within thirty days after any change.

1           14. Prescribe an exclusion for fetal demise cases from the  
2 standardized survey known as "the hospital consumer assessment of  
3 healthcare providers and systems".

4           J. The rules adopted under the authority conferred by this section  
5 shall be observed throughout this state and shall be enforced by each  
6 local board of health or public health services district, but this section  
7 does not limit the right of any local board of health or county board of  
8 supervisors to adopt ordinances and rules as authorized by law within its  
9 jurisdiction if the ordinances and rules do not conflict with state law  
10 and are equal to or more restrictive than the rules of the director.

11           K. The powers and duties prescribed by this section do not apply in  
12 instances in which regulatory powers and duties relating to public health  
13 are vested by the legislature in any other state board, commission, agency  
14 or instrumentality, except that with regard to the regulation of meat and  
15 meat products, the department of health services and the Arizona  
16 department of agriculture within the area delegated to each shall adopt  
17 rules that are not in conflict.

18           L. The director, in establishing fees authorized by this section,  
19 shall comply with title 41, chapter 6. The department shall not set a fee  
20 at more than the department's cost of providing the service for which the  
21 fee is charged. State agencies are exempt from all fees imposed pursuant  
22 to this section.

23           M. After consultation with the state superintendent of public  
24 instruction, the director shall prescribe the criteria the department  
25 shall use in deciding whether or not to notify a local school district  
26 that a pupil in the district has tested positive for the human  
27 immunodeficiency virus antibody. The director shall prescribe the  
28 procedure by which the department shall notify a school district if,  
29 pursuant to these criteria, the department determines that notification is  
30 warranted in a particular situation. This procedure shall include a  
31 requirement that before notification the department shall determine to its  
32 satisfaction that the district has an appropriate policy relating to  
33 nondiscrimination of the infected pupil and confidentiality of test  
34 results and that proper educational counseling has been or will be  
35 provided to staff and pupils.

36           N. Until the department adopts exemptions by rule as required by  
37 subsection I, paragraph 4, subdivision (f) of this section, food and drink  
38 are exempt from the rules prescribed in subsection I of this section if  
39 offered at locations that sell only commercially prepackaged food or drink  
40 that is not potentially hazardous, without a limitation on its display  
41 area.

42           O. Until the department adopts exemptions by rule as required by  
43 subsection I, paragraph 4, subdivision (h) of this section, a whole fruit  
44 or vegetable grown in a public school garden that is washed and cut

1 on-site for immediate consumption is exempt from the rules prescribed in  
2 subsection I of this section.

3 P. Until the department adopts an exclusion by rule as required by  
4 subsection I, paragraph 14 of this section, the standardized survey known  
5 as "the hospital consumer assessment of healthcare providers and systems"  
6 may not include patients who experience a fetal demise.

7 Q. Until the department adopts exemptions by rule as required by  
8 subsection I, paragraph 4, subdivision (j) of this section, spirituous  
9 liquor and commercially prepackaged food, crackers or pretzels that meet  
10 the requirements of subsection I, paragraph 4, subdivision (j) of this  
11 section are exempt from the rules prescribed in subsection I of this  
12 section.

13 R. For the purposes of this section:

14 1. "Cottage food product" has the same meaning prescribed in  
15 section 36-931.

16 2. "Fetal demise" means a fetal death that occurs or is confirmed  
17 in a licensed hospital. Fetal demise does not include an abortion as  
18 defined in section 36-2151.

19 Sec. 56. Section 42-3001, Arizona Revised Statutes, is amended to  
20 read:

21 42-3001. Definitions

22 In this chapter, unless the context otherwise requires:

23 1. "ADULT HEMP BEVERAGES" HAS THE SAME MEANING PRESCRIBED IN  
24 SECTION 4-101.

25 ~~1.~~ 2. "Affix" and "affixed" include imprinting tax meter stamps on  
26 packages and individual containers as authorized by the department.

27 ~~2.~~ 3. "Brand family" has the same meaning prescribed in section  
28 44-7111.

29 ~~3.~~ 4. "Cavendish" means a tobacco product that is smoked from a  
30 pipe and that meets one of the following criteria:

31 (a) Is described as cavendish, as containing cavendish or as a  
32 cavendish blend on its packaging, labeling or promotional materials.

