

REFERENCE TITLE: liquor; microbrewery licenses

State of Arizona  
House of Representatives  
Fifty-first Legislature  
Second Regular Session  
2014

## **HB 2227**

Introduced by  
Representatives Shope, Cardenas, Orr, Otondo

AN ACT

AMENDING SECTIONS 4-101, 4-203, 4-203.03, 4-205.04, 4-205.08, 4-205.09,  
4-209, 4-243.01, 4-244, 4-244.04, 42-3001, 42-3355 AND 42-3356, ARIZONA  
REVISED STATUTES; RELATING TO SPIRITUOUS LIQUOR LICENSES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:  
2 Section 1. Section 4-101, Arizona Revised Statutes, is amended to  
3 read:  
4 4-101. Definitions  
5 In this title, unless the context otherwise requires:  
6 1. "Act of violence" means an incident consisting of a riot, a brawl  
7 or a disturbance, in which bodily injuries are sustained by any person and  
8 such injuries would be obvious to a reasonable person, or tumultuous conduct  
9 of sufficient intensity as to require the intervention of a peace officer to  
10 restore normal order, or an incident in which a weapon is brandished,  
11 displayed or used. Act of violence does not include the use of nonlethal  
12 devices by a peace officer.  
13 2. "Aggrieved party" means a person who resides at, owns or leases  
14 property within a one mile radius of a premises proposed to be licensed and  
15 who filed a written request with the department to speak in favor of or  
16 opposition to the issuance of the license no later than sixty days after the  
17 filing of the application or fifteen days after action by the local governing  
18 body, whichever is later.  
19 3. "Beer" means any beverage obtained by the alcoholic fermentation,  
20 infusion or decoction of barley malt, hops, or other ingredients not  
21 drinkable, or any combination of them.  
22 4. "Board" means the state liquor board.  
23 5. "Bona fide guest" means:  
24 (a) An individual who is personally familiar to the member, WHO is  
25 personally sponsored by the member and whose presence as a guest is in  
26 response to a specific and personal invitation.  
27 (b) In the case of a club that meets the criteria prescribed in  
28 paragraph 7, subdivision (a) of this section, a current member of the armed  
29 services of the United States who presents proper military identification and  
30 any member of a recognized veterans' organization of the United States and of  
31 any country allied with the United States during current or past wars or  
32 through treaty arrangements.  
33 6. "Broken package" means any container of spirituous liquor on which  
34 the United States tax seal has been broken or removed, or from which the cap,  
35 cork or seal placed thereupon by the manufacturer has been removed.  
36 7. "Club" includes any of the following organizations where the sale  
37 of spirituous liquor for consumption on the premises is made to members only:  
38 (a) A post, chapter, camp or other local unit composed solely of  
39 veterans and its duly recognized auxiliary ~~which~~ THAT has been chartered by  
40 the Congress of the United States for patriotic, fraternal or benevolent  
41 purposes and ~~which~~ THAT has, as the owner, lessee or occupant, operated an  
42 establishment for that purpose in this state.  
43 (b) A chapter, aerie, parlor, lodge or other local unit of an American  
44 national fraternal organization ~~which~~ THAT has, as the owner, lessee or  
45 occupant, operated an establishment for fraternal purposes in this state. An

1 American national fraternal organization as used in this subdivision shall  
2 actively operate in not less than thirty-six states or have been in active  
3 continuous existence for not less than twenty years.

4 (c) A hall or building association of a local unit mentioned in  
5 subdivisions (a) and (b) of this paragraph, all of the capital stock of which  
6 is owned by the local unit or the members, and ~~which~~ THAT operates the  
7 clubroom facilities of the local unit.

8 (d) A golf club ~~which~~ THAT has more than fifty bona fide members and  
9 ~~which~~ THAT owns, maintains or operates a bona fide golf links together with a  
10 clubhouse.

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

34 (f) An airline club operated by or for airlines ~~which~~ THAT are  
35 certificated by the United States government and ~~which~~ THAT maintain or  
36 operate club quarters located at airports with international status.

37 8. "Company" or "association", when used in reference to a  
38 corporation, includes successors or assigns.

39 9. "Control" means the power to direct or cause the direction of the  
40 management and policies of an applicant, licensee or controlling person,  
41 whether through the ownership of voting securities or a partnership interest,  
42 by agreement or otherwise. Control is presumed to exist if a person has the  
43 direct or indirect ownership of or power to vote ten per cent or more of the  
44 outstanding voting securities of the applicant, licensee or controlling  
45 person or to control in any manner the election of one or more of the

1 directors of the applicant, licensee or controlling person. In the case of a  
2 partnership, control is presumed to mean the general partner or a limited  
3 partner who holds ten per cent or more of the voting rights of the  
4 partnership. For the purposes of determining the percentage of voting  
5 securities owned, controlled or held by a person, there shall be aggregated  
6 with the voting securities attributed to the person the voting securities of  
7 any other person directly or indirectly controlling, controlled by or under  
8 common control with the other person, or by an officer, partner, employee or  
9 agent of the person or by a spouse, parent or child of the person. Control  
10 is also presumed to exist if a creditor of the applicant, licensee or  
11 controlling person holds a beneficial interest in ten per cent or more of the  
12 liabilities of the licensee or controlling person.

13 10. "Controlling person" means a person directly or indirectly  
14 possessing control of an applicant or licensee.

15 11. "Department" means the department of liquor licenses and control.

16 12. "Director" means the director of the department of liquor licenses  
17 and control.

18 13. "Distilled spirits" includes alcohol, brandy, whiskey, rum,  
19 tequila, mescal, gin, absinthe, a compound or mixture of any of them or of  
20 any of them with any vegetable or other substance, alcohol bitters, bitters  
21 containing alcohol, fruits preserved in ardent spirits, and any alcoholic  
22 mixture or preparation, whether patented or otherwise, ~~which~~ THAT may in  
23 sufficient quantities produce intoxication.

24 ~~14. "Domestic farm winery" means a winery in the United States or in a~~  
25 ~~territory or possession of the United States that holds a license pursuant to~~  
26 ~~section 4-205.04.~~

27 ~~15. "Domestic microbrewery" means a brewery in the United States or in~~  
28 ~~a territory or possession of the United States that meets the requirements of~~  
29 ~~section 4-205.08.~~

30 ~~16.~~ 14. "Employee" means any person who performs any service on  
31 licensed premises on a full-time, part-time or contract basis with consent of  
32 the licensee, whether or not the person is denominated an employee,  
33 independent contractor or otherwise. Employee does not include a person  
34 exclusively on the premises for musical or vocal performances, for repair or  
35 maintenance of the premises or for the delivery of goods to the licensee.

36 15. "FARM WINERY" MEANS A WINERY IN THE UNITED STATES OR IN A TERRITORY  
37 OR POSSESSION OF THE UNITED STATES THAT HOLDS A LICENSE PURSUANT TO SECTION  
38 4-205.04.

39 ~~17.~~ 16. "Government license" means a license to serve and sell  
40 spirituous liquor on specified premises available only to a county, city,  
41 town, community college or state university or the national guard or Arizona  
42 coliseum and exposition center on application by the governing body of a  
43 county, city, town, community college or state university or the national  
44 guard or Arizona exposition and state fair board.

45 ~~18.~~ 17. "Legal drinking age" means twenty-one years of age or older.

1           ~~19.~~ 18. "License" means a license or an interim retail permit issued  
2 pursuant to this title.

3           ~~20.~~ 19. "License fees" means fees collected for license issuance,  
4 license application, license renewal, interim permit issuance and license  
5 transfer between persons or locations.

6           ~~21.~~ 20. "Licensee" means a person who has been issued a license or an  
7 interim retail permit pursuant to this title or a special event licensee.

8           ~~22.~~ 21. "Manager" means a natural person who meets the standards  
9 required of licensees and who has authority to organize, direct, carry on,  
10 control or otherwise operate a licensed business on a temporary or full-time  
11 basis.

12           22. "MICROBREWERY" MEANS A BREWERY IN THE UNITED STATES OR IN A  
13 TERRITORY OR POSSESSION OF THE UNITED STATES THAT MEETS THE REQUIREMENTS OF  
14 SECTION 4-205.08.

15           23. "Off-sale retailer" means any person operating a bona fide  
16 regularly established retail liquor store selling spirituous liquors, wines  
17 and beer, and any established retail store selling commodities other than  
18 spirituous liquors and engaged in the sale of spirituous liquors only in the  
19 original unbroken package, to be taken away from the premises of the retailer  
20 and to be consumed off the premises.

21           24. "On-sale retailer" means any person operating an establishment  
22 where spirituous liquors are sold in the original container for consumption  
23 on or off the premises or in individual portions for consumption on the  
24 premises.

25           25. "Person" includes a partnership, limited liability company,  
26 association, company or corporation, as well as a natural person.