33 (b) Appears to have been processed or manufactured with an amount  
34 of flavorings and humectants that exceeds twenty percent of the weight of  
35 the tobacco contained in the product.

36 (c) Appears to be blended with or contain a tobacco product  
37 described in subdivision (b) of this paragraph.

38 ~~4.~~ 5. "Cider" means vinous liquor that is made from the normal  
39 alcoholic fermentation of the juice of sound, ripe apples, pears or other  
40 pome fruit, including flavored, sparkling and carbonated cider and cider  
41 made from condensed apple, pear or other pome fruit must, and that  
42 contains more than one-half of one percent of alcohol by volume but not  
43 more than seven percent of alcohol by volume.

44 ~~5.~~ 6. "Cigar" means any roll of tobacco wrapped in leaf tobacco or  
45 in any substance containing tobacco other than any roll of tobacco that is

1 a cigarette, as defined in paragraph ~~6~~ 7, subdivision (b) of this  
2 section.

3 ~~6~~ 7. "Cigarette" means either of the following:

4 (a) Any roll of tobacco wrapped in paper or any substance not  
5 containing tobacco.

6 (b) Any roll of tobacco wrapped in any substance containing tobacco  
7 that, because of its appearance, the type of tobacco used in the filler or  
8 its packaging and labeling, is likely to be offered to or purchased by a  
9 consumer as a cigarette described in subdivision (a) of this paragraph.  
10 This subdivision shall be interpreted consistently with the classification  
11 guidelines established by the federal alcohol and tobacco tax and trade  
12 bureau.

13 ~~7~~ 8. "Consumer" means a person in this state that comes into  
14 possession of any luxury subject to the tax imposed by this chapter and  
15 that, on coming into possession of the luxury, is not a distributor  
16 intending to sell or distribute the luxury, a retailer or a wholesaler.

17 ~~8~~ 9. "Craft distiller" means a distiller in the United States or  
18 in a territory or possession of the United States that holds a license  
19 pursuant to section 4-205.10.

20 ~~9~~ 10. "Distributor" means any person that manufactures, produces,  
21 ships, transports or imports into this state or in any manner acquires or  
22 possesses for the purpose of making the first sale of the following:

23 (a) Cigarettes without Arizona tax stamps affixed as required by  
24 this article.

25 (b) Roll-your-own tobacco or other tobacco products on which the  
26 taxes have not been paid as required by this chapter.

27 ~~10~~ 11. "Farm winery" has the same meaning prescribed in section  
28 4-101.

29 ~~11~~ 12. "First sale" means the initial sale or distribution in  
30 intrastate commerce or the initial use or consumption of cigarettes,  
31 roll-your-own tobacco or other tobacco products.

32 ~~12~~ 13. "Luxury" means any article, object or device on which a  
33 tax is imposed under this chapter.

34 ~~13~~ 14. "Malt liquor" means any liquid that contains more than  
35 one-half of one percent alcohol by volume and that is made by the process  
36 of fermentation and not distillation of hops or grains, but not including:

37 (a) Liquids made by the process of distillation of such substances.

38 (b) Medicines that are unsuitable for beverage purposes.

39 ~~14~~ 15. "Master settlement agreement" has the same meaning  
40 prescribed in section 44-7101.

41 ~~15~~ 16. "Microbrewery" has the same meaning prescribed in section  
42 4-101.

43 ~~16~~ 17. "Nonparticipating manufacturer" has the same meaning  
44 prescribed in section 44-7111.