27           26. "Premises" or "licensed premises" means the area from which the  
28 licensee is authorized to sell, dispense or serve spirituous liquors under  
29 the provision of the license. Premises or licensed premises includes a patio  
30 that is not contiguous to the remainder of the premises or licensed premises  
31 if the patio is separated from the remainder of the premises or licensed  
32 premises by a public or private walkway or driveway not to exceed thirty  
33 feet, subject to rules the director may adopt to establish criteria for  
34 noncontiguous premises.

35           27. "Registered mail" includes certified mail.

36           28. "Registered retail agent" means any person who is authorized  
37 pursuant to section 4-222 to purchase spirituous liquors for and on behalf of  
38 himself and other retail licensees.

39           29. "Repeated acts of violence" means two or more acts of violence  
40 occurring within seven days, three or more acts of violence occurring within  
41 thirty days or acts of violence occurring with any other similar frequency  
42 which the director determines to be unusual or deserving of review.

43           30. "Sell" includes soliciting or receiving an order for, keeping or  
44 exposing for sale, directly or indirectly delivering for value, peddling,  
45 keeping with intent to sell and trafficking in.

1           31. "Spirituous liquor" includes alcohol, brandy, whiskey, rum,  
2           tequila, mescal, gin, wine, porter, ale, beer, any malt liquor or malt  
3           beverage, absinthe, a compound or mixture of any of them or of any of them  
4           with any vegetable or other substance, alcohol bitters, bitters containing  
5           alcohol, any liquid mixture or preparation, whether patented or otherwise,  
6           which produces intoxication, fruits preserved in ardent spirits, and  
7           beverages containing more than one-half of one per cent of alcohol by volume.

8           32. "Vehicle" means any means of transportation by land, water or air,  
9           and includes everything made use of in any way for such transportation.

10          33. "Vending machine" means a machine that dispenses merchandise  
11          through the means of coin, token, credit card or other nonpersonal means of  
12          accepting payment for merchandise received.

13          34. "Veteran" means a person who has served in the United States air  
14          force, army, navy, marine corps or coast guard, as an active nurse in the  
15          services of the American red cross, in the army and navy nurse corps in time  
16          of war, or in any expedition of the armed forces of the United States, and  
17          who has received a discharge other than dishonorable.

18          35. "Voting security" means any security presently entitling the owner  
19          or holder of the security to vote for the election of directors of an  
20          applicant, licensee or controlling person.

21          36. "Wine" means the product obtained by the fermentation of grapes or  
22          other agricultural products containing natural or added sugar or any such  
23          alcoholic beverage fortified with grape brandy and containing not more than  
24          twenty-four per cent of alcohol by volume.

25          Sec. 2. Section 4-203, Arizona Revised Statutes, is amended to read:  
26          4-203. Licenses; issuance; transfer; reversion to state

27          A. A spirituous liquor license shall be issued only after satisfactory  
28          showing of the capability, qualifications and reliability of the applicant  
29          and, with the exception of wholesaler, producer, government or club  
30          licensees, that the public convenience requires and that the best interest of  
31          the community will be substantially served by the issuance. If an  
32          application is filed for the issuance of a nontransferable license, other  
33          than for a microbrewery license or a ~~domestic~~ farm winery license, for a  
34          location that on the date the application is filed has a valid license of the  
35          same series issued at that location, there shall be a rebuttable presumption  
36          that the public convenience and best interest of the community at that  
37          location was established at the time the location was previously licensed.  
38          The presumption may be rebutted by competent contrary evidence. The  
39          presumption shall not apply once the licensed location has not been in use  
40          for more than one hundred eighty days and the presumption shall not extend to  
41          the personal qualifications of the applicant.

42          B. The license shall be to manufacture, sell or deal in spirituous  
43          liquors only at the place and in the manner provided in the license. A  
44          separate license shall be issued for each specific business, and each shall  
45          specify:

1           1. The particular spirituous liquors that the licensee is authorized  
2 to manufacture, sell or deal in.  
3           2. The place of business for which issued.  
4           3. The purpose for which the liquors may be manufactured or sold.  
5           C. A spirituous liquor license issued to a bar, a liquor store or a  
6 beer and wine bar shall be transferable as to any permitted location within  
7 the same county, provided such transfer meets the requirements of an original  
8 application. ~~Such~~ A spirituous liquor license may be transferred to a person  
9 qualified to be a licensee, provided such transfer is pursuant to either  
10 judicial decree, nonjudicial foreclosure of a legal or equitable lien,  
11 including security interests held by financial institutions pursuant to  
12 section ~~4-204~~ 4-205.05, a sale of the license, a bona fide sale of the entire  
13 business and stock in trade, or such other bona fide transactions as may be  
14 provided for by rule. Any change in ownership of the business of a licensee,  
15 directly or indirectly, as defined by rule is deemed a transfer.  
16           D. All applications for a new license pursuant to section 4-201 or for  
17 a transfer to a new location pursuant to subsection C of this section shall  
18 be filed with and determined by the director, except when the governing body  
19 of the city or town or the board of supervisors receiving ~~such~~ AN application  
20 pursuant to section 4-201 orders disapproval of ~~such~~ THE application or makes  
21 no recommendation or when the director, the state liquor board or any  
22 aggrieved party requests a hearing. ~~Such~~ THE application shall then be  
23 presented to the state liquor board, and the new license or transfer shall  
24 not become effective unless approved by the state liquor board.  
25           E. A person who assigns, surrenders, transfers or sells control of a  
26 liquor license or business ~~which~~ THAT has a spirituous liquor license shall  
27 notify the director within thirty business days after the assignment,  
28 surrender, transfer or sale. No spirituous liquor license shall be leased or  
29 subleased. A concession agreement entered into under section 4-205.03 is not  
30 considered a lease or sublease in violation of this section.  
31           F. If a person other than those persons originally licensed acquires  
32 control over a license or licensee, the person shall file notice of the  
33 acquisition with the director within thirty business days after ~~such~~ THE  
34 acquisition of control and a list of officers, directors or other controlling  
35 persons on a form prescribed by the director. All officers, directors or  
36 other controlling persons shall meet the qualifications for licensure as  
37 prescribed by this title. On request, the director shall conduct a  
38 preinvestigation before the assignment, sale or transfer of control of a  
39 license or licensee, the reasonable costs of which, not to exceed one  
40 thousand dollars, shall be borne by the applicant. The preinvestigation  
41 shall determine whether the qualifications for licensure as prescribed by  
42 this title are met. On receipt of notice of an acquisition of control or  
43 request of a preinvestigation, the director shall forward the notice within  
44 fifteen days to the local governing body of the city or town, if the licensed  
45 premises is in an incorporated area, or the county, if the licensed premises

1 is in an unincorporated area. The local governing body of the city, town or  
2 county may protest the acquisition of control within sixty days based on the  
3 capability, reliability and qualification of the person acquiring control.  
4 If the director does not receive any protests, the director may protest the  
5 acquisition of control or approve the acquisition of control based on the  
6 capability, reliability and qualification of the person acquiring control.  
7 Any protest shall be set for a hearing before the board. Any transfer shall  
8 be approved or disapproved within one hundred five days of the filing of the  
9 notice of acquisition of control. The person who has acquired control of a  
10 license or licensee has the burden of an original application at the hearing,  
11 and the board shall make its determination pursuant to section 4-202 and this  
12 section with respect to capability, reliability and qualification.

13 G. A licensee who holds a license in nonuse status for more than five  
14 months shall be required to pay a one hundred dollar surcharge for each month  
15 thereafter. The surcharge shall be paid at the time the license is returned  
16 to active status. A license automatically reverts to the state after being  
17 held in continuous nonuse in excess of thirty-six months. The director may  
18 waive the surcharge and may extend the time period provided in this  
19 subsection for good cause. A license shall not be deemed to have gone into  
20 active status if the license is transferred to a location that at the time of  
21 or immediately before the transfer had an active license of the same type,  
22 unless the licenses are under common ownership or control.

23 H. A restructuring of a licensee's business is an acquisition of  
24 control pursuant to subsection F of this section and is a transfer of a  
25 spirituous liquor license and not the issuance of a new spirituous liquor  
26 license if both of the following apply:

27 1. All of the controlling persons of the licensee and the new business  
28 entity are identical.

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

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

35 J. Notwithstanding subsection B of this section, the holder of a  
36 retail license having off-sale privileges may deliver spirituous liquor off  
37 of the licensed premises in connection with the sale of spirituous liquor.  
38 The licensee may maintain a delivery service and shall be liable for any  
39 violation committed in connection with any sale or delivery of spirituous  
40 liquor, provided that such delivery is made by an employee who is at least  
41 twenty-one years of age. The retail licensee shall collect payment for the  
42 price of the spirituous liquor no later than at the time of delivery. The  
43 director shall adopt rules that set operational limits for the delivery of  
44 spirituous liquors by the holder of a retail license having off-sale  
45 privileges. For the purposes of this subsection, an independent contractor

1 or the employee of an independent contractor is deemed to be an employee of  
2 the licensee when making a sale or delivery of spirituous liquor for the  
3 licensee.