1           ~~17.~~ 18. "Other tobacco products" means tobacco products other than  
2 cigarettes and roll-your-own tobacco.  
3           ~~18.~~ 19. "Participating manufacturer" has the same meaning  
4 prescribed in section 44-7111.  
5           ~~19.~~ 20. "Person" means any individual, firm, partnership, joint  
6 venture, association, corporation, municipal corporation, estate, trust,  
7 club, society or other group or combination acting as a unit, and the  
8 plural as well as the singular number.  
9           ~~20.~~ 21. "Place of business":  
10           (a) Means a building, facility site or location where an order is  
11 received or where tobacco products are sold, distributed or transferred.  
12 ~~Place of business~~  
13           (b) Does not include a vehicle.  
14           22. "READY-TO-DRINK SPIRITS PRODUCT" MEANS DISTILLED SPIRITS AS  
15 DEFINED IN SECTION 4-101 THAT ARE MIXED WITH ANOTHER BEVERAGE THAT MAY  
16 CONTAIN FLAVORING OR COLORING MATERIALS AND OTHER INGREDIENTS, THAT DO NOT  
17 EXCEED TEN PERCENT ALCOHOL BY VOLUME, THAT ARE SEALED IN AN ORIGINAL  
18 CONTAINER OF NOT MORE THAN SIXTEEN OUNCES AND THAT ARE SOLD IN THE  
19 MANUFACTURER'S ORIGINAL PACKAGING.  
20           ~~21.~~ 23. "Retailer" means any person that comes into possession of  
21 any luxury subject to the taxes imposed by this chapter for the purpose of  
22 selling it for consumption and not for resale.  
23           ~~22.~~ 24. "Roll-your-own tobacco" means any tobacco that, because of  
24 its appearance, type, packaging or labeling, is suitable for use and  
25 likely to be offered to or purchased by consumers as tobacco for making  
26 cigarettes. This paragraph shall be interpreted consistently with the  
27 term as used in section 44-7101. This paragraph shall be interpreted  
28 consistently with the classification guidelines established by the federal  
29 alcohol and tobacco tax and trade bureau.  
30           ~~23.~~ 25. "Smoking tobacco":  
31           (a) Means any tobacco that, because of its appearance, type,  
32 packaging, labeling or promotion, is suitable for use and likely to be  
33 offered to or purchased by consumers as tobacco for making cigarettes or  
34 otherwise consumed by burning. ~~Smoking tobacco~~  
35           (b) Includes pipe tobacco and roll-your-own tobacco.  
36           ~~24.~~ 26. "Spirituous liquor":  
37           (a) Means any liquid that contains more than one-half of one  
38 percent alcohol by volume, that is produced by distillation of any  
39 fermented substance and that is used or prepared for use as a beverage.  
40 ~~Spirituous liquor~~  
41           (b) Does not include medicines that are unsuitable for beverage  
42 purposes.  
43           ~~25.~~ 27. "Tobacco product manufacturer" has the same meaning  
44 prescribed in section 44-7101.

1 ~~26.~~ 28. "Tobacco products" means all luxuries included in section  
2 42-3052, paragraphs 5 through 9.

3 ~~27.~~ 29. "Vehicle" means a device in, on or by which a person or  
4 property is or may be transported or drawn on the roads of this state  
5 regardless of the means by which it is propelled or whether it runs on a  
6 track.

7 ~~28.~~ 30. "Vinous liquor":

8 (a) Means any liquid that contains more than one-half of one  
9 percent alcohol by volume and that is made by the process of fermentation  
10 of grapes, berries, fruits, vegetables or other substances. ~~But~~

11 (b) Does not include:

12 ~~(a)~~ (i) Liquids in which hops or grains are used in the process of  
13 fermentation.

14 ~~(b)~~ (ii) Liquids made by the process of distillation of hops or  
15 grains.

16 ~~(c)~~ (iii) Medicines that are unsuitable for beverage purposes.

17 ~~29.~~ 31. "Wholesaler" means a person that sells any spirituous,  
18 vinous or malt liquor OR ADULT HEMP BEVERAGES taxed under this chapter to  
19 retail dealers or for the purposes of resale only.

20 Sec. 57. Section 42-3051, Arizona Revised Statutes, is amended to  
21 read:

22 42-3051. Levy of tax

23 In addition to all other taxes, there is levied and imposed and  
24 there shall be collected and deposited, pursuant to sections 35-146 and  
25 35-147, in the manner provided by this chapter, taxes on all spirituous,  
26 vinous and malt liquors, ON ALL ADULT HEMP BEVERAGES and on all  
27 cigarettes, cigars, smoking tobacco, plug tobacco, snuff and other forms  
28 of tobacco, for use as may be prescribed by law.

29 Sec. 58. Section 42-3052, Arizona Revised Statutes, is amended to  
30 read:

31 42-3052. Classifications of luxuries; rates of tax

32 The taxes under this chapter are imposed at the following rates:

33 1. On each sealed container of spirituous liquor, ~~at the rate of~~  
34 ~~three dollars~~ \$3 PER gallon and at a proportionate rate for any lesser or  
35 greater quantity than one gallon.

36 2. On each container of vinous liquor, except cider, of which the  
37 alcoholic content is not greater than twenty-four ~~per cent~~ PERCENT by  
38 volume, ~~at the rate of eighty-four cents~~ \$.84 per gallon and at a  
39 proportionate rate for any lesser or greater quantity than one gallon.

40 3. On each container of vinous liquor of which the alcoholic  
41 content is greater than twenty-four ~~per cent~~ PERCENT by volume, containing  
42 eight ounces or less, ~~twenty-five cents~~ \$.25, and for each eight ounces  
43 for containers containing more than eight ounces, ~~twenty-five cents~~ \$.25.

1 4. On each gallon of malt liquor or cider, ~~sixteen cents~~ \$.16, and  
2 at a proportionate rate for any lesser or greater quantity than one  
3 gallon.

4 5. On each cigarette, ~~nine-tenths cent~~ \$.009.

5 6. On smoking tobacco, snuff, fine cut chewing tobacco, cut and  
6 granulated tobacco, shorts and refuse of fine cut chewing tobacco, and  
7 refuse, scraps, clippings, cuttings and sweepings of tobacco, excluding  
8 tobacco powder or tobacco products used exclusively for agricultural or  
9 horticultural purposes and unfit for human consumption, ~~two cents~~ \$.02 per  
10 ounce or major fraction of an ounce.

11 7. On all cavendish, plug or twist tobacco, ~~one-half cent~~ \$.005 per  
12 ounce or fractional part of an ounce.

13 8. On each twenty small cigars or fractional part weighing not more  
14 than three pounds per thousand, ~~four cents~~ \$.04.

15 9. On cigars of all descriptions except those included in paragraph  
16 8 of this section, made of tobacco or any tobacco substitute:

17 (a) If manufactured to retail at not more than ~~five cents~~ \$.05  
18 each, ~~two cents~~ \$.02 on each three cigars.

19 (b) If manufactured to retail at more than ~~five cents~~ \$.05 each,  
20 ~~two cents~~ \$.02 on each cigar.

21 10. ON EACH SEALED CONTAINER OF ADULT HEMP BEVERAGES, \$1.50 PER  
22 GALLON AND A PROPORTIONATE RATE FOR ANY LESSER OR GREATER QUANTITY THAN  
23 ONE GALLON.

24 11. ON EACH SEALED CONTAINER OF A READY-TO-DRINK SPIRITS PRODUCT,  
25 \$1.50 PER GALLON AND A PROPORTIONATE RATE FOR ANY LESSER OR GREATER  
26 QUANTITY THAN ONE GALLON.

27 Sec. 59. Section 42-3351, Arizona Revised Statutes, is amended to  
28 read:

29 42-3351. Bonds required of liquor and adult hemp beverages  
30 wholesalers; exemption

31 A. Every wholesaler of spirituous LIQUORS, vinous ~~and~~ LIQUORS, malt  
32 liquors, READY-TO-DRINK SPIRITS PRODUCTS AND ADULT HEMP BEVERAGES shall  
33 file with the department, in such form as the department prescribes, a  
34 bond or bonds, ~~—~~ duly executed by the wholesaler as principal, ~~—~~ and with a  
35 corporation duly authorized to execute and write bonds within the state as  
36 surety, payable to the state, ~~—~~ and conditioned ~~upon~~ ON the payment of all  
37 taxes, penalties and other obligations of the wholesaler arising under  
38 this chapter.

39 B. The department shall fix the total amount of the bond or bonds  
40 required of the wholesaler and may increase or reduce the amount at any  
41 time. In fixing the total amount, the department shall require a bond or  
42 bonds equivalent in total amount to twice the wholesaler's estimated  
43 monthly tax, ascertained in such manner as the department deems proper.  
44 The total amount of the bond or bonds required of any wholesaler shall not  
45 be less than ~~two thousand dollars~~ \$2,000.