4 K. Except as provided in subsection J of this section, Arizona  
5 licensees may transport spirituous liquors for themselves in vehicles owned,  
6 leased or rented by such licensee.

7 L. Notwithstanding subsection B of this section, an off-sale retail  
8 licensee may provide consumer tasting of wines off of the licensed premises.

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

12 N. Failure to pay any surcharge prescribed by subsection G of this  
13 section or failure to report the period of nonuse of a license shall be  
14 grounds for revocation of the license or grounds for any other sanction  
15 provided by this title. The director may consider extenuating circumstances  
16 if control of the license is acquired by another party in determining whether  
17 or not to impose any sanctions under this subsection.

18 O. If a licensed location has not been in use for two years, the  
19 location must requalify for a license pursuant to subsection A of this  
20 section and shall meet the same qualifications required for issuance of a new  
21 license except when the director deems that the nonuse of the location was  
22 due to circumstances beyond the licensee's control.

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

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

30 Sec. 3. Section 4-203.03, Arizona Revised Statutes, is amended to  
31 read:

32 4-203.03. Wine festival license; wine fair license; fee

33 A. The director, subject to the approval of the board of supervisors  
34 for events to be held in an unincorporated area or the governing body of a  
35 city or town for events to be held in a city or town, may issue up to  
36 twenty-five wine festival licenses for each calendar year for each licensed  
37 ~~domestic~~ farm winery, for up to a total of seventy-five calendar days per  
38 winery, authorizing sampling of ~~domestic~~ farm winery products on the wine  
39 festival premises, the sale of ~~such~~ THE products for consumption on the wine  
40 festival premises and the sale of ~~such~~ THE products in original containers  
41 for consumption off the wine festival premises. The fee for a ~~domestic~~ farm  
42 winery wine festival license is fifteen dollars for each event.

43 B. Any ~~domestic~~ farm winery may apply for a wine festival license  
44 pursuant to this section.

1 C. With the permission of the fair organizers, any ~~domestic~~ farm  
2 winery is authorized to allow sampling of ~~domestic~~ farm winery products on  
3 the fair premises, the sale of ~~such~~ THE products for consumption on the fair  
4 premises and the sale of ~~such~~ THE products in original containers for  
5 consumption off of the fair premises at any sanctioned county or state fair.  
6 The fee for a ~~domestic~~ farm winery fair license is fifteen dollars for each  
7 event.

8 D. Section 4-201 does not apply to the licenses provided for under  
9 this section.

10 Sec. 4. Section 4-205.04, Arizona Revised Statutes, is amended to  
11 read:

12 4-205.04. Farm winery license; issuance; regulatory provisions;  
13 retail site

14 A. The director may issue a ~~domestic~~ farm winery license to any person  
15 who meets the requirements of subsection C of this section. Each location  
16 that engages in producing and bottling these products must obtain a separate  
17 ~~domestic~~ farm winery license. The licensee may not transfer the ~~domestic~~  
18 farm winery license from person to person or from location to location.

19 B. An applicant for a ~~domestic~~ farm winery license, at the time of  
20 filing the application for the license, shall accompany the application with  
21 the license fee. Persons holding a ~~domestic~~ farm winery license shall report  
22 annually at the end of each fiscal year, at such time and in such manner as  
23 the director may prescribe, the amount of wine manufactured by them during  
24 the fiscal year. If the total amount of wine manufactured during the year  
25 exceeds the amount permitted annually by the license, the licensee shall  
26 apply for and receive a producer's license.

27 C. A person may be licensed as a ~~domestic~~ farm winery to sell wine  
28 produced or manufactured if in a calendar year it produces at least two  
29 hundred gallons and not more than forty thousand gallons of wine and may make  
30 sales and deliveries of wine only as specifically provided in this section  
31 and as follows:

32 1. A licensed ~~domestic~~ farm winery may make sales and deliveries of  
33 wine to wholesalers licensed to sell wine under this title.

34 2. A licensed ~~domestic~~ farm winery may serve wine produced or  
35 manufactured on the premises for the purpose of sampling the wine.

36 3. A representative of the licensed ~~domestic~~ farm winery may consume  
37 small amounts of the products of the licensed ~~domestic~~ farm winery for the  
38 purpose of sampling the wine.

39 4. A licensed ~~domestic~~ farm winery may sell to a consumer physically  
40 present on the premises wine produced or manufactured on the premises in the  
41 original container for consumption on or off the premises.

42 5. A licensed ~~domestic~~ farm winery may purchase and sell wine produced  
43 by another licensed ~~domestic~~ farm winery only if the retail sale is to a  
44 consumer physically present on the premises of the ~~domestic~~ farm winery.

1           6. If the licensed ~~domestic~~ farm winery is not otherwise engaged in  
2 the business of a distiller, vintner, brewer, rectifier, blender or other  
3 producer of spirituous liquor in any jurisdiction, the licensed ~~domestic~~ farm  
4 winery may hold licenses prescribed in section 4-209, subsection B,  
5 ~~paragraphs 7, 10 and~~ PARAGRAPH 12 on the licensed ~~domestic~~ farm winery  
6 premises or other retail premises. The licensed ~~domestic~~ farm winery shall  
7 purchase all OTHER spirituous liquor for sale at the ~~other~~ on-sale retail  
8 premises from wholesalers ~~who~~ THAT are licensed in this state, except that a  
9 licensed ~~domestic~~ farm winery may:

10           (a) Purchase wine from other ~~domestic~~ farm wineries pursuant to  
11 paragraph 7 of this subsection.

12           (b) Make deliveries of the wine that the ~~domestic~~ farm winery produces  
13 to the ~~domestic~~ farm winery's own commonly controlled retail licensed  
14 premises.

15           7. A licensed ~~domestic~~ farm winery that produces not more than twenty  
16 thousand gallons of wine in a calendar year may make sales and deliveries of  
17 the wine that the licensed ~~domestic~~ farm winery produces to on-sale and  
18 off-sale retailers.

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

22           9. A licensed ~~domestic~~ farm winery that produces not more than twenty  
23 thousand gallons of wine in a calendar year may make sales and deliveries of  
24 wine that the licensed ~~domestic~~ farm winery produces to consumers off of the  
25 licensed premises and that is ordered by telephone, mail, fax or catalogue,  
26 through the internet or by other means if all of the following apply:

27           (a) The purchaser of the wine provided the licensed ~~domestic~~ farm  
28 winery with verification of the purchaser's legal age to purchase alcohol.

29           (b) The shipping container in which the wine is shipped is marked to  
30 require the signature on delivery of an adult who is of legal age to purchase  
31 alcohol and delivery confirmation.

32           (c) The wine is for personal use only and not for resale.

33           (d) The wine is shipped to a residential or business address other  
34 than a premises licensed pursuant to this title.

35           (e) The purchaser could have carried the wine lawfully into or within  
36 this state.

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

39           (g) The ~~domestic~~ farm winery shall collect payment for the price of  
40 the spirituous liquor no later than at the time of delivery.

41           10. A licensed ~~domestic~~ farm winery may make sales and deliveries as  
42 expressly permitted by sections 4-203.03, 4-203.04 and 4-244.04.

43           D. The ~~domestic~~ farm winery is liable for any violation committed in  
44 connection with any sale or delivery of the wine. The rules adopted by the  
45 director pursuant to section 4-203, subsection J shall apply to the delivery

1 of wine under subsection C, paragraph 9 of this section. An act or omission  
2 of any person who makes a sale or delivery of wine for a licensee under  
3 subsection C, paragraph 9 of this section is deemed to be an act or omission  
4 of the licensee for the purposes of section 4-210, subsection A, paragraph 9.

5 E. A ~~domestic~~ farm winery that sells or delivers wine pursuant to this  
6 section shall:

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

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

11 F. A delivery of wine by a ~~domestic~~ farm winery to a purchaser in this  
12 state is a transaction deemed to have occurred in this state.

13 G. The director shall adopt rules in order to administer this section.

14 Sec. 5. Section 4-205.08, Arizona Revised Statutes, is amended to  
15 read:

16 4-205.08. Microbrewery license; issuance; regulatory  
17 provisions; retail site

18 A. The director may issue a ~~domestic~~ microbrewery license to any  
19 ~~domestic~~ microbrewery. Each location that engages in producing and bottling  
20 these products must obtain a separate ~~domestic~~ microbrewery license. The  
21 licensee may not transfer the ~~domestic~~ microbrewery license from person to  
22 person or from location to location.

23 B. An applicant for a ~~domestic~~ microbrewery license, at the time of  
24 filing the application for the license, shall accompany the application with  
25 the license fee. Persons holding a ~~domestic~~ microbrewery license shall  
26 report annually at the end of each calendar year, at such time and in such  
27 manner as the director may prescribe, the amount of beer manufactured by them  
28 during the calendar year and the amount delivered pursuant to subsection D,  
29 paragraph 5, subdivision (b) **OF THIS SECTION**. If the total amount of beer  
30 manufactured or delivered during the calendar year exceeds the amount  
31 permitted annually by the license, the licensee shall apply for and receive a  
32 producer's license.