1 C. A wholesaler is exempt from the requirements of this section if  
2 the wholesaler has made timely payment of the taxes imposed by this  
3 chapter for the twenty-four consecutive months immediately preceding the  
4 current month.

5 Sec. 60. Section 42-3352, Arizona Revised Statutes, is amended to  
6 read:

7 42-3352. Reports of distillers, producers and manufacturers

8 A. Every distiller or manufacturer of distilled spirits, ~~and~~ vinous  
9 and malt liquors **AND ADULT HEMP BEVERAGES** that sells any of those products  
10 to wholesalers within this state shall maintain in its records a copy of  
11 the invoice of the sale, showing in detail:

- 12 1. The kind of liquor or **ADULT HEMP** beverage sold.
- 13 2. The quantities of each.
- 14 3. The size of the container and the weight of the contents.
- 15 4. The alcoholic content if required by section 42-3052.
- 16 5. The name of the person, firm or corporation to whom sold.

17 B. A distiller, **PRODUCER** or manufacturer shall make the invoices  
18 required to be kept pursuant to subsection A of this section available to  
19 the department on request.

20 Sec. 61. Section 42-3354, Arizona Revised Statutes, is amended to  
21 read:

22 42-3354. Return and payment by spirituous or vinous liquor  
23 wholesalers

24 A. Every wholesaler of spirituous liquors selling spirituous  
25 liquors within ~~the~~ **THIS** state shall pay the tax under this chapter on all  
26 such liquor sold within ~~the~~ **THIS** state and add the amount of the tax to  
27 the sales price.

28 B. Every wholesaler of vinous liquors selling vinous liquors other  
29 than ciders ~~as defined in section 42-3001~~ within this state shall pay the  
30 tax under this chapter on all such liquors sold within this state and add  
31 the amount of tax to the sales price.

32 **C. EVERY WHOLESALER OF READY-TO-DRINK SPIRITS PRODUCTS SELLING**  
33 **READY-TO-DRINK SPIRITS PRODUCTS WITHIN THIS STATE SHALL PAY THE TAX UNDER**  
34 **THIS CHAPTER ON ALL SUCH PRODUCTS SOLD WITHIN THIS STATE AND ADD THE**  
35 **AMOUNT OF THE TAX TO THE SALES PRICE.**

36 ~~D.~~ D. The wholesaler shall pay the tax to the department monthly  
37 on or before the twentieth day of the month next succeeding the month in  
38 which the tax accrues.

39 ~~E.~~ E. On or before the date prescribed by subsection ~~E~~ D of this  
40 section, the wholesaler shall prepare a sworn return for the month in  
41 which the tax accrues in the form prescribed by the department, showing:

- 42 1. The amount of spirituous liquors sold in this state during the  
43 month in which the tax accrues.



1           2. The amount of vinous liquors other than ciders ~~as defined in~~  
2 ~~section 42-3001~~ sold in ~~the~~ THIS state during the month in which the tax  
3 accrues.

4           3. The amount of tax for the period covered by the return.

5           4. Any other information that the department deems necessary for  
6 the proper administration of this chapter.

7           ~~F.~~ F. The wholesaler shall deliver the return, together with a  
8 remittance of the amount of the tax due, to the department.

9           ~~F.~~ G. Any taxpayer that fails to pay the tax within ten days ~~from~~  
10 AFTER the date on which the payment becomes due is subject to and shall  
11 pay a penalty determined under section 42-1125, plus interest at the rate  
12 determined pursuant to section 42-1123 from the time the tax was due and  
13 payable until paid.

14           ~~G.~~ H. For reporting periods beginning from and after December 31,  
15 2019, or when the department has established an electronic filing program,  
16 whichever is later, each taxpayer shall file electronically any report or  
17 return required under this chapter. The report or return is considered to  
18 be filed and received by the department on the date of the electronic  
19 postmark pursuant to section 42-1105.02.