33 C. Notwithstanding any other statute, a licensed ~~domestic~~ microbrewery  
34 may:

35 1. Sell beer produced or manufactured on the premises for consumption  
36 on or off the premises.

37 2. Make sales and deliveries of beer to persons licensed to sell beer  
38 under this title through wholesalers licensed under this title or as provided  
39 in subsection D, paragraph 5, subdivision (a) or (b) **OF THIS SECTION**.

40 3. Make sales and deliveries of beer to persons licensed to sell beer  
41 in another state if lawful under the laws of that state.

42 4. Serve beer produced or manufactured on the premises for the purpose  
43 of sampling the beer.

44 5. **PURCHASE AND SELL WINE PRODUCED BY A FARM WINERY AND BEER PRODUCED**  
45 **BY A MICROBREWERY FOR CONSUMPTION ON THE PREMISES. UNLESS OTHERWISE**

1 AUTHORIZED UNDER SECTION 4-205.04, SUBSECTION C, PARAGRAPH 7 OR IN SUBSECTION  
2 D, PARAGRAPH 5, SUBDIVISION (b) OR (c) OF THIS SECTION, THE MICROBREWERY  
3 SHALL PURCHASE WINE AND BEER SOLD UNDER THIS PARAGRAPH FROM A LICENSED  
4 WHOLESALER.

5 D. A licensed ~~domestic~~ microbrewery is subject to all of the following  
6 requirements:

7 1. The microbrewery shall produce not less than five thousand gallons  
8 of beer in each calendar year following the first year of operation.

9 2. The microbrewery shall not produce more than ~~one million two~~  
10 ~~hundred forty thousand gallons~~ TWO HUNDRED THOUSAND BARRELS of beer in a  
11 calendar year.

12 3. If retail operations are conducted in conjunction with the  
13 microbrewery, these retail operations shall be conducted from the same site  
14 as the location of the microbrewery.

15 4. The microbrewery may sell other spirituous liquor products if:

16 (a) The microbrewery holds an on-sale retail license.

17 (b) The retail sale of the spirituous liquor is on or adjacent to the  
18 premises of the microbrewery.

19 5. The microbrewery may make sales and deliveries of beer that it has  
20 produced to ~~both~~:

21 (a) Retail licensees that are under common ownership with the  
22 microbrewery in any amount.

23 (b) Other licensed retailers in an amount not to exceed ~~ninety-three~~  
24 ~~thousand gallons~~ THREE THOUSAND BARRELS in any calendar year.

25 (c) MICROBREWERIES THROUGH A LICENSED WHOLESALER UNLESS THE  
26 MICROBREWERY MAKING THE SALE OR DELIVERY DOES NOT OTHERWISE DISTRIBUTE  
27 THROUGH A LICENSED WHOLESALER PURSUANT TO SUBDIVISION (b) OF THIS PARAGRAPH.

28 E. A person who holds a ~~domestic~~ microbrewery license that meets the  
29 requirements of this section and who is not otherwise engaged in the business  
30 of a distiller, vintner, brewer, rectifier, blender or other producer of  
31 spirituous liquor in any jurisdiction may hold other on-sale retail licenses.  
32 Except as provided in subsection D, paragraph 5, subdivision (a) OF THIS  
33 SECTION, the person shall purchase all spirituous liquor for sale at the  
34 other on-sale retail premises from wholesalers ~~who~~ THAT are licensed in this  
35 state.

36 F. A ~~domestic~~ microbrewery that sells or delivers beer pursuant to  
37 this section shall:

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

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

42 G. A delivery of beer by a ~~domestic~~ microbrewery to a purchaser in  
43 this state is a transaction deemed to have occurred in this state.

44 H. The director shall adopt rules in order to administer this section.  
45

1           Sec. 6. Section 4-205.09, Arizona Revised Statutes, is amended to  
2 read:

3           4-205.09. Microbrewery and farm winery licenses on same land;  
4                                   requirements

5           A. The director may issue a ~~domestic~~ microbrewery license located on  
6 the same parcel of land as a ~~domestic~~ farm winery subject to the following  
7 conditions:

8           1. The licenses of the ~~domestic~~ microbrewery and the ~~domestic~~ farm  
9 winery shall be held by different persons.

10          2. The ~~domestic~~ microbrewery and the ~~domestic~~ farm winery shall be  
11 located in separate buildings that are licensed separately.

12          3. The ~~domestic~~ microbrewery and the ~~domestic~~ farm winery may share a  
13 common tasting room and indoor and outdoor premises for tasting and for  
14 consumption of microbrewery and farm winery products.

15          4. The ~~domestic~~ microbrewery and ~~domestic~~ farm winery shall each  
16 comply fully with all applicable requirements prescribed in ~~section~~ SECTIONS  
17 4-205.04 and ~~section~~ 4-205.08.

18          5. Persons who hold a ~~domestic~~ microbrewery license or a ~~domestic~~ farm  
19 winery license with combined premises under this section shall not hold any  
20 other license issued pursuant to this title.

21          B. A ~~domestic~~ microbrewery and a ~~domestic~~ farm winery that share a  
22 common tasting room and indoor and outdoor premises as provided in subsection  
23 A, paragraph 3 of this section may each be held liable for any violation of  
24 this title.

25           Sec. 7. Section 4-209, Arizona Revised Statutes, is amended to read:

26           4-209. Fees for license, application, issuance, renewal and  
27                                   transfer; late renewal penalty; seasonal operation;  
28                                   surcharges

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

1 license is renewed. A license that is not renewed within sixty days after  
2 the due date is deemed terminated. The director may renew the terminated  
3 license if good cause is shown by the licensee. An application fee for an  
4 original license or the transfer of a license shall be one hundred dollars,  
5 which shall be retained by this state.

6 B. Issuance fees for original licenses shall be:

7 1. For an in-state producer's license, to manufacture or produce  
8 spirituous liquor in this state, one thousand five hundred dollars.

9 2. Except as provided in paragraph 15 of this subsection, for an  
10 out-of-state producer's, exporter's, importer's or rectifier's license, two  
11 hundred dollars.

12 3. For a ~~domestic~~ microbrewery license, three hundred dollars.

13 4. For a wholesaler's license, to sell spirituous liquors, one  
14 thousand five hundred dollars.

15 5. For a government license issued in the name of a county, city,  
16 town, community college or state university or THE national guard, one  
17 hundred dollars.

18 6. For a bar license, which is an on-sale retailer's license to sell  
19 all spirituous liquors primarily by individual portions and in the original  
20 containers, one thousand five hundred dollars.

21 7. For a beer and wine bar license, which is an on-sale retailer's  
22 license to sell beer and wine primarily by individual portions and in the  
23 original containers, one thousand five hundred dollars.

24 8. For a conveyance license issued to an operating railroad company,  
25 to sell all spirituous liquors in individual portions or in the original  
26 containers on all passenger trains operated by the railroad company, or to an  
27 operating airline company, to sell or serve spirituous liquors solely in  
28 individual portions on all passenger planes operated by the airline company,  
29 or to a boat operating in the waters of this state, to sell all spirituous  
30 liquors in individual portions or in the original containers for consumption  
31 on the boat, one thousand five hundred dollars.

32 9. For a liquor store license, which is an off-sale retailer's license  
33 to sell all spirituous liquors, one thousand five hundred dollars.

34 10. For a beer and wine store license, which is an off-sale retailer's  
35 license to sell beer and wine, one thousand five hundred dollars.

36 11. For a hotel-motel license issued as such, to sell and serve  
37 spirituous liquors solely for consumption on the licensed premises of the  
38 hotel or motel, one thousand five hundred dollars.

39 12. For a restaurant license issued as such, to sell and serve  
40 spirituous liquors solely for consumption on the licensed premises of the  
41 restaurant, one thousand five hundred dollars.

42 13. For a ~~domestic~~ farm winery license, one hundred dollars.

43 14. For a club license issued in the name of a bona fide club qualified  
44 under this title to sell all spirituous liquors on-sale, one thousand  
45 dollars.

1           15. For an out-of-state winery that sells not more than fifty cases of  
2 wine in this state in a calendar year, twenty-five dollars.

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

9           D. The annual fees for licenses shall be:

10          1. For an in-state producer's license, to manufacture or produce  
11 spirituous liquors in this state, three hundred fifty dollars.

12          2. Except as provided in paragraph 15 of this subsection, for an  
13 out-of-state producer's, exporter's, importer's or rectifier's license, fifty  
14 dollars.

15          3. For a ~~domestic~~ microbrewery license, three hundred dollars.

16          4. For a wholesaler's license, to sell spirituous liquors, two hundred  
17 fifty dollars.

18          5. For a government license issued to a county, city or town,  
19 community college or state university or the national guard, one hundred  
20 dollars.

21          6. For a bar license, which is an on-sale retailer's license to sell  
22 all spirituous liquors primarily by individual portions and in the original  
23 containers, one hundred fifty dollars.