20           Sec. 62. Section 42-3355, Arizona Revised Statutes, is amended to  
21 read:

22           42-3355. Return and payment by farm wineries, manufacturers,  
23 direct shipment licensees, microbreweries and  
24 craft distillers

25           A. A farm winery selling vinous liquor OR ADULT HEMP BEVERAGES at  
26 retail or to a retail licensee pursuant to title 4, chapter 2 that is  
27 manufactured or produced on the premises, a producer of vinous liquor OR  
28 ADULT HEMP BEVERAGES that sells at retail pursuant to section 4-243.02 or  
29 a direct shipment licensee that sells pursuant to section 4-203.04 shall  
30 pay the tax under this chapter on all such liquor OR ADULT HEMP BEVERAGES  
31 sold at retail or to a retail licensee within this state and add the  
32 amount of the tax to the sales price.

33           B. A microbrewery selling malt liquor OR ADULT HEMP BEVERAGES at  
34 retail or to a retail licensee pursuant to title 4, chapter 2 that is  
35 manufactured or produced on the premises or a manufacturer of beer OR  
36 ADULT HEMP BEVERAGES that sells at retail pursuant to section 4-243.02  
37 shall pay the tax under this chapter on all malt liquor OR ADULT HEMP  
38 BEVERAGES sold at retail or to a retail licensee within this state and add  
39 the amount of the tax to the sales price.

40           C. A craft distiller selling spirituous liquor, READY-TO-DRINK  
41 SPIRITS PRODUCTS OR ADULT HEMP BEVERAGES at retail or to a retail licensee  
42 pursuant to title 4, chapter 2 that is manufactured or produced on the  
43 premises or a distiller of spirituous liquor, READY-TO-DRINK SPIRITS  
44 PRODUCTS OR ADULT HEMP BEVERAGES that sells at retail pursuant to section  
45 4-243.02 shall pay the tax under this chapter on all spirituous liquor,

1 **READY-TO-DRINK SPIRITS PRODUCTS OR ADULT HEMP BEVERAGES** sold at retail or  
2 to a retail licensee within this state and add the amount of the tax to  
3 the sales price.

4 D. The farm winery, manufacturer, microbrewery, craft distiller or  
5 direct shipment licensee shall pay the tax to the department annually on  
6 or before the twentieth day of the first month of the year succeeding the  
7 year in which the tax accrues.

8 E. On or before that date, the farm winery, manufacturer,  
9 microbrewery, craft distiller or direct shipment licensee shall prepare a  
10 sworn return for the year in which the tax accrues in the form prescribed  
11 by the department, showing:

12 1. The amount of liquors, ~~or~~ beer, **READY-TO-DRINK SPIRITS PRODUCTS**  
13 **OR ADULT HEMP BEVERAGES** sold in this state during the year in which the  
14 tax accrues.

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

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

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

21 G. Any taxpayer that fails to pay the tax within ten days after the  
22 date on which the payment becomes due is subject to and shall pay a  
23 penalty determined under section 42-1125, plus interest at the rate  
24 determined pursuant to section 42-1123 from the time the tax was due and  
25 payable until paid.

26 H. For reporting periods beginning from and after December 31,  
27 2019, or when the department has established an electronic filing program,  
28 whichever is later, each taxpayer shall file electronically any report or  
29 return required under this chapter. The report or return is considered to  
30 be filed and received by the department on the date of the electronic  
31 postmark pursuant to section 42-1105.02.

32 Sec. 63. Title 42, chapter 3, article 8, Arizona Revised Statutes,  
33 is amended by adding section 42-3357, to read:

34 **42-3357. Return and payment by wholesalers of adult hemp**  
35 **beverages**

36 A. EACH WHOLESALER OF ADULT HEMP BEVERAGES THAT PURCHASES ADULT  
37 HEMP BEVERAGES FOR RESALE WITHIN THIS STATE SHALL PAY THE TAX UNDER THIS  
38 CHAPTER ON ALL PRODUCTS THAT ARE PURCHASED AND ADD THE AMOUNT OF THE TAX  
39 TO THE SALES PRICE.

40 B. THE WHOLESALER SHALL PAY THE TAX TO THE DEPARTMENT MONTHLY ON OR  
41 BEFORE THE TWENTIETH DAY OF THE MONTH NEXT SUCCEEDING THE MONTH IN WHICH  
42 THE TAX ACCRUES.

43 C. ON OR BEFORE THE DATE PRESCRIBED BY SUBSECTION B OF THIS  
44 SECTION, THE WHOLESALER SHALL PREPARE A SWORN RETURN FOR THE MONTH IN  
45 WHICH THE TAX ACCRUES IN THE FORM PRESCRIBED BY THE DEPARTMENT, SHOWING:

1           1. THE AMOUNT OF ADULT HEMP BEVERAGES PURCHASED DURING THE MONTH IN  
2 WHICH THE TAX ACCRUES.

3           2. THE AMOUNT OF TAX FOR THE PERIOD COVERED BY THE RETURN.

4           3. ANY OTHER INFORMATION THAT THE DEPARTMENT DEEMS NECESSARY FOR  
5 THE PROPER ADMINISTRATION OF THIS CHAPTER.

6           D. THE TAXPAYER SHALL DELIVER THE RETURN, TOGETHER WITH A  
7 REMITTANCE OF THE AMOUNT OF THE TAX DUE, TO THE DEPARTMENT.

8           E. ANY TAXPAYER THAT FAILS TO PAY THE TAX WITHIN TEN DAYS AFTER THE  
9 DATE ON WHICH THE PAYMENT BECOMES DUE IS SUBJECT TO AND SHALL PAY A  
10 PENALTY DETERMINED UNDER SECTION 42-1125, PLUS INTEREST AT THE RATE  
11 DETERMINED PURSUANT TO SECTION 42-1123 FROM THE TIME THE TAX WAS DUE AND  
12 PAYABLE UNTIL PAID.

13           F. FOR REPORTING PERIODS BEGINNING FROM AND AFTER DECEMBER 31,  
14 2019, OR WHEN THE DEPARTMENT HAS ESTABLISHED AN ELECTRONIC FILING PROGRAM,  
15 WHICHEVER IS LATER, A TAXPAYER SHALL FILE ELECTRONICALLY ANY REPORT OR  
16 RETURN REQUIRED UNDER THIS CHAPTER. THE REPORT OR RETURN IS CONSIDERED TO  
17 BE FILED AND RECEIVED BY THE DEPARTMENT ON THE DATE OF THE ELECTRONIC  
18 POSTMARK PURSUANT TO SECTION 42-1105.02.

19           Sec. 64. Existing licensee applications

20           A. Notwithstanding section 4-203, Arizona Revised Statutes, as  
21 amended by this act, a person holding a producer's license or craft  
22 producer's license pursuant to title 4, Arizona Revised Statutes, may  
23 apply to add an adult hemp beverages manufacturer license to manufacture  
24 and sell adult hemp beverages under that producer's or craft producer's  
25 license, and the department of liquor licenses and control shall grant the  
26 license on the submission of a completed application without a hearing.

27           B. Notwithstanding section 4-203, Arizona Revised Statutes, as  
28 amended by this act, a person holding a wholesaler's license pursuant to  
29 title 4, Arizona Revised Statutes, may apply to purchase and sell adult  
30 hemp beverages under that license, and the department of liquor licenses  
31 and control shall grant that privilege on the submission of a completed  
32 application without a hearing.

33           C. Notwithstanding section 4-203, Arizona Revised Statutes, as  
34 amended by this act, a person holding a liquor store, beer and wine store,  
35 bar, beer and wine bar, club, hotel-motel, restaurant, or government  
36 license pursuant to title 4, Arizona Revised Statutes, may apply to sell  
37 adult hemp beverages under that retail license, and the department of  
38 liquor licenses and control shall grant that privilege on the submission  
39 of a completed application without a hearing.

40           D. Notwithstanding section 4-203, Arizona Revised Statutes, as  
41 amended by this act, a person holding a registered alcohol delivery  
42 contractor permit pursuant to title 4, Arizona Revised Statutes, may apply  
43 to deliver adult hemp beverages under that permit, and the department of  
44 liquor licenses and control shall grant that privilege on the submission  
45 of a completed application without a hearing.