24          7. For a beer and wine bar license, which is an on-sale retailer's  
25 license to sell beer and wine primarily by individual portions and in the  
26 original containers, seventy-five dollars.

27          8. For a conveyance license issued to an operating railroad company,  
28 to sell all spirituous liquors in individual portions or in the original  
29 containers on all passenger trains operated by the railroad company, or to an  
30 operating airline company, to sell or serve spirituous liquors solely in  
31 individual portions on all passenger planes operated by the airline company,  
32 or to a boat operating in the waters of this state, to sell all spirituous  
33 liquor in individual portions or in the original containers for consumption  
34 on the boat, two hundred twenty-five dollars.

35          9. For a liquor store license, which is an off-sale retailer's license  
36 to sell all spirituous liquors, fifty dollars.

37          10. For a beer and wine store license, which is an off-sale retailer's  
38 license to sell beer and wine, fifty dollars.

39          11. For a hotel-motel license issued as such, to sell and serve  
40 spirituous liquors solely for consumption on the licensed premises of the  
41 hotel or motel, five hundred dollars.

42          12. For a restaurant license issued as such, to sell and serve  
43 spirituous liquors solely for consumption on the licensed premises of the  
44 restaurant, five hundred dollars, and for a restaurant license that is  
45 permitted to continue operating as a restaurant pursuant to section 4-213,

1 subsection E, an additional amount established by the director. The  
2 department shall transfer this amount to the state treasurer for deposit in  
3 the state general fund.

4 13. For a ~~domestic~~ farm winery license, one hundred dollars.

5 14. For a club license issued in the name of a bona fide club qualified  
6 under this title to sell all spirituous liquors on-sale, one hundred fifty  
7 dollars.

8 15. For an out-of-state winery that sells not more than twenty-five  
9 cases of wine in this state in a calendar year, twenty-five dollars.

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

15 F. Transfer fees from person to person for licenses transferred  
16 pursuant to section 4-203, subsection C shall be three hundred dollars.

17 G. Transfer fees from location to location, as provided for in section  
18 4-203, shall be one hundred dollars.

19 H. Assignment fees for a change of agent, as provided for in section  
20 4-202, subsection C, shall be one hundred dollars, except that where a  
21 licensee holds multiple licenses the assignment fee for the first license  
22 shall be one hundred dollars and the assignment fee for all remaining  
23 licenses transferred to the same agent shall be fifty dollars each, except  
24 that the aggregate assignment fees shall in no event exceed one thousand  
25 dollars.

26 I. No fee shall be charged by the department for an assignment of a  
27 liquor license in probate or an assignment pursuant to the provisions of a  
28 will or pursuant to a judicial decree in a domestic relations proceeding  
29 which assigns ownership of a business which includes a spirituous liquor  
30 license to one of the parties in the proceeding. In the case of  
31 nontransferable licenses no fee shall be charged by the department for the  
32 issuance of a license for a licensed business pursuant to a transfer of the  
33 business in probate or pursuant to the provisions of a will or pursuant to a  
34 judicial decree in a domestic relations proceeding which assigns ownership of  
35 the business to one of the parties in the proceeding.

36 J. The director shall assess a surcharge of thirty dollars on all  
37 licenses prescribed in subsection D, paragraphs 6, 7 and 12 of this section.  
38 Monies from the surcharge shall be used by the department exclusively for the  
39 costs of an auditor and support staff to review compliance by applicants and  
40 licensees with the requirements of section 4-205.02, subsection E. The  
41 department shall assess the surcharge as part of the annual license renewal  
42 fee.

43 K. The director shall assess a surcharge of thirty-five dollars on all  
44 licenses prescribed in this section. Monies from the surcharge shall be used  
45 by the department exclusively for the costs of an enforcement program to

1 investigate licensees who have been the subject of multiple complaints to the  
2 department. The enforcement program shall respond to complaints against  
3 licensees by neighborhood associations, by neighborhood civic groups and from  
4 municipal and county governments. The department shall assess the surcharge  
5 as part of the annual license renewal fee.

6 L. The director shall assess a surcharge of twenty dollars on all  
7 licenses prescribed in subsection D, paragraphs 11 and 12 of this section and  
8 thirty-five dollars on all other licenses prescribed in this section. Monies  
9 from the surcharge and from surcharges imposed pursuant to subsection K of  
10 this section shall be used by the department exclusively for the costs of a  
11 neighborhood association interaction and liquor enforcement management unit.  
12 The unit shall respond to complaints from neighborhood associations,  
13 neighborhood civic groups and local governing authorities regarding liquor  
14 violations. The director shall report the unit's activities to the board at  
15 each board meeting or as the board may direct.

16 M. Licenses may be renewed every two years with payment of license  
17 fees that are twice the amount designated in subsection D of this section and  
18 other applicable fees. Licensees renewing every two years must comply with  
19 annual reporting requirements. The director may adopt reasonable rules to  
20 permit licensees to renew every two years.

21 Sec. 8. 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 from any wholesaler in this state unless the supplier is  
28 the primary source of supply for the brand of spirituous liquor sold or  
29 sought to be sold and is duly licensed by the board.

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

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

37 (a) A wholesaler ~~who~~ THAT has purchased the brand from the primary  
38 source of supply.

39 (b) A wholesaler ~~who~~ THAT is the designated representative of the  
40 primary source of supply in this state and ~~who~~ THAT has purchased such  
41 spirituous liquor from the designated representative of the primary source of  
42 supply within or without this state.

43 (c) A registered retail agent pursuant to section 4-101.

44 (d) A ~~domestic~~ farm winery licensed under section 4-205.04 and subject  
45 to the limitations prescribed in section 4-205.04, subsection C, paragraph 7.

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

2 B. All spirituous liquor shipped into this state shall be invoiced to  
3 the wholesaler by the primary source of supply. All spirituous liquor shall  
4 be unloaded and remain at the wholesaler's premises for at least twenty-four  
5 hours. A copy of each invoice shall be transmitted by the wholesaler and the  
6 primary source of supply to the department of revenue.

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

9 D. Upon determination by the department of revenue that a primary  
10 source of supply has violated this section, no wholesaler may accept any  
11 shipment of spirituous liquor from such primary source of supply for a period  
12 of one year.

13 E. For the purposes of this section:

14 1. "Primary source of supply" means the distiller, producer, owner of  
15 the commodity at the time it becomes a marketable product, bottler or  
16 exclusive agent of any such distributor or owner. In the case of imported  
17 products, the primary source of supply means either the foreign producer,  
18 owner, bottler or agent or the prime importer from, or the exclusive agent  
19 in, the United States of the foreign distiller, producer, bottler or owner.

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

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

25 4-244. Unlawful acts

26 It is unlawful:

27 1. For a person to buy for resale, sell or deal in spirituous liquors  
28 in this state without first having procured a license duly issued by the  
29 board.

30 2. For a person to sell or deal in alcohol for beverage purposes  
31 without first complying with this title.

32 3. For a distiller, vintner, brewer or wholesaler knowingly to sell,  
33 dispose of or give spirituous liquor to any person other than a licensee  
34 except in sampling wares as may be necessary in the ordinary course of  
35 business, except in donating spirituous liquor to a nonprofit organization  
36 which has obtained a special event license for the purpose of charitable fund  
37 raising activities or except in donating spirituous liquor with a cost to the  
38 distiller, brewer or wholesaler of up to five hundred dollars in a calendar  
39 year to an organization that is exempt from federal income taxes under  
40 section 501(c) (3), (4), (6) or (7) of the internal revenue code and not  
41 licensed under this title.

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

1           5. For a distiller, vintner or brewer to use a vehicle for trucking or  
2 transportation of spirituous liquors unless there is affixed to both sides of  
3 the vehicle a sign showing the name and address of the licensee and the type  
4 and number of the person's license in letters not less than three and  
5 one-half inches in height.

6           6. For a person to take or solicit orders for spirituous liquors  
7 unless the person is a salesman or solicitor of a licensed wholesaler, a  
8 salesman or solicitor of a distiller, brewer, vintner, importer or broker or  
9 a registered retail agent.

10          7. For any retail licensee to purchase spirituous liquors from any  
11 person other than a solicitor or salesman of a wholesaler licensed in this  
12 state.

13          8. For a retailer to acquire an interest in property owned, occupied  
14 or used by a wholesaler in ~~his~~ THE WHOLESALER'S business, or in a license  
15 with respect to the premises of the wholesaler.

16          9. Except as provided in paragraphs 10 and 11 of this section, for a  
17 licensee or other person to sell, furnish, dispose of or give, or cause to be  
18 sold, furnished, disposed of or given, to a person under the legal drinking  
19 age or for a person under the legal drinking age to buy, receive, have in the  
20 person's possession or consume spirituous liquor. This paragraph shall not  
21 prohibit the employment by an off-sale retailer of persons who are at least  
22 sixteen years of age to check out, if supervised by a person on the premises  
23 who is at least nineteen years of age, package or carry merchandise,  
24 including spirituous liquor, in unbroken packages, for the convenience of the  
25 customer of the employer, if the employer sells primarily merchandise other  
26 than spirituous liquor.