1 E. A license or permit holder desiring to carry adult hemp  
2 beverages shall apply to the director of the department of liquor licenses  
3 and control on a form prescribed and furnished by the director of the  
4 department of liquor licenses and control. The application for adult hemp  
5 beverages may be filed for an existing license or permit or may be  
6 submitted with a new license or permit application. The review of the  
7 application and the issuance of approval for a new license shall be  
8 conducted under the same procedures for the issuance of a spirituous  
9 liquor license prescribed in section 4-201, Arizona Revised Statutes, as  
10 amended by this act. After the application to carry adult hemp beverages  
11 has been issued for a license or permit, the adult hemp beverage  
12 designation shall be noted on the license or permit itself and in the  
13 records of the department of liquor licenses and control. The director of  
14 the department of liquor licenses and control may charge a fee for  
15 processing each new license or permit application as provided in this  
16 section.

17 F. A city or town may not charge any fee relating to the issuance  
18 or approval of adult hemp beverages license or permit applications.

19 Sec. 65. Initial applications; delayed repeal

20 A. Notwithstanding sections 4-216 and 4-225, Arizona Revised  
21 Statutes, as added by this act, before the adoption of rules, the  
22 department of liquor licenses and control may approve license applications  
23 of adult hemp beverages manufacturers and may issue licenses to such  
24 applicants that satisfy the requirements of title 4, Arizona Revised  
25 Statutes.

26 B. Notwithstanding sections 4-216 and 4-225, Arizona Revised  
27 Statutes, as added by this act, before the adoption of rules, the  
28 department of liquor licenses and control may approve permit applications  
29 of entities that satisfy the requirements of title 4, Arizona Revised  
30 Statutes, to serve as independent testing laboratories.

31 C. The director of the department of liquor licenses and control  
32 may charge a fee for processing each initial application as provided in  
33 this section.

34 D. A city or town may not charge any fee relating to the issuance  
35 or approval of adult hemp beverages license or permit applications.

36 E. This section is repealed from and after December 31, 2026.

37 Sec. 66. Grace period

38 The department of liquor licenses and control shall allow retailers  
39 and wholesalers ninety days after the effective date of this act to sell  
40 any adult hemp beverages products that were in the retailer's or  
41 wholesaler's inventory as of the effective date of this act. All sales  
42 must be in compliance with the requirements of section 4-244, Arizona  
43 Revised Statutes, as amended by this act, including the prohibition on  
44 sales to persons under the legal drinking age. From and after ninety days  
45 after the effective date of this act, all hemp beverage products that are

1 not removed from the inventory of a retailer or wholesaler shall be  
2 subject to forfeiture and destruction and may not be purchased or sold in  
3 this state. The cost of seizure, forfeiture and destruction or disposal  
4 pursuant to this section shall be paid by the person or entity from whom  
5 the adult hemp beverages products are confiscated.

6 Sec. 67. Appropriation; department of liquor licenses and  
7 control; adult hemp beverages regulation; intent;  
8 exemption

9 A. The sum of \$1,000,000 is appropriated from the liquor licenses  
10 fund established by section 4-120, Arizona Revised Statutes, in fiscal  
11 year 2025-2026 to the department of liquor licenses and control for adult  
12 hemp beverages regulation.

13 B. The legislature intends that the appropriation made in  
14 subsection A of this section be considered ongoing funding in future  
15 years.

16 C. The appropriation made in subsection A of this section is exempt  
17 from the provisions of section 35-190, Arizona Revised Statutes, relating  
18 to lapsing of appropriations.

19 Sec. 68. Severability

20 If a provision of this act or its application to any person or  
21 circumstance is held invalid, the invalidity does not affect other  
22 provisions or applications of the act that can be given effect without the  
23 invalid provision or application, and to this end the provisions of this  
24 act are severable.

25 Sec. 69. Applicability

26 Sections 42-3001, 42-3051, 42-3052, 42-33351, 42-3352 and 42-3355,  
27 Arizona Revised Statutes, as amended by this act, and section 42-3357,  
28 Arizona Revised Statutes, as added by this act, apply to taxable periods  
29 beginning on or after the first day of the month following the general  
30 effective date.

31 Sec. 70. Applicability of existing rules

32 The existing rules of the department of liquor licenses and control  
33 applicable to the manufacture and sale of spirituous liquor shall apply  
34 equally to the manufacture and sale of adult hemp beverages unless an  
35 existing rule is deemed inapplicable by the department of liquor licenses  
36 and control.