27          10. For a licensee to employ a person under nineteen years of age to  
28 manufacture, sell or dispose of spirituous liquors. This paragraph shall not  
29 prohibit the employment by an off-sale retailer of persons who are at least  
30 sixteen years of age to check out, if supervised by a person on the premises  
31 who is at least nineteen years of age, package or carry merchandise,  
32 including spirituous liquor, in unbroken packages, for the convenience of the  
33 customer of the employer, if the employer sells primarily merchandise other  
34 than spirituous liquor.

35          11. For an on-sale retailer to employ a person under nineteen years of  
36 age in any capacity connected with the handling of spirituous liquors. This  
37 paragraph does not prohibit the employment by an on-sale retailer of a person  
38 under nineteen years of age who cleans up the tables on the premises for  
39 reuse, removes dirty dishes, keeps a ready supply of needed items and helps  
40 clean up the premises.

41          12. For a licensee, when engaged in waiting on or serving customers, to  
42 consume spirituous liquor or for a licensee or on-duty employee to be on or  
43 about the licensed premises while in an intoxicated or disorderly condition.

44          13. For an employee of a retail licensee, during that employee's  
45 working hours or in connection with such employment, to give to or purchase

1 for any other person, accept a gift of, purchase for himself or consume  
2 spirituous liquor, except that:

3 (a) An employee of a licensee, during that employee's working hours or  
4 in connection with the employment, while the employee is not engaged in  
5 waiting on or serving customers, may give spirituous liquor to or purchase  
6 spirituous liquor for any other person.

7 (b) An employee of an on-sale retail licensee, during that employee's  
8 working hours or in connection with the employment, while the employee is not  
9 engaged in waiting on or serving customers, may taste samples of beer or wine  
10 not to exceed four ounces per day or distilled spirits not to exceed two  
11 ounces per day provided by an employee of a wholesaler or distributor who is  
12 present at the time of the sampling.

13 (c) An employee of an on-sale retail licensee, under the supervision  
14 of a manager as part of the employee's training and education, while not  
15 engaged in waiting on or serving customers may taste samples of distilled  
16 spirits not to exceed two ounces per educational session or beer or wine not  
17 to exceed four ounces per educational session, and provided that a licensee  
18 shall not have more than two educational sessions in any thirty day period.

19 (d) An unpaid volunteer who is a bona fide member of a club and who is  
20 not engaged in waiting on or serving spirituous liquor to customers may  
21 purchase for himself and consume spirituous liquor while participating in a  
22 scheduled event at the club. An unpaid participant in a food competition may  
23 purchase for himself and consume spirituous liquor while participating in the  
24 food competition.

25 (e) An unpaid volunteer of a special event licensee under section  
26 4-203.02 may purchase and consume spirituous liquor while not engaged in  
27 waiting on or serving spirituous liquor to customers at the special event.  
28 This subdivision does not apply to an unpaid volunteer whose responsibilities  
29 include verification of a person's legal drinking age, security or the  
30 operation of any vehicle or heavy machinery.

31 14. For a licensee or other person to serve, sell or furnish spirituous  
32 liquor to a disorderly or obviously intoxicated person, or for a licensee or  
33 employee of the licensee to allow or permit a disorderly or obviously  
34 intoxicated person to come into or remain on or about the premises, except  
35 that a licensee or an employee of the licensee may allow an obviously  
36 intoxicated person to remain on the premises for a period of time of not to  
37 exceed thirty minutes after the state of obvious intoxication is known or  
38 should be known to the licensee in order that a nonintoxicated person may  
39 transport the obviously intoxicated person from the premises. For the  
40 purposes of this section, "obviously intoxicated" means inebriated to the  
41 extent that a person's physical faculties are substantially impaired and the  
42 impairment is shown by significantly uncoordinated physical action or  
43 significant physical dysfunction that would have been obvious to a reasonable  
44 person.

1           15. For an on-sale or off-sale retailer or an employee of such retailer  
2 to sell, dispose of, deliver or give spirituous liquor to a person between  
3 the hours of 2:00 a.m. and 6:00 a.m.

4           16. For a licensee or employee to knowingly permit any person on or  
5 about the licensed premises to give or furnish any spirituous liquor to any  
6 person under twenty-one years of age or knowingly permit any person under  
7 twenty-one years of age to have in the person's possession spirituous liquor  
8 on the licensed premises.

9           17. For an on-sale retailer or an employee of such retailer to allow a  
10 person to consume or possess spirituous liquors on the premises between the  
11 hours of 2:30 a.m. and 6:00 a.m.

12           18. For an on-sale retailer to permit an employee or for an employee to  
13 solicit or encourage others, directly or indirectly, to buy the employee  
14 drinks or anything of value in the licensed premises during the employee's  
15 working hours. No on-sale retailer shall serve employees or allow a patron  
16 of the establishment to give spirituous liquor to, purchase liquor for or  
17 drink liquor with any employee during the employee's working hours.

18           19. For an off-sale retailer or employee to sell spirituous liquor  
19 except in the original unbroken container, to permit spirituous liquor to be  
20 consumed on the premises or to knowingly permit spirituous liquor to be  
21 consumed on adjacent property under the licensee's exclusive control.

22           20. For a person to consume spirituous liquor in a public place,  
23 thoroughfare or gathering. The license of a licensee permitting a violation  
24 of this paragraph on the premises shall be subject to revocation. This  
25 paragraph does not apply to the sale of spirituous liquors on the premises of  
26 and by an on-sale retailer. This paragraph also does not apply to a person  
27 consuming beer from a broken package in a public recreation area or on  
28 private property with permission of the owner or lessor or on the walkways  
29 surrounding such private property or to a person consuming beer or wine from  
30 a broken package in a public recreation area as part of a special event or  
31 festival that is conducted under a license secured pursuant to section  
32 4-203.02 or 4-203.03.

33           21. For a person to have possession of or to transport spirituous  
34 liquor which is manufactured in a distillery, winery, brewery or rectifying  
35 plant contrary to the laws of the United States and this state. Any property  
36 used in transporting such spirituous liquor shall be forfeited to the state  
37 and shall be seized and disposed of as provided in section 4-221.

38           22. For an on-sale retailer or employee to allow a person under the  
39 legal drinking age to remain in an area on the licensed premises during those  
40 hours in which its primary use is the sale, dispensing or consumption of  
41 alcoholic beverages after the licensee, or the licensee's employees, know or  
42 should have known that the person is under the legal drinking age. An  
43 on-sale retailer may designate an area of the licensed premises as an area in  
44 which spirituous liquor will not be sold or consumed for the purpose of  
45 allowing underage persons on the premises if the designated area is separated

1 by a physical barrier and at no time will underage persons have access to the  
2 area in which spirituous liquor is sold or consumed. A licensee or an  
3 employee of a licensee may require a person who intends to enter a licensed  
4 premises or a portion of a licensed premises where persons under the legal  
5 drinking age are prohibited under this section to exhibit a written  
6 instrument of identification that is acceptable under section 4-241 as a  
7 condition of entry. The director, or a municipality, may adopt rules to  
8 regulate the presence of underage persons on licensed premises provided the  
9 rules adopted by a municipality are more stringent than those adopted by the  
10 director. The rules adopted by the municipality shall be adopted by local  
11 ordinance and shall not interfere with the licensee's ability to comply with  
12 this paragraph. This paragraph does not apply:

13 (a) If the person under the legal drinking age is accompanied by a  
14 spouse, parent or legal guardian of legal drinking age or is an on-duty  
15 employee of the licensee.

16 (b) If the owner, lessee or occupant of the premises is a club as  
17 defined in section 4-101, paragraph 7, subdivision (a) and the person under  
18 the legal drinking age is any of the following:

19 (i) An active duty military service member.

20 (ii) A veteran.

21 (iii) A member of the United States army national guard or the United  
22 States air national guard.

23 (iv) A member of the United States military reserve forces.

24 (c) To the area of the premises used primarily for the serving of food  
25 during the hours when food is served.

26 23. For an on-sale retailer or employee to conduct drinking contests,  
27 to sell or deliver to a person an unlimited number of spirituous liquor  
28 beverages during any set period of time for a fixed price, to deliver more  
29 than forty ounces of beer, one liter of wine or four ounces of distilled  
30 spirits in any spirituous liquor drink to one person at one time for that  
31 person's consumption or to advertise any practice prohibited by this  
32 paragraph. The provisions of this paragraph do not prohibit an on-sale  
33 retailer or employee from selling and delivering an opened, original  
34 container of distilled spirits if:

35 (a) Service or pouring of the spirituous liquor is provided by an  
36 employee of the on-sale retailer.

37 (b) The employee of the on-sale retailer monitors consumption to  
38 ensure compliance with this paragraph. Locking devices may be used, but are  
39 not required.

40 24. For a licensee or employee to knowingly permit the unlawful  
41 possession, use, sale or offer for sale of narcotics, dangerous drugs or  
42 marijuana on the premises. As used in this paragraph, "dangerous drug" has  
43 the same meaning prescribed in section 13-3401.

44 25. For a licensee or employee to knowingly permit prostitution or the  
45 solicitation of prostitution on the premises.

1           26. For a licensee or employee to knowingly permit unlawful gambling on  
2 the premises.

3           27. For a licensee or employee to knowingly permit trafficking or  
4 attempted trafficking in stolen property on the premises.

5           28. For a licensee or employee to fail or refuse to make the premises  
6 or records available for inspection and examination as provided in this title  
7 or to comply with a lawful subpoena issued under this title.

8           29. For any person other than a peace officer or a member of a  
9 sheriff's volunteer posse while on duty who has received firearms training  
10 that is approved by the Arizona peace officer standards and training board,  
11 the licensee or an employee of the licensee acting with the permission of the  
12 licensee to be in possession of a firearm while on the licensed premises of  
13 an on-sale retailer. This paragraph shall not be construed to include a  
14 situation in which a person is on licensed premises for a limited time in  
15 order to seek emergency aid and such person does not buy, receive, consume or  
16 possess spirituous liquor. This paragraph shall not apply to:

17           (a) Hotel or motel guest room accommodations.

18           (b) The exhibition or display of a firearm in conjunction with a  
19 meeting, show, class or similar event.

20           (c) A person with a permit issued pursuant to section 13-3112 who  
21 carries a concealed handgun on the licensed premises of any on-sale retailer  
22 that has not posted a notice pursuant to section 4-229.

23           30. For a licensee or employee to knowingly permit a person in  
24 possession of a firearm other than a peace officer or a member of a sheriff's  
25 volunteer posse while on duty who has received firearms training that is  
26 approved by the Arizona peace officer standards and training board, the  
27 licensee or an employee of the licensee acting with the permission of the  
28 licensee to remain on the licensed premises or to serve, sell or furnish  
29 spirituous liquor to a person in possession of a firearm while on the  
30 licensed premises of an on-sale retailer. It shall be a defense to action  
31 under this paragraph if the licensee or employee requested assistance of a  
32 peace officer to remove such person. This paragraph shall not apply to:

33           (a) Hotel or motel guest room accommodations.

34           (b) The exhibition or display of a firearm in conjunction with a  
35 meeting, show, class or similar event.

36           (c) A person with a permit issued pursuant to section 13-3112 who  
37 carries a concealed handgun on the licensed premises of any on-sale retailer  
38 that has not posted a notice pursuant to section 4-229.

39           31. For any person in possession of a firearm while on the licensed  
40 premises of an on-sale retailer to consume spirituous liquor. This paragraph  
41 does not prohibit the consumption of small amounts of spirituous liquor by an  
42 undercover peace officer on assignment to investigate the licensed  
43 establishment.

1           32. For a licensee or employee to knowingly permit spirituous liquor to  
2 be removed from the licensed premises, except in the original unbroken  
3 package. This paragraph does not apply to any of the following:

4           (a) A person who removes a bottle of wine which has been partially  
5 consumed in conjunction with a purchased meal from licensed premises if a  
6 cork is inserted flush with the top of the bottle or the bottle is otherwise  
7 securely closed.

8           (b) A person who is in licensed premises that have noncontiguous  
9 portions that are separated by a public or private walkway or driveway and  
10 who takes spirituous liquor from one portion of the licensed premises across  
11 the public or private walkway or driveway directly to the other portion of  
12 the licensed premises.

13           (c) A bar, beer and wine bar, liquor store, beer and wine store or  
14 ~~domestic~~ microbrewery licensee who dispenses beer only in a clean ~~glass~~  
15 container APPROVED BY A NATIONAL SANITATION ORGANIZATION with a maximum  
16 capacity that does not exceed one gallon and not for consumption on the  
17 premises ~~as long as~~ IF:

18           (i) The licensee or the licensee's employee fills the container at the  
19 tap at the time of sale.

20           (ii) The container is sealed with a plastic adhesive and displays a  
21 government warning label.

22           (iii) The dispensing of that beer is not done through a drive-through  
23 or walk-up service window.

24 The department shall review the effects of this subdivision and submit a  
25 report by July 1, 2015 on the effects of this subdivision to the governor,  
26 the speaker of the house of representatives and the president of the senate.  
27 The department shall provide a copy of this report to the secretary of state.

28           33. For a person who is obviously intoxicated to buy or attempt to buy  
29 spirituous liquor from a licensee or employee of a licensee or to consume  
30 spirituous liquor on licensed premises.

31           34. For a person under twenty-one years of age to drive or be in  
32 physical control of a motor vehicle while there is any spirituous liquor in  
33 the person's body.

34           35. For a person under twenty-one years of age to operate or be in  
35 physical control of a motorized watercraft that is underway while there is  
36 any spirituous liquor in the person's body. For the purposes of this  
37 paragraph, "underway" has the same meaning prescribed in section 5-301.

38           36. For a licensee, manager, employee or controlling person to  
39 purposely induce a voter, by means of alcohol, to vote or abstain from voting  
40 for or against a particular candidate or issue on an election day.

41           37. For a licensee to fail to report an occurrence of an act of  
42 violence to either the department or a law enforcement agency.

43           38. For a licensee to use a vending machine for the purpose of  
44 dispensing spirituous liquor.

1           39. For a licensee to offer for sale a wine carrying a label including  
2 a reference to Arizona or any Arizona city, town or geographic location  
3 unless at least seventy-five per cent by volume of the grapes used in making  
4 the wine were grown in Arizona.

5           40. For a retailer to knowingly allow a customer to bring spirituous  
6 liquor onto the licensed premises, except that an on-sale retailer may allow  
7 a wine and food club to bring wine onto the premises for consumption by the  
8 club's members and guests of the club's members in conjunction with meals  
9 purchased at a meeting of the club that is conducted on the premises and that  
10 at least seven members attend. An on-sale retailer who allows wine and food  
11 clubs to bring wine onto its premises under this paragraph shall comply with  
12 all applicable provisions of this title and any rules adopted pursuant to  
13 this title to the same extent as if the on-sale retailer had sold the wine to  
14 the members of the club and their guests. For the purposes of this  
15 paragraph, "wine and food club" means an association that has more than  
16 twenty bona fide members paying at least six dollars per year in dues and  
17 that has been in existence for at least one year.

18           41. For a person under twenty-one years of age to have in the person's  
19 body any spirituous liquor. In a prosecution for a violation of this  
20 paragraph:

21           (a) Pursuant to section 4-249, it is a defense that the spirituous  
22 liquor was consumed in connection with the bona fide practice of a religious  
23 belief or as an integral part of a religious exercise and in a manner not  
24 dangerous to public health or safety.

25           (b) Pursuant to section 4-226, it is a defense that the spirituous  
26 liquor was consumed for a bona fide medicinal purpose and in a manner not  
27 dangerous to public health or safety.

28           42. For an employee of a licensee to accept any gratuity, compensation,  
29 remuneration or consideration of any kind to either:

30           (a) Permit a person who is under twenty-one years of age to enter any  
31 portion of the premises where that person is prohibited from entering  
32 pursuant to paragraph 22 of this section.

33           (b) Sell, furnish, dispose of or give spirituous liquor to a person  
34 who is under twenty-one years of age.

35           43. For a person to purchase, offer for sale or use any device, machine  
36 or process which mixes spirituous liquor with pure oxygen or another gas to  
37 produce a vaporized product for the purpose of consumption by inhalation.

38           44. For a retail licensee or an employee of a retail licensee to sell  
39 spirituous liquor to a person if the retail licensee or employee knows the  
40 person intends to resell the spirituous liquor.

41           45. Except as authorized by paragraph 32, subdivision (c) of this  
42 section, for a person to reuse a bottle or other container authorized for use  
43 by the laws of the United States or any agency of the United States for the  
44 packaging of distilled spirits or for a person to increase the original

1 contents or a portion of the original contents remaining in a liquor bottle  
2 or other authorized container by adding any substance.

3 Sec. 10. Section 4-244.04, Arizona Revised Statutes, is amended to  
4 read:

5 4-244.04. Farm winery sampling

6 Notwithstanding section 4-244, paragraphs 13 and 19, a representative  
7 of a licensed ~~domestic~~ farm winery may consume small amounts and may serve  
8 the products of the licensed ~~domestic~~ farm winery on the premises of an  
9 off-sale retailer or a retailer with off-sale privileges for the purpose of  
10 sampling the products of the ~~domestic~~ farm winery. The licensee of the  
11 ~~domestic~~ farm winery is liable for any violations of this title committed in  
12 connection with such sampling. The director shall regulate the manner of  
13 conducting such samplings to prevent abusive practices. The licensed  
14 retailer shall make sales of ~~domestic~~ farm winery products from the licensed  
15 retail premises.

16 Sec. 11. Section 42-3001, Arizona Revised Statutes, is amended to  
17 read:

18 42-3001. Definitions

19 In this chapter, unless the context otherwise requires:

20 1. "Affix" and "affixed" includes imprinting tax meter stamps on  
21 packages and individual containers as authorized by the department.

22 2. "Cider" means vinous liquor that is made from the normal alcoholic  
23 fermentation of the juice of sound, ripe apples, including flavored,  
24 sparkling and carbonated cider and cider made from condensed apple must, and  
25 that contains more than one-half of one per cent of alcohol by volume but not  
26 more than seven per cent of alcohol by volume.

27 3. "Cigar" means any roll of tobacco wrapped in leaf tobacco or in any  
28 substance containing tobacco other than any roll of tobacco that is a  
29 cigarette, as defined in paragraph 4, subdivision (b) of this section.

30 4. "Cigarette" means either of the following:

31 (a) Any roll of tobacco or any substitute for tobacco wrapped in paper  
32 or any substance not containing tobacco.

33 (b) Any roll of tobacco wrapped in any substance containing tobacco  
34 that, because of its appearance, the type of tobacco used in the filler or  
35 its packaging and labeling, is likely to be offered to or purchased by a  
36 consumer as a cigarette described in subdivision (a) of this paragraph. This  
37 subdivision shall be interpreted consistently with the classification  
38 guidelines established by the federal alcohol and tobacco tax and trade  
39 bureau.

40 5. "Cigarette distributor" means a distributor of cigarettes without  
41 stamps affixed as required by this article who is required to be licensed  
42 under section 42-3201. Cigarette distributor does not include a retailer or  
43 any person who holds a permit as a cigarette manufacturer, export warehouse  
44 proprietor or importer under 26 United States Code section 5712 if the person  
45 sells or distributes cigarettes in this state only to licensed cigarette

1 distributors or to another person who holds a permit under 26 United States  
2 Code section 5712 as an export warehouse proprietor or manufacturer.

3 6. "Cigarette importer" means a distributor who directly or indirectly  
4 imports into the United States a finished cigarette for sale or distribution  
5 and who is required to be licensed under section 42-3201.

6 7. "Cigarette manufacturer" means a distributor who manufactures,  
7 fabricates, assembles, processes or labels a finished cigarette and who is  
8 required to be licensed under section 42-3201.

9 8. "Consumer" means a person in this state who comes into possession  
10 of any luxury subject to the tax imposed by this chapter and who, on coming  
11 into possession of the luxury, is not a distributor intending to sell or  
12 distribute the luxury, retailer or wholesaler.

13 9. "Distributor" means any person who manufactures, produces, ships,  
14 transports or imports into this state or in any manner acquires or possesses  
15 for the purpose of making the first sale of the following:

16 (a) Cigarettes without stamps affixed as required by this article.

17 (b) Other tobacco products upon which the taxes have not been paid as  
18 required by this chapter.

19 ~~10. "Domestic farm winery" has the same meaning prescribed in section~~  
20 ~~4-101.~~

21 ~~11. "Domestic microbrewery" has the same meaning prescribed in section~~  
22 ~~4-101.~~

23 10. "FARM WINERY" HAS THE SAME MEANING PRESCRIBED IN SECTION 4-101.

24 ~~12.~~ 11. "First sale" means the initial sale or distribution in  
25 intrastate commerce or the initial use or consumption of cigarettes or other  
26 tobacco products.

27 ~~13.~~ 12. "Luxury" means any article, object or device upon which a tax  
28 is imposed under this chapter.

29 ~~14.~~ 13. "Malt liquor" means any liquid that contains more than  
30 one-half of one per cent alcohol by volume and that is made by the process of  
31 fermentation and not distillation of hops or grains, but not including:

32 (a) Liquids made by the process of distillation of such substances.

33 (b) Medicines that are unsuitable for beverage purposes.

34 14. "MICROBREWERY" HAS THE SAME MEANING PRESCRIBED IN SECTION 4-101.

35 15. "Person" means any individual, firm, partnership, joint venture,  
36 association, corporation, municipal corporation, estate, trust, club, society  
37 or other group or combination acting as a unit, and the plural as well as the  
38 singular number.

39 16. "Retailer" means any person ~~who~~ THAT comes into possession of any  
40 luxury subject to the taxes imposed by this chapter for the purpose of  
41 selling it for consumption and not for resale.

42 17. "Spirituous liquor" means any liquid that contains more than  
43 one-half of one per cent alcohol by volume, that is produced by distillation  
44 of any fermented substance and that is used or prepared for use as a

1 beverage. Spirituous liquor does not include medicines that are unsuitable  
2 for beverage purposes.

3 18. "Tobacco products" means all luxuries included in section 42-3052,  
4 paragraphs 5 through 9, ~~except that for the purposes of article 5.1 of this~~  
5 ~~chapter tobacco products has the same meaning prescribed in section 42-3221.~~

6 19. "Vinous liquor" means any liquid that contains more than one-half  
7 of one per cent alcohol by volume and that is made by the process of  
8 fermentation of grapes, berries, fruits, vegetables or other substances but  
9 does not include:

10 (a) Liquids in which hops or grains are used in the process of  
11 fermentation.

12 (b) Liquids made by the process of distillation of hops or grains.

13 (c) Medicines that are unsuitable for beverage purposes.

14 20. "Wholesaler" means a person ~~who~~ THAT sells any spirituous, vinous  
15 or malt liquor taxed under this chapter to retail dealers or for the purposes  
16 of resale only.

17 Sec. 12. Section 42-3355, Arizona Revised Statutes, is amended to  
18 read:

19 42-3355. Return and payment by farm wineries and microbreweries

20 A. Every ~~domestic~~ farm winery selling vinous liquor at retail or to a  
21 retail licensee pursuant to title 4, chapter 2 manufactured or produced on  
22 the premises or producer of vinous liquor that sells at retail pursuant to  
23 section 4-243.02 shall pay the tax under this chapter on all such liquor sold  
24 at retail or to a retail licensee within this state and add the amount of the  
25 tax to the sales price.

26 B. Every ~~domestic~~ microbrewery selling malt liquor at retail or to a  
27 retail licensee pursuant to title 4, chapter 2 manufactured or produced on  
28 the premises or a manufacturer of beer that sells at retail pursuant to  
29 section 4-243.02 shall pay the tax under this chapter on all ~~such liquor or~~  
30 malt liquor sold at retail or to a retail licensee within this state and add  
31 the amount of the tax to the sales price.

32 C. The ~~domestic~~ farm winery, manufacturer or ~~domestic~~ microbrewery  
33 shall pay the tax to the department monthly on or before the twentieth day of  
34 the month next succeeding the month in which the tax accrues.

35 D. On or before that date the ~~domestic~~ farm winery, manufacturer or  
36 ~~domestic~~ microbrewery shall prepare a sworn return for the month in which the  
37 tax accrues in the form prescribed by the department, showing:

38 1. The amount of liquors or beer sold in this state during the month  
39 in which the tax accrues.

40 2. The amount of tax for the period covered by the return.

41 3. Any other information that the department deems necessary for the  
42 proper administration of this chapter.

43 E. The ~~domestic~~ farm winery, manufacturer or ~~domestic~~ microbrewery  
44 shall deliver the return, together with a remittance of the amount of the tax  
45 due, to the department.

1 F. Any taxpayer who fails to pay the tax within ten days from the date  
2 upon which the payment becomes due is subject to and shall pay a penalty  
3 determined under section 42-1125, plus interest at the rate determined  
4 pursuant to section 42-1123 from the time the tax was due and payable until  
5 paid.

6 Sec. 13. Section 42-3356, Arizona Revised Statutes, is amended to  
7 read:

8 42-3356. Bonds required of farm wineries; exemption

9 A. Every ~~domestic~~ farm winery that makes deliveries pursuant to  
10 section 4-205.04, subsection C, paragraph 7 or 9 shall file with the  
11 department, in a form prescribed by the department, a bond or bonds, duly  
12 executed by the ~~domestic~~ farm winery as principal, and with a corporation  
13 duly authorized to execute and write bonds within this state as surety,  
14 payable to this state and conditioned on the payment of all taxes, penalties  
15 and other obligations of the ~~domestic~~ farm winery arising under this chapter  
16 and chapter 5 of this title.

17 B. The department shall fix the total amount of the bond or bonds  
18 required of the ~~domestic~~ farm winery and may increase or reduce the total  
19 amount at any time. In fixing the total amount, the department shall require  
20 a bond or bonds equivalent in total amount to twice the ~~domestic~~ farm  
21 winery's estimated monthly tax, ascertained in a manner deemed proper by the  
22 department. The total amount of the bond or bonds required of any ~~domestic~~  
23 farm winery shall not be less than five hundred dollars.

24 C. A ~~domestic~~ farm winery is exempt from the requirements of this  
25 section if the ~~domestic~~ farm winery has made timely payment of any taxes  
26 imposed by this chapter for the twelve consecutive months immediately  
27 preceding the current month.